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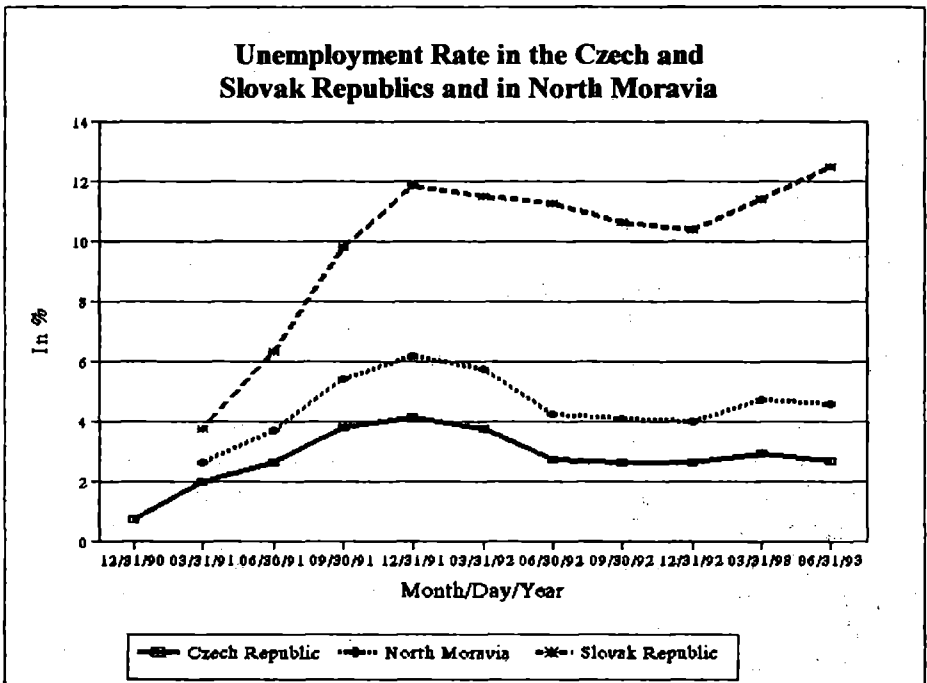
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PETR MAREŠ

SOME CHARACTERISTICS OF UNEMPLOYMENT IN CZECH REPUBLIC

The low level of unemployment is a characteristic feature of Czech Republic. The prognoses of the International Organization of Labour on a mass growth of unemployment in the post-Communist countries for the year of 1993 have not been fulfilled. The rate of unemployment maintains its unusually low level in the Czech Republic in 1993.

*Diagram No. 1: Unemployment Rate in the Czech and Slovak Republics
and in North Moravia*



This is the case despite the existence of the hidden unemployment that one cannot neglect. The primary surveys revealed that approximately one fourth of the unemployed is not registered at the Labor Offices and, therefore, the level of unemployment is about 1 point higher than officially stated on the basis of this registration. However, it is not only the low level of unemployment being characteristic in Czech Republic. The characteristic feature of its today's unemployment is also the low portion of the long-term unemployed. The unemployment is frictional to a great extent. A lot of the unemployed find a job soon. They find themselves between two jobs in a transient period. At present the long-term unemployment (over 12 months) affects only 10–15% of the unemployed in Czech Republic. The dynamics of economy in regard to privatisation brings the increase of working opportunities for the time being. This is the situation characteristic of the tertiary sector mainly. In average there are two applicants for one vacancy in Czech Republic while there are eight applicants for one working place in the most stricken districts.

It is not only the economic factors that caused this the low rate of unemployment. There are also some non-economical – social factors. Možný (1993) put an emphasis on one of these factors. „The new political elite inherited from old elite together with a ruined economy full of redundant employees and the nightmare of the break of social peace. The inherited nightmare of the risk of breaching social peace which ties the hands of Czech politicians and makes them bend over backwards to maintain full employment in whole society.“ By the way, Adam Michnik the editor-in-chief of the Polish *Gazeta Wyborcza* paper claimed recently (interview for the Slovak journal „Národná obroda“, November 22, 1993) that the prime minister Klaus combines two things in his politics – the extreme liberal rhetoric and the extreme socialistic political practice. „The same mechanism maintains full employment in a lot of particular enterprises. Any firms do not respond to their critical situation in sales by massive lay-offs. One of the ways in which new owners are trying to legitimize their rights is their paternalistic attitude and care for guaranteed employment rights for their workers.“ (Možný, 1993). One could predict it. A large part of the population has a paternalistic oriented values in Czech republic (Mareš et al.: 1991, 1992). A lot of people look to the state to take care of them.

