Current Conditions of Labor Market in South Bohemian Region and Niederbayern

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Abstract: The paper is focused on unemployment development. It shows two neighboring regions of South Bohemia and Niederbayern in the context of the analysis of unemployment in the Czech Republic and Bayern. Selected regions are very similar in size, structure and climatic conditions. The unemployment rate has developed in both regions in a different way. Observation period was chosen from 2004 till 2012. There are different systemic measures to reduce the unemployment rate in both regions. Their impacts on the development of unemployment are also very different.

Key words: Labor Market · Unemployment · Regional Employment · Bavaria

JEL Classification: O15

1 Introduction

Regional labor market in Central European countries and its definition will grow in importance in the future. The so-called geographical mobility will lose its importance, because it still leads to increased automobile traffic and new information and communication technologies have also a very significant impact on the regional labor market. There are also new forms of work organization developed that are not as strongly tied to space, for example Teleworking. The use of these technologies is still limited in the Czech Republic, although it is successfully developed in neighboring Bavaria. The unemployment rate is based on the Eurostat methodology used by the Czech Statistical Office as well as the Regional Statistical Office for Bavaria. They are drawn up on the basis of the recommendations of the International Labour Organisation.

2 Objectives and methodology of work

Objectives of this paper are focused on unemployment development in the last decade. The paper shows two neighboring regions of South Bohemia and Niederbayern in the context of the analysis of unemployment in the Czech Republic and Bayern. Data for analysis and comparison contain information about the unemployment rate in the Czech Republic and in the region of South Bohemia, along with information about the unemployment rate in the region and Bayern Niederbayern. For comparison there will be used nonparametric Mann-Whitney test.

$$H_0: \mu_{SCZ} = \mu_{SSRN}$$

$$H_1: \mu_{SCZ} \neq \mu_{SSRN}$$

Non-parametric tests were used to compare the statistical data, the use is more general than parametric tests. At the same time, a test of proportionality will be used. It will include a test of suitability, necessity test and benchmarking test. For the purpose of assessing the similarity of characteristics of individual territorial units, ie. South Bohemian Region and Niederbayern will be used hierarchical cluster analysis. For the purpose of distance characteristics of individual clusters will be used algorithm average linkage. As a metric there will be used the classical Euclidean metric.

3 Results

Analysis of unemployment in two neighboring regions of South Bohemia and Niederbayern is carried out in the context of the analysis of unemployment in the Czech Republic and Bayern (ČSÚ, 2013; Potměšil, 2012). Regions are very similar in size, structure and their climate. The unemployment rate developed there in a different way. The beginning of the observation and analysis is the year 2004, the Czech Republic's accession to the European Union. While in 2004 the general unemployment rate in the Czech Republic was 8.3% and in the South Bohemian Region at the level

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of 5.7%, in the Land Bayern rates were 7.0% and 6.8% for Niederbayern region. In 2012, the general unemployment rate in the Czech Republic increased to 7.0% and in the South Bohemian Region reached 5.2%, in the Land Bayern rates were 3.5% and 3.3% for the Niederbayern region. These data are very interesting from the point of view if you go into a deeper perception. Although Bayern region Niederbayern also have some of the highest wages in Europe and the Czech Republic including the South Bohemian region can benefit from the fact that labor costs are much lower here, so it has in this respect a competitive advantage, Czechs do not reduce their unemployment as much as in Bayern and in Niederbayern. Bayern and Niederbayern managed to reduce their unemployment up to 50% in the period of 2004-2012 and in Niederbayern it’s about more than 50%. In the Czech Republic the reduction reached only 1.3%, and the South Bohemian Region only 0.3% (ČSÚ, 2013; Bayerishes Landesamt fuer Statistik, 2013). And this despite the fact that the Czech Republic carried out a number of reforms with its main aim to reduce unemployment.

What was the idea behind it is a matter for discussion. It may be that in the Czech Republic no economic growth is to seen and the economy does not recover. Germany and Bavaria, of course, is for the Czech Republic its largest trading partner. Unemployment in Germany is declining but labor costs are in Bavaria and Lower Bavaria very high. We may consider, that the situation on the German labor market should be reflected in a certain time on the Czech economy (Stimson, Stough & Roberts, 2006).

Questionable is also the veracity of the argument that raising the minimum wage leads to a rise in unemployment. Even an increase in the minimum wage in the Czech Republic took several years, since the political discussion was based on unsubstantiated claim that raising the minimum wage is correlated with a rise in employment. In Bavaria, they did not accept this argument. Salaries are at the highest level in Europe and unemployment is steadily falling. The minimum wage does not exist in Bavaria (Federal Ministry of Food and Agriculture, 2006).

