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Fakulta filozofická

Bakalářská práce

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**THE FINANCIAL CRISIS AND ITS IMPACT ON THE
CZECH REPUBLIC**

Aneta Kleknerová

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Plzeň 2014

Prohlašuji, že jsem práci zpracovala samostatně a použila jen uvedené prameny a literatury.

Plzeň, květen 2014

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Poděkování

Děkuji vedoucímu bakalářské práce Bc. Skylandu Kobylakovi za připomínky a cenné rady.

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1. INTRODUCTION

The topic of my bachelor thesis is the financial crisis and its impact on the Czech Republic. The origin of crisis is in the mortgage crisis that began in the USA as a result of non-payment of high-risk loans in August 2007. It led to bankruptcy of many banks as well as financial institutions, for example: Bearn Stearns, Lehman Brothers, Merrill Lynch, Indy Mac or AIG (American Insurance Group). This crisis translates into the crisis financial and influenced the entire world including the Czech Republic at the beginning of the year 2008. For this reasons, many Czech enterprises started to decline which led to massive layoffs, reduction in wages and standard of life.

A large part of the thesis is focused on unemployment which causes serious economic, psychological and social problems. Attention should be paid mainly on vulnerable groups that have worse position in the labour market due to many factors (age, state of health, education, gender and ethnicity). The most vulnerable groups are older people, women with young children, disabled people, low skill people, Romani groups and fresh graduates. The unemployment increases a high risk of alcoholism, drugs, divorce, criminality and self-suicide. I focused mainly on fresh graduate who lack practical skills that eliminate them from the society. The longer the unemployment lasts, the worse the state of health is. And therefore, it is necessary to help them and support them in finding their first job. In these days, this topic is highly discussed all over the world and has an impact on majority of people.

The thesis is divided into six main sections. For better comprehension of reader, the first part of the theoretical section begins with definitions connected with the unemployment including the most vulnerable groups in the labour market. The third part deals with the effects of unemployment on jobless. The fourth part describes reasons, effects and solutions of the economic crisis in the United States of

America and the impact on the Czech Republic. The last part deals with the situation of graduates on the labour market during financial crisis.

The important part of the thesis is practical section which investigates a current situation of unemployed graduates within the Central Bohemian region based on a questionnaire survey.

THEORETICAL PART

2. UNEMPLOYMENT

Labour market is closely linked to unemployment which is a sign of disequilibrium between demand for labour by employers and supply of labour by job applicants. The unemployment is not seen as a major problem until it becomes a mass; many people are without a job. It is necessary to pay a great attention to it because it is not only economic issue but also psychological, social and cultural.

2.1. Terms associated with unemployment

According to Václav Jurečka, the bachelor thesis describes the important terms related to unemployment:

Unemployment refers to the population of working age; this is the period after completion of the compulsory education and before retirement.

The employed are those who have a job while the unemployed do not have a job but actively looking for it. Actively looking for a job means that they are sign on at the job, report here as often as he/she can and be able to start work immediately.

Economically active population (labour force of the country) is a total number of two preceding groups: the unemployed and the employed.

Economically inactive population are people of working age but they do not work due to some restrictions. It is a case of students attending educational institutions, people at home carrying about small children or handicapped family members, people with disabilities and those who are simply unwilling to work.

2.2. Measurement of unemployment

In the Czech Republic are used two different types for measurement of unemployment. The first one is *general unemployment rate* which is published by the Central Statistical Office every month. It is an economic indicator, mainly for investors, who want to build an enterprise and hire workers, but they are not sure about a situation in the labour market.

The second one is *registered unemployment rate* which was based on the survey of Central Statistical Office in households. However in January 2013, this indicator was changed by the Ministry of Labour and Social Affairs. It is a social indicator suitable for measurement of unemployment among particular regions.

A new method of calculation

Unemployed job applicants
(aged 15 to 64 years)

Share of unemployed person = -----

Total population at the same age
(economically active and inactive
population)

On the graph below, it is seen the development of unemployment from the year 2005 to 2012 with a comparison of old indicator (blue colour) and a new one (red colour).

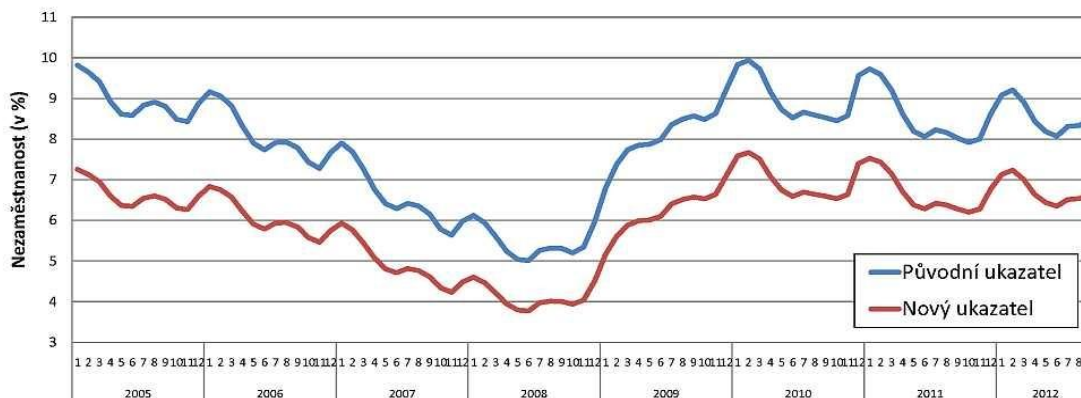


Chart no. 1 – Difference between an old indicator and a new one¹

2.3. Types of unemployment

Frictional unemployment

Frictional unemployment is when workers leave a job on their own initiative due to salary, work time, bad labour relationship, location of enterprise and other factors forcing them to find a better one that could satisfy their requirements. Duration of transition from one job to another is influenced by amount of social security benefits and demands of workers. It is a common, temporary and voluntary process which has not a serious impact.