There is yet another motive related to the effort of keeping a social peace in many factories. That is – the need for the management to form social coalitions with employees against new owners. The formations of these coalitions result from privatisation in the area where investment companies have become the owner of an enterprise. This is a hypothesis formulated on the basis of the experience of our research in some of the Czech factories. The management of many an enterprise itself suggested quite purposefully the privatisation of its own enterprises in this way. It was the management of rather large businesses that chose this strategy above all. Due to the high price of the businesses it was impossible to purchase them directly. The management applied its social and

cultural capital to enforce this way of privatisation. This being the case when the social and cultural capital was impossible to transform into a sufficient economic one to purchase the enterprise directly. On the basis of our research we can say that there are two basic situation. First, in the area where the privatisation was performed through the purchase of the enterprise (smaller, and therefore of lower price) by former managers social coalitions are created in rather a horizontal way among ordinary employees against top management. Second, in case they transform a large enterprise (therefore of too high price) into a stock company, social coalitions are created in a vertical way between management and employees against investment companies as new big owners. Their effort, coming from the management, is to maintain their real power against the new owners. Therefore, they need to keep social coalition in company with their employees. The price they pay for this is the necessity to guarantee some assurance of employment for employees (Mareš, 1993, Musil, Mareš, 1993).

The low level of unemployment in Czech Republic evokes two questions. First: Is today's low level of unemployment beneficial for our country? Second: Is this level possible to maintain? Let's try to answer the latter. Our response would be: *this low level of unemployment is not possible to keep up. What entitles us to put this hypothesis? Well, it is the structural features of unemployment in Czech republic (with the exception of the low portion of the long-term unemployed) which are identical to the unemployment in the countries of western Europe. Let's briefly mention some of the most important ones:*

- Until now the sector of services has absorbed the unemployed to a considerable extent. This sector was underdimensioned in Czech Republic before the year of 1990. The absorptive capability of this sector is not unexhaustible, of course.
- The labour market is being gradually and expressively segmented and the analogical social categories are directed to secondary market as in ES countries. The level of unemployment of some social categories is expressively increasing in comparison to other ones. The level of unemployment of women is higher as that of men, especially as far as single mothers are concerned. Besides women, who are that stricken, this increased level of unemployment also includes some other social categories considered to be „target groups“: mentally and physically handicapped persons, persons with no education and without qualifications, the young and members of ethnic groups.

Diagram No. 2: The Unemployment Rate by Education

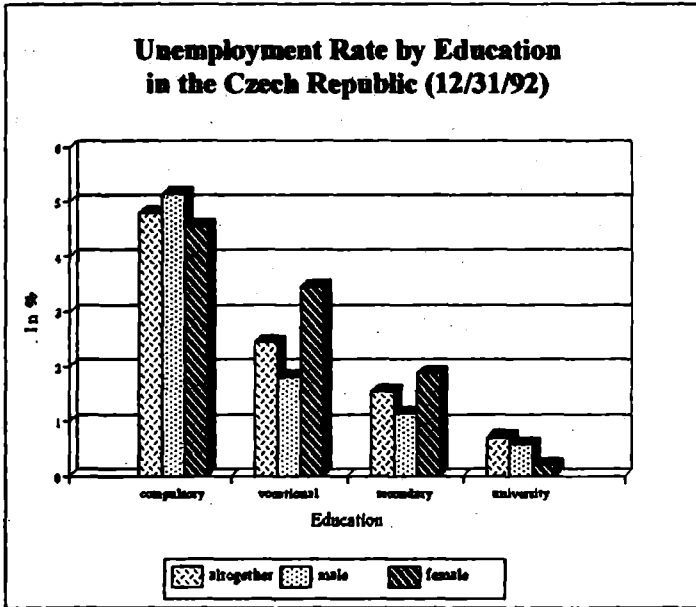
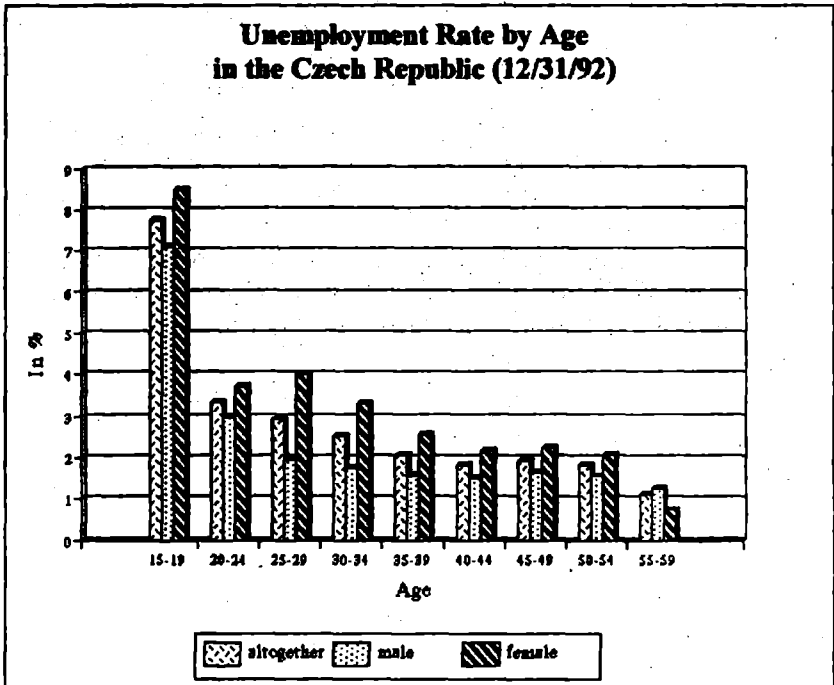