In the Czech Republic this is enhanced even by further facts. Due to the actions that took place under the new Employment Act, probably causing a situation where even if the citizen became unemployed did not entered the registration of unemployed. It was highly criticized by the public the so called system DONEZ (Attendance unemployed). In this system, selected jobseekers had to attend twice a week to the post office, or the Czech Point of contact for Czech Post, in a randomly determined time within normal working hours. The official aim of the introduction of the system was to reduce the so-called. Illegal work and increase employment. The question remains whether that objective can be through that system DONEZ can ever achieve. So if anyone is working illegally, probably it will not be a problem to him to be sent by the employer for the purpose to go to the post office. This system was in professional circles subtitle system of rotating citizen. The result of this measure is only an enhanced statistic and reduced unemployment in the country and in the region. To add - a similar system exists in the UK or in the USA. There is, however, this system does not affect the normal unemployed, but people previously convicted of a crime, with particular attention to sexual offenders to be supervised and to obtain a summary of their movement (Potměšil, 2012). Finally, this system in the Czech Republic failed. Mentioned objectives, such as reducing unemployment in the region and the state, can be achieved by other less restrictive means. Bavaria during the Nineties has been faced with the problem of high unemployment. The Government of the Federal Republic of Germany at the time decided for a radical solution to reform the whole system of social security. Reform meant the greatest social revolution, which the German society had not experienced since the time of Nazi Germany. Now Hartz IV was introduced and it was one of the toughest measures - it brought a big change in unemployment benefits. At the same time under this reform a long-term unemployed has to accept any legal job that was offered to him. Reject it only allowed if the offered salary is more than thirty percent less than the local average. Refusal of work is sanctioned, citizens who are not coming on overall unemployment, but he reduced support, ALG - Arbeitslosengeld about thirty percent in three months. If you repeatedly refuse, the benefit is reduced by thirty percent, reaching then zero. The other social benefits are reduced then, too. If he or she refuses to work for twenty-five years, then his benefits suspended completely. Gets only special orders, for which you can buy food. In accordance to the influence of Hartz reforms, and especially the law Hartz IV there was a significant decline in unemployment in Bavaria and Lower Bavaria, and the whole Germany. The tendency towards a permanent downward trend in unemployment in Bavaria and Lower Bavaria continues. It is interesting that unemployment in Bavaria is almost identical with unemployment in Lower Bavaria. The Czech environment can not show such development. Region South Bohemia has always developed significantly different from the unemployment rate in the Czech Republic. At the same time, the question is why South Bohemia has significantly higher unemployment, while in 2004, the unemployment rate in the South Bohemia of 5.7%, which is lower than in Niederbayern (Bayerisches Landesamt fuer Statistik, 2013).

Mann-Whitney nonparametric test of median value conformity for the unemployment rate, based on the Eurostat methodology, showed the following values:
When comparing unemployment rates, it was found that on the level of significance $\alpha = 0.05$, the unemployment rate is in the region Niederbayern is statistically significantly lower than the unemployment rate in the region of South Bohemia.

Cluster analysis has brought the division of districts in each region and their unemployment rate to 4 clusters. The first cluster consists of the districts of Kelheim, Deggendorf, Rottal-Inn, Tabor, Jindřichův Hradec, Straubing-Bogen and Dingolfing-Landau – the unemployment rate is varying here and differs from year to year in the observed time period. The second cluster consists of Prachatice, Freyung-Grafenau, Regen, Český Krumlov, Sand, Strakonice and free towns of Landshut, Passau, Straubing – the unemployment rate differs here only very little in the observed time period. The third cluster consists of Landshut district as significantly different from the two previous districts, the development here goes against the average trend in the unemployment rate. The fourth cluster consists of districts that are very similar in their characteristics, are the districts of Passau and the district of České Budejovice – it is a cluster of regions next to big agglomerations.

4 Conclusions
Analysis of the labor market in both regions of South Bohemia and Niederbayern showed that there are important differences. Bayern pays more attention to unemployment solution measures and its development involves a larger number of stakeholders including the private sector. There is used more effectively the European Employment Strategy, which aims to participate actively in solving the problems of the labor market and use resources actively from EU funds related to the issue of employment at the same time. German labor offices have long experience with regional labor markets and seek to eliminate regional differences in labor demand and supply. At the same time they have also more sophisticated social cohesion, reducing regional disparities in unemployment and thereby achieving lower unemployment rate at all.

References