Structural (and technological) unemployment

Structural unemployment occurs due to structural changes in the labour market. Some companies, institutions and sectors expanding while the others declining. The point is that the structure of demand is changing; it has new requirements concerning age, qualification, experience, skills or gender. In the labour market, there are many job vacancies, but a low number of qualified workers leading to disequilibrium. Technological unemployment occurs due to technological advance in an industry, where labour force is replaced by machines. This is a type of unemployment, which is very common.

Cyclical unemployment

Cyclical unemployment occurs due to business cycle fluctuations. Sometimes it also speaks about demand-deficient unemployment; it means that demand for job and goods is insufficient. Generally, the number of unemployed workers is greater than the number of job

¹ Co je nezaměstnanost [online]. Dostupné z: <http://www.penize.cz/80354-co-je-nezamestnanost>

vacancies. Negative effects are increased by the fact that it has impact on the whole economy of state.

Seasonal unemployment

Seasonal unemployment is a form of structural unemployment that is performed at certain parts of the year due to climatic conditions and weather. For instance, in winter, the most affected areas are agriculture, building industry and services related to the tourism.

Hidden labour force

It is a situation when people are not registered as unemployed at a job centre in spite of the fact that they do not have a job. These people have stopped to looking for a job due to personal circumstances, for instance maternity leave, housework or education. Sometimes, they use informal methods to find a new job or ask directly to employers. As it follows, this group of people is not reflected in official unemployment statistics.

Under-employment

Under-unemployment is related with worse working conditions because workers have to accept part-time and unskilled work, reduction of working hours and lower remuneration. For all that, it is one of the possibilities how to deal with the mass unemployment.

False unemployment

False unemployment refers to people who are unemployed and do not try to looking for a job, trying however to gain the most from unemployment benefits. Some of them are both registered at the job and working illegally.

Job stagnation

A situation, which does not allow people to leave their current job, even if they are strongly dissatisfied, due to economic situation increasing high unemployment rate. The reasons are concerns about problems with finding a new one.

Voluntary and involuntary unemployment

Voluntary unemployed are not willing to take jobs which are not paid according to their expectations hoping to find a better job.

Conversely involuntary unemployed are willing to work for a wage that prevails in the labour market and even lower, nevertheless, they cannot find it.

Short-term unemployment and long-term unemployment

Short-term unemployment is less serious problem, especially one which takes only several weeks.

Long-term unemployment is a major problem which usually lasts for more than a year. It has negative effects on psychological and mental health of unemployed person.

Full employment

A situation, when all people willing to and able to work can always find a job, but it does not mean that everybody has a job. There is still inevitable frictional unemployment, when people try to find a job suitable for their skills and it takes some time. Generally, an acceptable unemployment rate is about 2-4 %.

2.4. Vulnerable groups on the labour market

“A placement of a human in the labour market depends on a number of features (age, state of health, education, gender and ethnicity) which eliminate groups of people with a rather high risk of job loss, and predetermine them for long-term and repetitive unemployment.” (“Translation mine”)² For this reason, the most vulnerable groups in the labour market are older people, women with young children, disabled people, low skill people, and certain ethnic groups. Generally, they work in the secondary labour market, on lower wages and under poor working conditions. It is necessary to encourage them by offering them consultancy and educational programmes, and help them to acquire necessary skills.

Older people

The great advantage of these people over young people lies in their experience, but they lack computer skills, foreign languages skills and adaptability. This can lead to their exclusion from the labour market.

The job loss is associated with a decline in income and living standard, changing family situation, loss of contacts, loss of qualification, decline in self-confidence, and in many cases deterioration of health condition. This stressing situation affects older people worst those who follow stereotypical routines and have a hard time adjusting to new events in their lives. How much one is able to adapt to new changes depends on a range of factors: varying life circumstances, intelligence level, social status and family background.

According to research of J.Long and E.Wimbush (1985) based on research performed among 129 men, found that these individuals lost their life satisfaction upon reaching the legal retirement age, and again upon retiring. It is linked to poor health, low income and financial

² BUCHTOVÁ. Božena. Nezaměstnanost: psychologický, ekonomický a sociální problém. s. 109

problems, lost of relations with the public and with loss of regular activities. Older person have many possibilities how to fight against unemployment and one of them is starting own business. But even this case is not a guarantee of full satisfaction; it involves a number of risks related to physical and mental strain.

Women

Employers largely prefer male workforce, because of a better mobility and potential to work in multi-shift operations. This is an obstacle for mothers with children, who carry the burden of housekeeping and caring of an ill child, which translates in frequent instances of taking time off. The most vulnerable are women returning from their maternity leave and extended maternity leave who were excluded from the labour market for a couple of years leading to loss of professional knowledge and work experience. Female employment is a serious issue faced worldwide. For their better placement in the labour market, many developed nations looking for solutions through a wide offer of short-time jobs, flexible working hours, availability of day care and financial support for women.

Handicapped people

A majority of handicapped people are able to take a limited choice of jobs, such as only gatekeepers, cleaners or they can perform easy assembly tasks on a part-time basic. Some of them are handicapped to such an extent that providing a job for them is very difficult. Their physical limitations allow them to work on special terms only, for instance, in sheltered workshops. The duration of job seeker status is a multiple of the duration in healthy individuals. Thus, they find themselves in difficult situations, and often, their family must take care of them. This group receives a great deal of attention from all job centres, while employers are considerably less interested.

Unskilled applicants

Currently, unskilled applicants are the main segment of long-term unemployed people. These consist mostly in young people with low qualifications and limited interest in having a job. This group further includes: alcoholics, repetitive offenders, people discharged from corrective facilities, and other people unable to adapt socially. Unskilled applicants are gradually pushed out of the labour market because formal qualifications and professional skills are key factors in selection by employers, and thus, they tend to prefer an applicant with better education rather than one with no formal qualification.

Romani ethnic group

As a result of increasing demands for qualifications and quality in the labour market, ethnic Romani will be challenged by increasing problems of locating a job; most of them complete only primary education.

Fresh graduates

These are young people who have just graduated from their schools and are looking for their first job, without practical experience and work routines. They often make unrealistic claims in terms of the job content, adjustments of working hours, working patterns and salary.