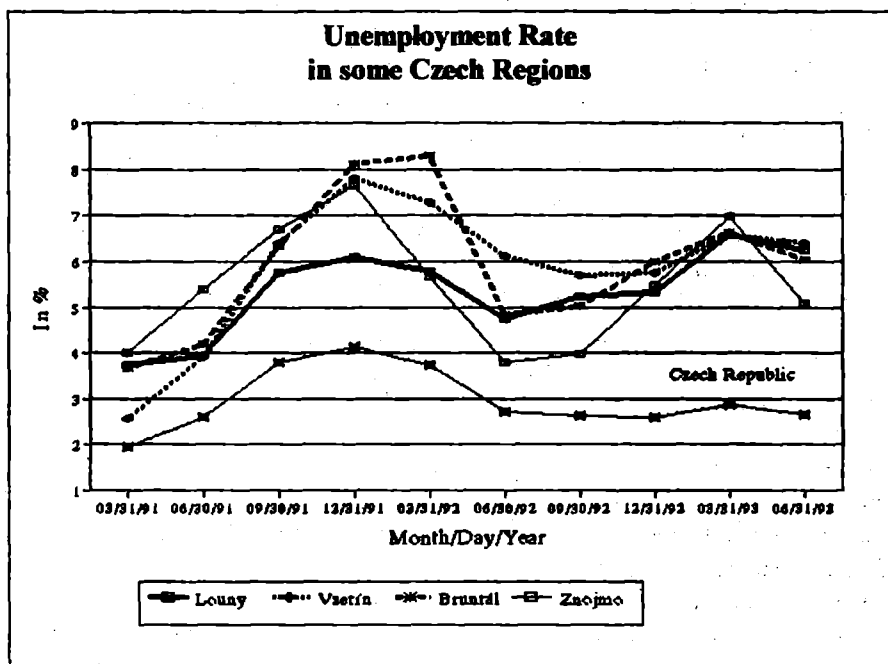
Diagram No. 3: The Unemployment Rate by Age



SOME CHARACTERISTICS OF UNEMPLOYMENT IN CZECH REPUBLIC

- Considerable regional differences in unemployment are likely to be created. The level of unemployment in some districts is even doubled or tripled in comparison to the average in Czech Republic. In microregions we could measure even 20% of unemployment (resulting from the low purchase power of inhabitants; pubs and inns go into bankruptcy in the country, which is a synonym of deep depression within Czech tradition). As you can conclude from diagram No. 4 the rate of unemployment in the most affected districts in Czech Republic is higher than its nation-wide level, yet it is almost faithfully copying its tendency.

Diagram No. 4: The Rate of Unemployment in the most affected districts in Czech Republic



It is also noteworthy that unemployment:

- Affects more village communities that depend on overdimensioned and unprofitable agricultural production.
- Unlike, e.g. France of the 50's, in our country the exodus of village inhabitants had not been finished, and so a lot of people find themselves in the trap of country now. They traditionally commuted to cities. We can connect this state with the reduction of public transportation (withdrawing unprofitable bus lines and railways or cutting down traffic on railways resulting from the reduction of state grants for public transportation).

- Unemployment does not affect big cities so much, which is traditionally the case in Europe where big cities are the location of the long-term unemployed. For instance: Prague counts, referring to the Czech average, incredibly low level of unemployment – 0.89%. There is 8 jobs available per 1 unemployed person. Relatively high level of unemployment, however, endangers cities with high concentration of 19. century industries (textile industry, heavy machine industries, metallurgical industry, mining).
- Czech Republic also faces the possibility of a very fast formation of underclass on ethnic basis. The unemployment of Gypsies reached 30% as early as in 1992 (you cannot estimate the hidden unemployment, which, however, goes high over the situation in major population). They are handicapped with:
 - Very low education and qualification level (very few apprenticed, an imperceptible number of high school graduates, and basically no college or university graduates).
 - Factual and traditional working unreliability of Gypsies.

These factors direct Gypsies traditionally to a secondary labour market, or into the category of the long-term unemployed, or they are predestined to a fragmented carrier. As to the labour market Gypsies are also handicapped with a different value system hardly compatible to a work-centered Protestant morality. Moreover, the Communist regime transformed the members of this ethnic group into typical clients of welfare state. If we include their concentration being in certain locations and their strong family and clan bindings then you may say that this situation can result in the development of an informal labour market beyond any control, and with plenty of criminal aspects. Gypsies might also adopt a feeling of discrimination and hostility towards major population.

What is the reaction of the population to unemployment in the situation mentioned above? The major part of the population does regard unemployment as its latent personal menace, but it protects itself against thinking of this danger with the ideology – *it cannot happen to me. Performing a research in various enterprises and businesses we found out that most employees hold an opinion that there will be no more dismissing of the superfluous, that it has already finished. The enterprise got rid of unreliable and absenting persons and, therefore, the position of those who stayed was strengthened. Good workers do not get fired. With this in mind they confuse the criterion of collective effectiveness of their factory with the criterion of personal efficiency of their work (they expect good work is the sufficient condition to keep their job).*

The total reaction of the public towards unemployment is contradictory one. If we accept Prof. Možný's hypothesis and the opinion of Adam Michnik, there appears to be a paradox. According to their view Czech government manifests its clear-cut liberalistic orientation, but in reality it presents considerably paternalistic manners from pragmatic reasons. The public manifests more clear-cut paternalistic orientation, but at least its part shows quite liberalistic manners

today. The first wave of unemployment did not cover only marginal groups of asocial persons (who seldom work permanently all over the world, but under the Communist regime they were artificially kept in jobs). A considerable portion of the dismissed de facto left its jobs by itself, went through unemployment, and entered an independent private undertaking. Thus, we can also relate the low level of unemployment to the capability of many persons, who lost their jobs, to take care of themselves by themselves. However, what will happen in the moment this possibility is hardened during mass unemployment, or after unemployment has stricken paternalistically oriented masses? What kind of welfare state will be acceptable for the public in this situation?

Well, we supposed there are two possibilities in Czech Republic. Either the social democracy welfare state or the corporative one will emergence there. One part of the population tends to incline, on the basis of its today's behaviour, to the liberalistic model, of course. But it is not supported by the value orientation of the prevailing part of the population. A deeply rooted idea of equality and traditionally (for many centuries) a very flat pyramid of social stratification of the Czech society calls for the social democratic model in Czech social setting. According to the results of the research of public opinion a considerable part of the population thinks that social inequality has increased profoundly after the social change in 1989. Today they consider this inequality to be already excessive (one fifth of the respondents claims that the state should determine the upper level of income). On the basis of the research performed at the beginning of this change (1991) half of the respondents at the age of economic activity claimed that a good government ought to ensure a job to everybody. Similarly citizens expect the state to ensure housing etc. Still, there is certainly the corporative welfare state that would be built in Czech Republic, to our way of thinking. This type of welfare state is supported by the Mid-European tradition in Czech Republic. It might be also supported by the direction of aspirations of the Czech population. The traumatising reference point of today's Czech population is – rich Germany (with rather a corporative welfare state). The practice of the former Communist regime is of no little importance too. This regime used enterprises as a means for the redistribution of social benefits. It established a considerable difference in distribution of these benefits by branches and professions in order to regulate workers flow instead of real labour market.

Notice:

As to the references on the paternalistic orientation of Czech population read the results of the public opinion research and the following publications:

Mareš, P., Rabušic, L., Musil, L.: Sociální změna očima české veřejnosti. Československý sociologický časopis, 27, 1991, č. 6.

Mareš, P., Rabušic, L., Musil, L.: *The Moravian Movement the Last Straw which the Moravians Grasp?* *Studia minora Facultatis Philosophicas Universitatis Brunensis*, G34, Brno 1991.

Mareš, P., Rabušic, L., Musil, L.: *Vox Populi, Vox Dei?* First European Conference of Sociology, Vienna, August 26–29, 1992.

Mareš, P., Rabušic, L., Musil, L.: *Values and Welfare State*. in: Bryant, C. G. A., Mokrzycki, E.(eds.): *New Great Transformation*. Routledge, London 1994 (in print).

Problems of the cases of the social coalitions of management and employees against new owners within industrial enterprises in Czech Republic discussed in:

Mareš, P.: *Legitimacy of Privatization*. VIIth General Conference EADI, Berlin, September 13–18, 1993.

Musil, L, Mareš, P.: *The „Entitlement Mentality“ and Legitimacy of Privatization in Industry*. *Studia minora Facultatis Philosophicas Universitatis Brunensis*, G34, Brno 1994. 1994 (in print).