2.5. Importance of work for humans

Paid work serves several fundamental needs of man that are very significant for human life. *“According to Jahodová (1979), for employed people, work generates a realistic time structure (in terms of days, weeks and years), offers an opportunity for regularly sharing social experience outside the family, defines personal status and identity, and entails a*

number of activities that a jobless person is not motivated to seek.”
 (“Translation mine”)³

Everyone feels different about losing a job; what matters is not just age, skills, sex, but also person-specific defence reactions, social background and the immediately preceding mental condition. There are two views of unemployment among the general public. The first group perceives a job loss as an opportunity to change their current living conditions. They make an active effort to find a new job (by means of social networks, newspapers, job centre etc.), using the unemployment period to change their qualifications, extend their interests and activities that they had previously no time.

The second group takes a negative attitude, they are often falling victim to depressions, loss of interest and unwillingness to change their previous routines. This group includes a large number of the unemployed people. These include people who were highly motivated for their jobs, were good at work; unfortunately they lost their job too. They perceive this as a personal failure, feeling worthless and fearing what might come next. For the employed people, time represents a realistic time structure. Losing a job means for them a deprivation of their daily routines, they are lost in time and do not know how overcome the new situation. They keep returning to the past and future has no significance for them. *“A long-term job loss affects the overall mental dimension of a person. Behaviour of such people are often marked with social isolation, solitary confinement and loss in social contacts.”* (“Translation mine”)⁴ Some people can easily find themselves homeless, vagrant or criminal. Some people even lose the sense of their life and tend to be suicidal.

³ MAREŠ, Petr. Nezaměstnanost jako sociální problém. s. 59

⁴ BUCHTOVÁ, Božena. Nezaměstnanost: psychologický, ekonomický a sociální problém. s.98

3. UNEMPLOYMENT IMPACT

As mentioned above, the unemployed brings in serious economic, social and mental consequences, as shown below. Problems for mental and physical health persist even after the unemployed person finds a job.

3.1. Economic aspects

“As a result of prevailing unemployment, the deficit in public budget increase due to several reasons. First of all, unemployment benefits must be paid out with additional payments relating to running job centres and maintaining active policies. In addition, the collected volume of income tax is reduced because the society loses the income tax that would be otherwise paid by the unemployed if they had had a job. Another loss in the tax revenue of nation relates to lower volumes of collected indirect taxes such as the value added tax and the consumption tax because personal budgets do not allow unemployed to buy such volumes of goods as they were employed” (“Translation mine”)⁵ The lack of funds also translates into an increase in crime, resulting in further government spending on police corps, the justice system and the prison service.

3.2. Social aspects

Životní úroveň

Social benefits can often be so low that one can hardly live on with them only. It leads to decline in the living standard of the unemployed and their family. This is the reason why people try to get any job at any cost, even with a worse salary but knowing that they might avoid, at least partly, the financial issues that a large number of public have to face.

⁵ JUREČKA, Václav. Makroekonomie. s. 148

Experience deprivation

Currently, the most serious is relative deprivation which influences people by means of advertising. There are many products and services available in the market inviting to buy them but the unemployed are unable to buy them due to their poor financial income. It is also connected with the rising living standards. Absolute deprivation was rather typical for the past when people were unable to buy nearly anything.

Changes in time perception

The unemployed spend long time with a single activity easily taking a whole day. *“Days have no structure, and after certain time, workdays are impossible to recognize from weekends. (“Translation mine”)*⁶ However, the use of leisure time is closely tied to financial income that can be earned through a job only, so this leads into a dead end. The unemployed must give up on a number of things, unable to afford entertainment, holiday trips and going to restaurants. As a result, some unemployed spending their entire leisure time lying in the bed and watching television. Just a small segment among the unemployed preserves an active lifestyle. *“In particular, this group includes those who were dissatisfied with the previous job, who are unemployed for an acceptable short period of time, who had saved some funds and who are serious reasons to stay off the labour market (those with mental and physical handicaps, mothers with children, etc.).” (“Translation mine”)*⁷

Family

The unemployment impact affects both the unemployed person and all their family and relatives. Unemployment affects family in financial terms, worsening family relationships (frequent arguments brought due to stress potentially leading to divorces), disrupts daily family routines,

⁶ MAREŠ, Petr. Nezaměstnanost jako sociální problém. s. 65

⁷ MAREŠ, Petr. Nezaměstnanost jako sociální problém. s. 66-67

isolates the family from social life and deprives men of respect and the “breadwinner” status. It is a traumatic situation that can even spread from the unemployed person to their employed spouse and affect their children through their behaviour.

On the other hand, family is a great supporter of unemployed person, helping them to overcome this difficult period in life. This period is handled better by those who enjoy a strong emotional support from their family and can talk openly about their troubles with no reproaching. *“In the context of the unemployed, this is particularly about a need for social contacts, a need for friendship, a need to be cared of by someone, a need to share feelings and ideas, a need for social safety, a need for social identity and love - to be loved and respected among the others.”* (“Translation mine”)⁸ A strong kind of support is offered especially from the side of mother who is willing to help with funds, day-to-day situations, deal with authorities, care of children and so on. All of these offers lead to respite from the negative impact on health.

Social isolation

A job loss leads to severing professional contacts and sometimes friendly relations. The unemployed person stops meeting people from the old workplace, as they share no longer life experience and they represent old memories of the job for the unemployed person, thus depressing them ever further. The unemployed people tend to close in and spend their time on their own.

⁸ BUCHTOVÁ, Božena. Nezaměstnanost: psychologický, ekonomický a sociální problém. s. 107

3.3. Medical and psychological aspects

Apart from social and psychological impact, a job loss has an impact on both the physical and mental health of those people.

Mental disorders and behavioural disorders resulting from effects of psychoactive substances

Young people in particular try to overcome unemployment by excessive use and abuse of alcohol, tobacco and illegal substances that are highly addictive when used daily, leading to health deterioration. While alcoholism is more common in men, women prefer drugs, resulting in higher numbers of imprisonment, with growing numbers of child neglect and child abuse, and growing numbers of women who switched to prostitution.

Depression through job deprivation

"E. Tannay (1983) came up with a notion of depression through job deprivation. This refers to the physiological, mental and social impact of involuntary job loss with depression as its symptom." ("Translation mine")⁹ This condition manifests in each person differently, depending on a number of conditions: the relationship of the unemployed person to work, support offered by friends and family, their future plans, and similar. The longer the unemployment lasts, the worse the depression gets.

Somatic diseases

"Ultimately, emotional disorders are manifested as somatic disorders. Psychosomatic medicine studies and remedies the emotional disorders manifested as somatic disorders." ("Translation mine")¹⁰ These includes: diabetes, hypertension, asthma, stomach and duodenum ulcers, skin disorders.

⁹ BUCHTOVÁ, Božena. Nezaměstnanost: psychologický, ekonomický a sociální problém. s. 142

¹⁰ BUCHTOVÁ, Božena. Nezaměstnanost: psychologický, ekonomický a sociální problém. s. 145

4. COPING WITH JOB LOSS

As it follows from the previous chapter, the unemployed suffer from an excess of stress due to exclusion from professional life. It has negative consequences which cause feelings of aggression, anxiety, depression, isolation or grief leading to serious psychological aspects.

Reactions of workers grieving over a job loss include 5 stages. These stages are influenced by many factors: age, qualification, working relationship, family support or possibility to find a new job.

1. Denial

- The first stage is connected with denial when people refuse to accept the fact that they are lay off. Their first reactions are full of hopelessness and panic: "This cannot be happening to me". It is a temporary phase which can take hours, weeks or days.

2. Anger

- The second stage is connected with anger of people towards the company due to their laying off. In some cases, the aggression can be transmitted to the family members and friends.

3. Bargaining

- The third stage is connected with bargaining due to sense of guilty. People regret what they did or did not do in the past and blame themselves of the current situation.

4. Depression

- In the fourth stage, people fall into deep depression, but after this stage allow them to follow the last and the most important one.

5. Acceptance

- In the last stage, workers start to accept the situation. Their negative thoughts are replaced by positive ones; the unemployed set new professional goals and begin to looking for a new job.

Following part is based on the research of Buchtová performed among the unemployed; her strategy helps to overcome this difficult life situation.

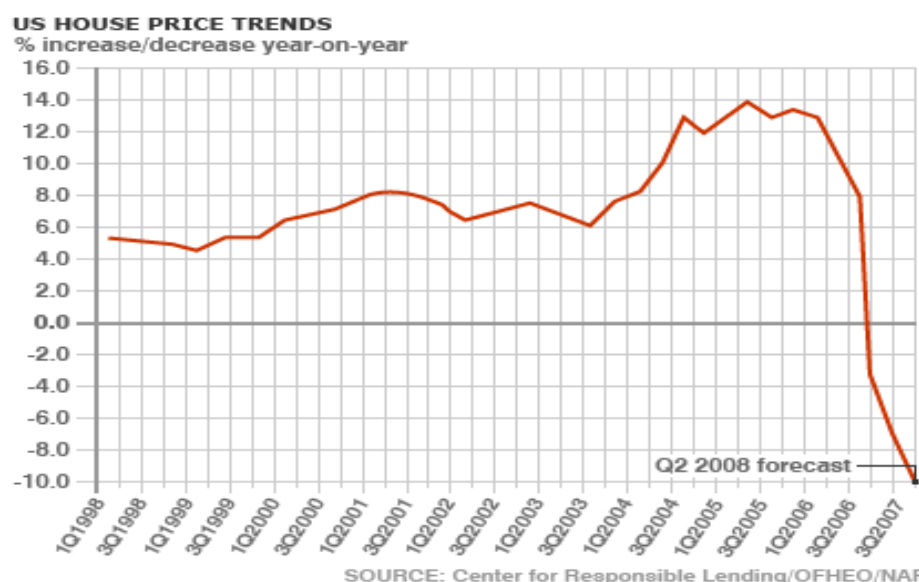
- You should not losing hope after the fist failure in finding a new job. Do not take it personally; there are many people without a job. Keep your confidence and respect in yourself.
- You should take care of yourself and maintain your emotional and physical needs (regular exercise, plenty of sleep, eat right, etc.).
- You should keep a regular daily activities, trying to use this “free time” for further education (retraining, learning of foreign languages, etc.), attending social events where you can gain new contacts, looking after a household (cooking, gardening, knitting) and finding new interests.
- You should be in contact with your family, that can offer you a huge support and advice that you need. Do not try to be alone, it makes the situation worse.
- You should rethink about your strong points (qualification, experience, knowledge of foreign languages, etc.) and set the main career goal.
- You should have knowledge about the rights and obligations of an unemployed person towards a job centre.
- You should search for temporary or part-time job, even at lower remuneration due to maintaining working habits.
- You should do some financial planning and try to not spend a large amount of money.

5. MORTGAGE CRISIS IN THE USA

The cause of unemployment as it was described above is in mortgage crisis that began in the USA. It is difficult to determine the exact year of the crisis because banks tried to cover their problems before public until the year 2007. It is considered to be the worst economic crisis in history of USA since the Great depression (1929-1933). Due to the interconnected markets and strong American economy, this crisis still influences the entire world. Sometimes it also speaks about economic or financial crisis, in fact, it is the same. The origin of the crisis has many reasons: low interest rate, housing bubble, loans to anyone and greed of some people.

5.1. Reasons

In the year 2001, large number of mortgages were offered to people for low interest rate which allows them to borrow more money from banks with a lower monthly payment. Home prices increased dramatically and many people did not hesitate with buying houses because it was very advantageous.



11

Chart no. 2 – US House Price Trends

¹¹ SCHIFERRES, Steve. Housing meltdown hits US economy [online]. Dostupné z: <http://news.bbc.co.uk/2/hi/business/7078492.stm>

The problem was that banks offered the mortgages almost everyone without any security. The interest rate increases again and borrowers who bought more than they could afford were in financial difficulties stopped paying the mortgage. The houses pass to the possession of banks but in a state that did not corresponds to the loan. Banks could not sell them for the same price, nobody was interested in mortgages and it is a case of housing bubble. Banks are in a phase of liquidity, it means that houses would be sold at least after 6 months and now they are without money. Banks had to use own financial reserves, to sold part of property or to borrow from other banks. In the worst case, they had to announce bankrupt.

In June 2007 Bearn Stearns, which was the 5th largest investment bank with a big importance in the USA was due to problems of non-payment bought out by JPMorgan.

After bankruptcy of Bearn Sterns, many other banks and financial institutions fell down also, for example: Lethman Brother, Merrill Lynch, IndyMac or AIG (American Insurance Group).

5.2. Effects

At the beginning of the year 2008, the mortgage crisis in the USA was expanded into the other sectors. People did not have enough money to buy new goods and started to save. That was the reason for which companies stopped to produce goods which led to higher unemployment. Many people find themselves in poverty. Among the most affected areas in the labour market belongs: banking system, building and car industry.

5.3. Solutions

On 3rd October 2008, the US government provided \$700 billion to stabilize and grew the financial markets stabilized.

5.4. Crisis in the Czech Republic

The impact on the Czech economy was not so serious, the Czech banks provided a certain amount of credit only to credible clients (it depends on amount of money, the amount of loans, credits at other banks, etc.). Luckily, Czech banks do not own a big part share coming from American mortgages. For a better understanding of the financial crisis in the Czech Republic, this work provide a comparison of the initial phases of the crisis in 2008 and the present situation.

- **The Czech Republic in the year 2008**

Economic crisis in the Czech Republic began to be felt fully between the years 2008 and 2009. Many enterprises in metallurgical, engineering, glass, ceramic, textile, clothing and shoe industry started to lay off of employees in mass which led to reduction in wages and standard of life.

In terms of mining, the enterprise OKD was going to lay off 300 employees. In metallurgy, Ancelor Mittal Ostrava, Evraz Vítkovice, iron a steel works Bohumín had to lay off up to 1,000. But the most affected branch was glass industry, the enterprises as Crystalex, a.s., Cristalite Bohemia and Klášterec Thun were in difficulties and many other branches also.

6. GRADUATES AS A VULNERABLE GROUP

Definition: It is a person who has finished studies and now searching for the first job aged up to 25 years or the graduate from university for two years after graduation aged up to 30 years.

In a book *Vzdělávací a poradenské programy pro absolventy* are introduced the main cases concerning the unemployment of graduates:

- Lack of qualification and a bad choice of field
- Lack of working experience and habits
- Low level of language proficiency and mainly difficulty of poor spoken English
- Low level of computer literate
- Disequilibrium between skills of graduates and demands of employer
- Unawareness of labour market
- Low salary leads to loss of motivation and willingness to work

6.1. Influence of economic crisis

Before the financial crisis, the unemployment rate of graduates was significantly lower, in 2007 (every tenth) and in the present situation (every fifth), this advantage of higher education could permit them to reach better placement in the labour market because older people from socialism did not have it.

These days, a large number of students decide to pursue postgraduate study hoping that it allows them to find a better job, improve their abilities and skills. It leads to stiff competition among the graduates and therefore it is important to realize that an academic diploma do not have to be a guarantee for better position.

It is necessary to pay attention to disequilibrium among the branches of study. The labour market reports a surplus of economic branches and

lack of technical branches, but students are mostly interested in human education. Thus, the university graduates occupy positions that are not correspond with their qualification and on lower wage. It has a huge impact on unskilled graduates who find themselves jobless.

PRACTICAL PART

7. CENTRAL BOHEMIAN REGION

7.1. General information

The Central Bohemian region is located in the centre of the Czech Republic. It is the largest region covering the area of 11,015 km² which is divided into 12 districts: Benešov, Beroun, Kladno, Kolín, Kutná Hora, Mělník, Mladá Boleslav, Nymburk, Prague-East, Prague-West, Příbram and Rakovník. In 2012, a total number of population was 1,291,816.

7.2. Economy

Since the economic crisis, the number of the employed in the primary (agriculture, forestry, and fishing) and in the secondary (industry and construction) sector has been reduced. These days, six of ten employees work in the tertiary sector (services). The rate of long-term unemployment is lower than in other regions due to the proximity of Prague that provides many job opportunities. On 31st December 2012, the registered unemployment rate was 7,52 % and gross domestic product was 89,0 % on average. In terms of wages, managers get the highest salary (CZK 56,901), then experts (CZK 34,044) and in the third place there are technicians (29,706 CZK) while those who work in elementary occupations get the lowest wages (CZK 16,023). The most important branches for this region are agriculture and industry:

Agriculture

Thanks to favorable conditions in the north-eastern part of the region, the agriculture is oriented mainly on the production of wheat, barley, beet, fruits and vegetables.

Industry

The main branches of industry are oriented on engineering, chemical industry, food and car industry. Among the others are: glass industry, ceramics, manufacture and printing industry. Some traditional industries are declining due to the economic situation, for example: coal mining, steel industry and leather manufacture.

7.3. Methodology of research

For gathering information about the impact of the financial crisis on graduates in the Central Bohemian region, a quantitative questionnaire at the website *survio.cz* was created and then was sent to the target group by social networks which made it possible to complete them in their free time. (Appendix 1). It is made up of 16 closed questions, only one of them is open (branch of study). The total number of people who visited this questionnaire was 71, from which only 43 displayed it, 9 did not complete it and finally 20 could be used for the following analysis. The questionnaire was completely anonymous.

The first set of questions is focused on the main information – gender, completed level of education, branch of study, and practice during studies. The second set of questions is focus on the current situation of unemployed and willingness to change their habits due to new job and the last part deals with the impact of unemployment on health and mental state.

7.4. Results of questionnaires

1. What is your gender?

The questionnaire was completed by 9 men (45%) and by 11 women (55%).

2. What is your highest level of education that you have achieved?

According to research only 1 respondent had a higher education, 3 respondents completed apprenticeship without a school-leaving examination, 5 respondents completed apprenticeship with a school-leaving examination, 5 respondents had secondary education and finally 6 respondents were university graduates.

This research shows that the biggest part of graduates includes those with university education. It is an example of frictional unemployment when graduates try to find a better job that could meet their higher requirements concerning working conditions. On the other hand, people with lower education are mostly capable of working at any price.

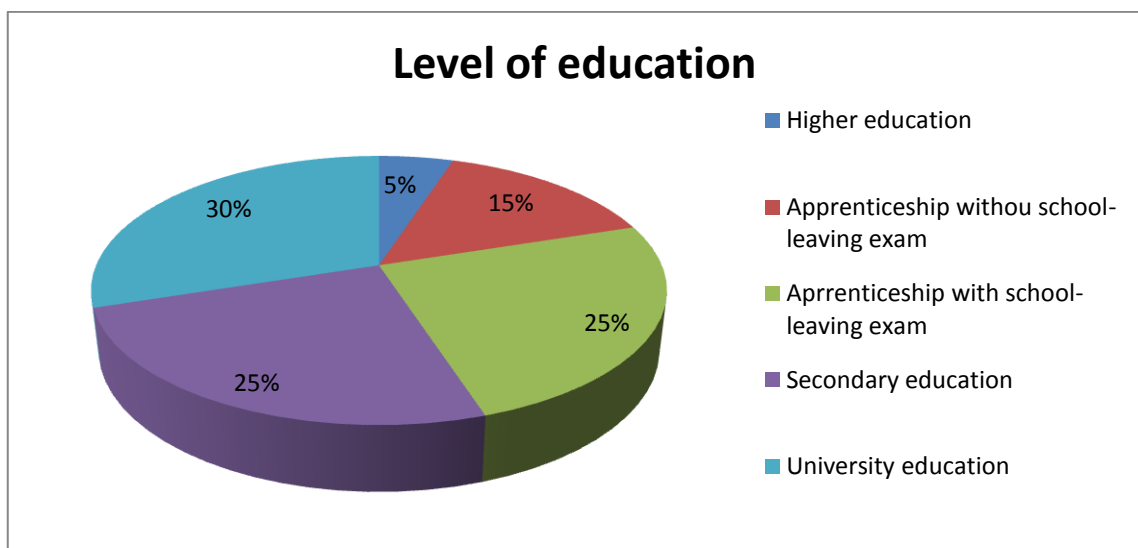


Chart no. 3 – Level of education

3. In which branch of study did you graduate from?

According to the answers of respondents, big divergence was revealed among branches of study. The most frequently mentioned was:

civil engineer (2), comprehensive school (2), travel industry (2) and economy (3), the others are informatics, radiology, health service, psychology, sociology, electrician, hairdresser, confectioner, toolmaker, mechanical engineer. According to this research the worst placement in the labour market has the economic branch. A job centre records a excess of economists and it that they find a job; their wage is lower in comparison with other branches. The number of graduates working in different field, than they graduated from, is still increasing.

4. Was the practise a part of your study?

According to the research, 17 respondents had practise during their studies and only 3 did not. Practise makes it possible for them to achieve practical skills which provide them better placement in the labour market; however, in the Czech Republic it is not much common. Therefore, in 2012, it was launched a new programme: internships in companies intended for graduates, the unemployed, unqualified workers etc. The aim of this programme is to help with acquisition of needed skills and knowledge required by employers.

5. Would you be willing to get retraining in another field?

According to the research, 13 respondents are willing to retraining in another field and 7 are not, this number includes mainly university graduates who were studying several years. But for the economist, it can be a good challenge how to improve their chance in the labour market.

6. How long have you been registered at the job centre?

According to the research, many people have been registered at the job centre only for a short time. 7 respondents have been registered for 0-3 months, 6 respondents for 3-6 months, 5 respondents for 6-9 months and only 1 has been there for 9-12. Duration of unemployment has a negative impact on a health on an individual. During this time, the

unemployed person goes through different stages: denial, anger, bargaining, depression and acceptance. The most serious one is in case of long-term unemployment, it means after a year.

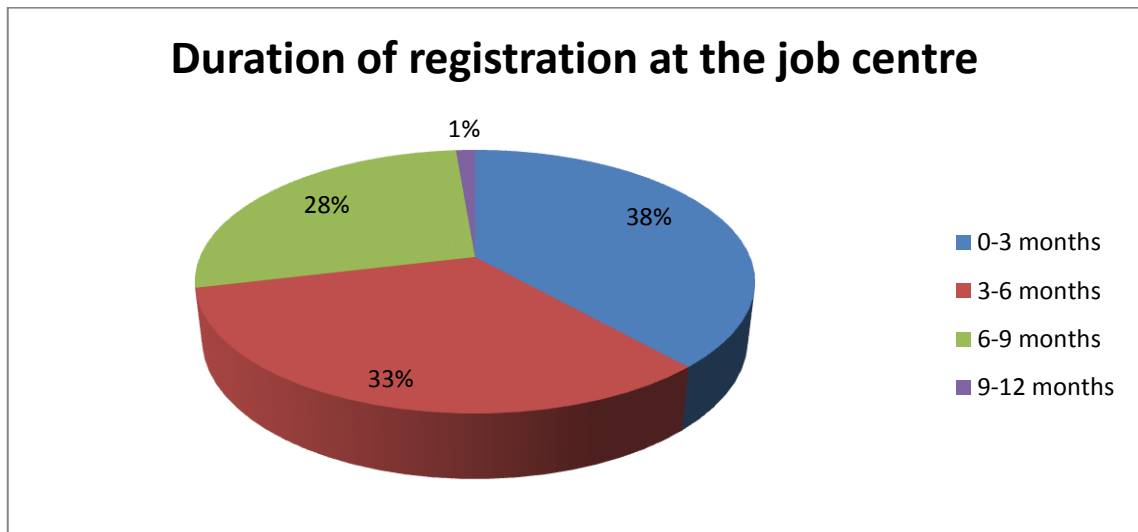


Chart no. 4 – Duration of registration at the job centre

7. Do you use possibilities to earn extra money at the time of registration?

According to the research, 13 respondents are capable of earning extra money and 7 are not. Social security benefits are often so low that is hard to manage with them. It can be also an opportunity how to get used to on working habits.

8. How do you look for a new job?

According to the research, the most common tool for finding a job is the internet which was mentioned by 13 respondents, 3 respondents mentioned that they prefer personal meeting with employers, 2 respondents rely on help of family and friends, 1 person look up an advertisement in newspapers and 1 person applies for work at a job centre. This research reflects the influence of the internet on young people who grew up in the internet age. But mainly it is important to look for a job actively and to try to use more methods.

9. Where do you live?

According to the research, 14 respondents mentioned that they live with their parents, 3 live in their own flat, 2 live in lodgings and 1 lives in the halls of residence. The place where people live is strongly influenced by their income. It is the reason why the majority of graduates live with their parents. Only few people can afford paying a rent.

10. Would you be willing to commute 50 to 100 km?

According to the research, 12 respondents mentioned that they are willing to commute 50 to 100 km and are not. The big advantage of Central Bohemian region is closeness of Prague with many job opportunities. But it depends also on several circumstances, for example: price of transport and the amount of remuneration.

11. Would you be willing to move for a job?

According to the research, half of them are willing to move for a job and the others are not. In these days, due to the economic crisis, labour mobility is becoming necessary for obtaining new contacts, experience and a better salary not only within the Czech Republic, but also abroad.

12. What do you do in your free time?

According to the research concerning their activity in their free time, there is a big difference between individual graduates. 5 play computer games, especially the men. 3 travel, 3 go to a chalet, 3 do housework, 3 do sports, 2 graduates are at home and only 1 goes to cultural events. These activities are also dependent on their income. For this reason, most people is at home, bored, taking care of their household or playing computer games.

13. Who helps you overcome this difficult life situation?

According to the research, 9 respondents confirmed they get big support mainly by their family and relatives, 6 are supported by their boyfriend or girlfriend, 2 are supported by friends and 1 of them has no support. In most cases the family was mentioned as the main support. The difficult period is managed better by those who have strong emotional support from their family, who can rely on someone and talk openly about their troubles with no reproaching.

14. Do you have any health problems due to your unemployment? Follow the next question.

According to the research, 13 respondents are health problems due to their unemployment and 7 do not.

15. What are your most serious health problems?

According to the research, 12 respondents claimed that they do not have any serious health problems. 3 suffer from headache, 3 suffer from insomnia, 1 suffers from heart disease, 1 suffers from stomach disease but nobody mentioned asthma or a skin disease.

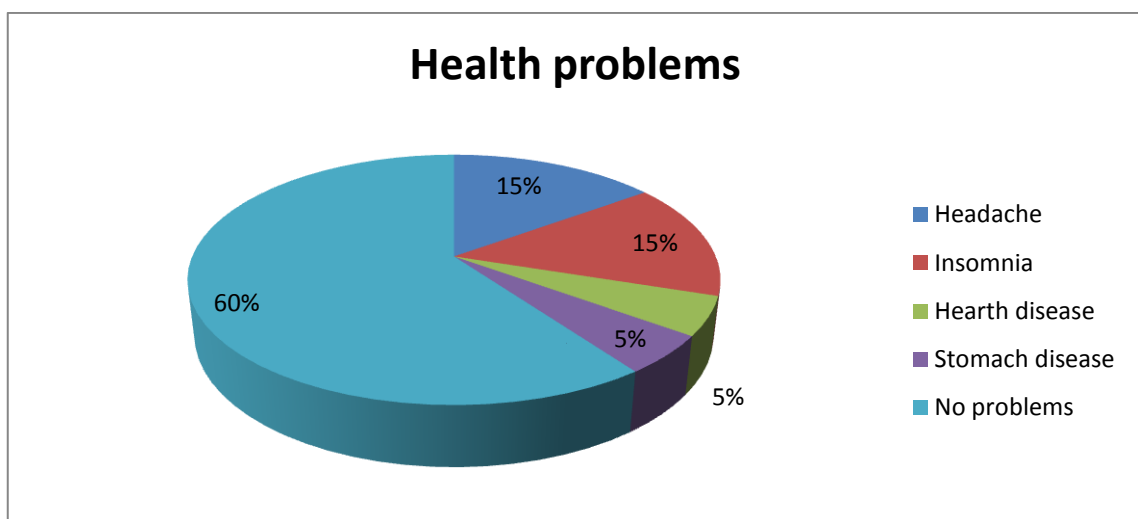


Chart no. 5 – Health problems

16. Do you have any mental problems due to your unemployment?

Follow the next question.

According to the research, 12 respondents have mental problems due to their unemployment and 8 do not.

17. What are your most serious mental problems related to the unemployment?

According to the research, 8 respondents claimed that they do not have any serious mental problems, 4 suffer from inferiority complex, 3 suffer from depression, 3 have problems with moodiness, 1 has a problem with aggression and 1 with anxiety. Eating disorders were not mentioned.

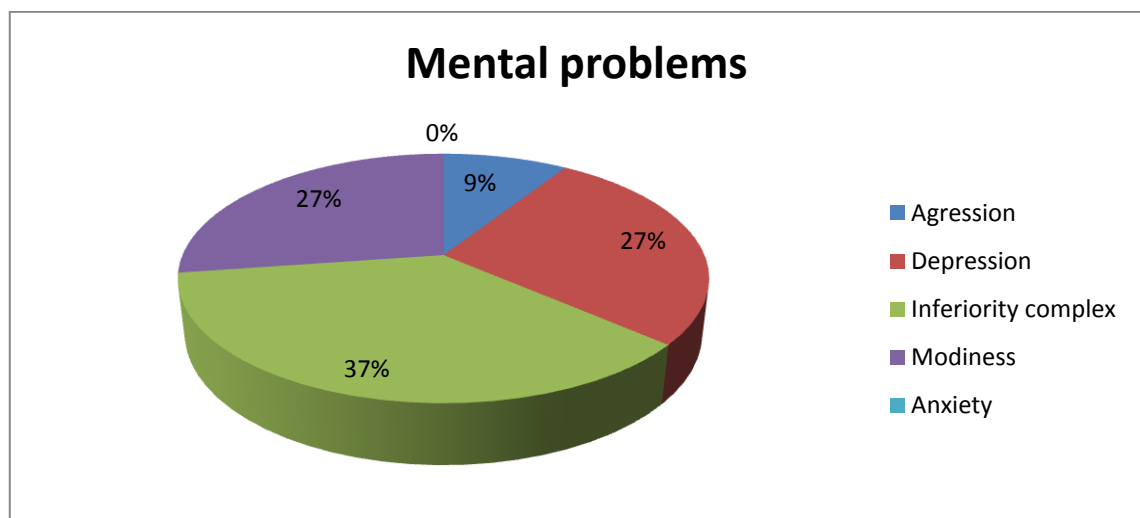


Chart no. 6 – Mental problems

8. CONCLUSION

Main idea of the bachelor's thesis was to analyze the origin, extension and the impacts of global economic crisis. A big part of the thesis was focused on unemployment because it is a main problem in our society.

At the beginning, there are mentioned definitions related to the unemployment, then the characteristic of the most vulnerable groups in the labour market and the impact of crisis as well as unemployment on economy and living standard of inhabitants. Another part investigates the origin and effects of global economic crisis.

According to the theoretical section and the results of questionnaires, it is obvious that unemployment has serious impact on the unemployed person. In some cases, it can even lead to the psychological and medical aspects.

The worst placement on the labour market has the graduates who have just finished studies and now searching for the first job. They have lack of professional skills, responsibility and motivation. But on the other hand, there are willing to get retraining, commune in another city or region and some of them are willing to move within the Czech Republic or abroad. For this reason, all these groups should be highly encouraged in finding their first job.

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10. ABSTRACT

The Bachelor's thesis gives an overview about the financial crisis in the Czech Republic. First of all, for better comprehension of reader, the theoretical section describes definitions connected with the unemployment. Then it mentions the most vulnerable groups in the labour market and impact of crisis on economy and living standard of inhabitants. Finally, it mentions the origin of this crisis and its expansion in the Czech Republic.

The important part of the thesis is practical section which investigates a current situation of unemployed graduates within the Central Bohemian region based on a questionnaire survey

.

11. RESUMÉ

Bakalářská práce podává všeobecný přehled o finanční krizi v České republice. V úvodu teoretické části jsou zmíněné definice spojené s nezaměstnaností pro lepší porozumění. Poté uvádí nejohroženější skupiny na trhu práce a dopad nezaměstnanosti na ekonomiku a životní úroveň obyvatel. Poslední část se zabývá vznikem této krize a rozšíření do České republiky.

Důležitou součástí práce je praktická část, která za pomoci dotazníku prošetřuje současnou situaci nezaměstnaných absolventů v rámci Středočeského kraje.

12. APPENDICES

Appendix 1 - Questionnaire

1. What is your gender? / Jaké je vaše pohlaví?

- Man / Muž
- Woman / Žena

2. What is your highest level of education that you have achieved? / Jaké je Vaše nejvyšší dosažené vzdělání?

- Apprenticeship without a school-leaving examination / vyučen(a) bez maturity
- Apprenticeship with a school-leaving examination / vyučen(a) s maturitou
- Secondary education / středoškolské vzdělání
- Higher education/ vyšší odborné vzdělání
- University education/ vysokoškolské vzdělání

3. Which branch of study did you graduate from? / Jaký obor jste vystudoval(a)?

4. Was practise a part of your study? / Byla praxe součástí Vašeho studia?

- Yes / ano
- No / ne

5. Would you be willing to get retraining in another field? / Byl(a) byste ochoten(tna) se rekvalifikovat na jiný obor?

- Yes / ano
- No / ne

6. How long have you been registered at the job centre? / Jak dlouho jste veden(a) v evidenci úřadu práce?

- 0-3 months
- 3-6 months
- 6-9 months
- 9-12 months
- Other / jiné

7. Do you use possibilities to earn extra money at the time of registration? / Využíváte v době evidence možnosti přivýdělku?

- Yes / ano
- No / ne

8. How do you look for a new job? / Jak si hledáte novou práci?

- On the internet / na internetu
- Personally at the companies / navštěvuji firmy osobně
- Via job centre / prostřednictvím úřadu práce
- In daily press / v denním tisku
- With the assistance of friends and family / za pomoci přátel a rodiny
- Other / jiné

9. Where do you live? / Kde bydlíte?

- With my parents / u rodičů
- In lodgings / v podnájmu
- In hall of residence
- In own flat / ve vlastním bytě
- Other / jiné

10. Would you be willing to commute 50 to 100 km? / Byl(a) byste ochoten(tna) za prací dojíždět 50 až 100 km?

- Yes / ano
- No / ne

11. Would you be willing to move for a job? / Byl(a) byste ochoten(tna) se za prací odstěhovat?

- Yes / ano
- No / ne

12. What do you do in your free time? / Jak trávíte svůj volný čas?

- I travel / cestuji
- I play computer games / hraji hry na počítači
- I go to cultural events / chodím na kulturní akce
- I go to a chalet / jezdím na chatu
- I do sports / sportuji
- I do housework / věnuji se domácím pracím
- I am at home / vysedávám doma
- Other / jiné

13. Who helps you overcome this difficult life situation? Kdo Vám pomáhá překonat tuto obtížnou životní situaci?

- Family and relatives / rodina a příbuzní
- Boyfriend or girlfriend / přítel nebo přítelkyně
- Friends / přátelé
- Nobody / Nikdo
- Other / Jiné

14. Do you have any health problems due to your unemployment? Follow the next question. / Máte nějaké zdravotní problémy spojené s nezaměstnaností? Pokud ano, přejděte k další otázce.

- Yes / ano
- No / ne

15. What are your most serious health problems? / Jaké jsou Vaše nejzávažnější zdravotní problémy?

- Asthma / astma
- Headache / bolesti hlavy
- Skin problems / kožní onemocnění
- Insomnia / nespavost
- Heart disease / srdeční onemocnění
- Stomach disease / žaludeční onemocnění
- Other / jiné

**16. Do you have any mental problems due to your unemployment?
/ Máte nějaké psychické problémy spojené s nezaměstnaností?
Pokud ano, přejděte k další otázce.**

- Yes / ano
- No / ne

**17. What are your most serious mental problems? Jaké jsou Vaše
nejzávažnější psychické problémy**

- Aggression / agrese
- Depression / deprese
- Inferiority complex / komplex méněcennosti
- Moodiness / náladovost
- Eating disorders / porucha příjmu potravy
- Anxiety/ úzkost
- Other / jiné