The new *OECD Jobs Strategy*

Good jobs for all in a changing world of work
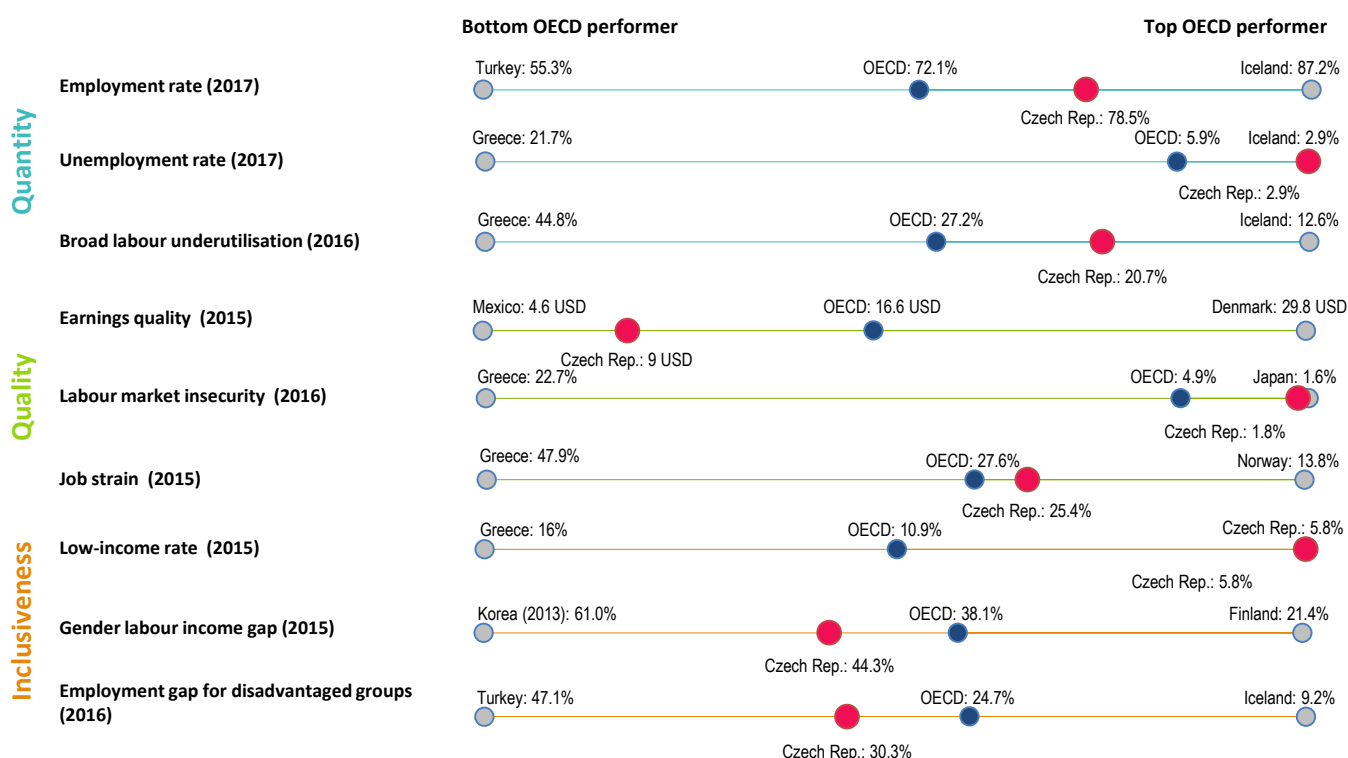
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How does the Czech Republic compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new **OECD Jobs Strategy** provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for the Czech Republic

Bottom OECD performer — Top OECD performer

Quantity

Employment rate (2017): Turkey: 55.3% | OECD: 72.1% | Czech Rep.: 78.5% | Iceland: 87.2%

Unemployment rate (2017): Greece: 21.7% | OECD: 5.9% | Czech Rep.: 2.9% | Iceland: 2.9%

Broad labour underutilisation (2016): Greece: 44.8% | OECD: 27.2% | Czech Rep.: 20.7% | Iceland: 12.6%

Quality

Earnings quality (2015): Mexico: 4.6 USD | Czech Rep.: 9 USD | OECD: 16.6 USD | Denmark: 29.8 USD

Labour market insecurity (2016): Greece: 22.7% | OECD: 4.9% | Czech Rep.: 1.8% | Japan: 1.6%

Job strain (2015): Greece: 47.9% | OECD: 27.6% | Czech Rep.: 25.4% | Norway: 13.8%

Inclusiveness

Low-income rate (2015): Greece: 16% | OECD: 10.9% | Czech Rep.: 5.8% | Czech Rep.: 5.8%

Gender labour income gap (2015): Korea (2013): 61.0% | Czech Rep.: 44.3% | OECD: 38.1% | Finland: 21.4%

Employment gap for disadvantaged groups (2016): Turkey: 47.1% | OECD: 24.7% | Czech Rep.: 30.3% | Iceland: 9.2%

Notes: Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new *OECD Jobs Strategy* presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all

indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- The Czech Republic scores high among OECD countries on all three indicators of job quantity. In particular, the Czech Republic has the lowest unemployment rate in the OECD. The employment rate is largely above the OECD average thanks to three years in a row of high growth above potential.

- Results in terms of labour market quality are mixed. Labour market insecurity is the lowest with Japan in the OECD. Labour shortages in the labour market with thousands of job vacancies are favourable to workers who have been enjoying high growth wages in the last three years. However, wage levels remain relatively low though in a converging trend toward the OECD average. Finally, job strain is moderate and below the OECD average.

- Labour market inclusiveness is strong. The Czech Republic has one of the lowest income inequality levels

in the OECD, as a result, low-income rate is the lowest among OECD countries. However, the gender labour income gap is above the OECD average due to low employment rate for women with young children and long parental leaves. The employment gap for disadvantaged groups is also above the OECD average due to low labour participation rate of Roma people. However, labour participation of the youth and old-age workers have been increasing in the last two years thanks to the high job creation and the tight labour market.

FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key pre-condition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers' productivity and wages and provide an indication of the readiness to respond to future challenges.

- The Czech Republic scores above the OECD average in all the key indicators of labour market resilience and adaptability, reflecting the positive dynamic in the labour market. However, these scores are not among the best performers in the OECD showing that there is room for structural progress in the labour market.

- Labour market resilience measured in terms of the unemployment response to an economic downturn is good. It is explained by relatively flexible wages, which favour keeping qualified workers in a downturn instead of firing them. In particular, the manufacturing industry, which represents 30% of GDP, is highly incentivised to retain its workers in a low cyclical activity.

- Labour productivity growth is slightly above the OECD average. Recent high wage growth and labour shortages are pushing investment to augment labour productivity. Also, the labour market suffers from skills mismatch as the needs of the sizeable manufacturing sector does not correspond to student preferences. More efforts are needed to boost the vocational training segment of the education system.

Framework conditions for the Czech Republic
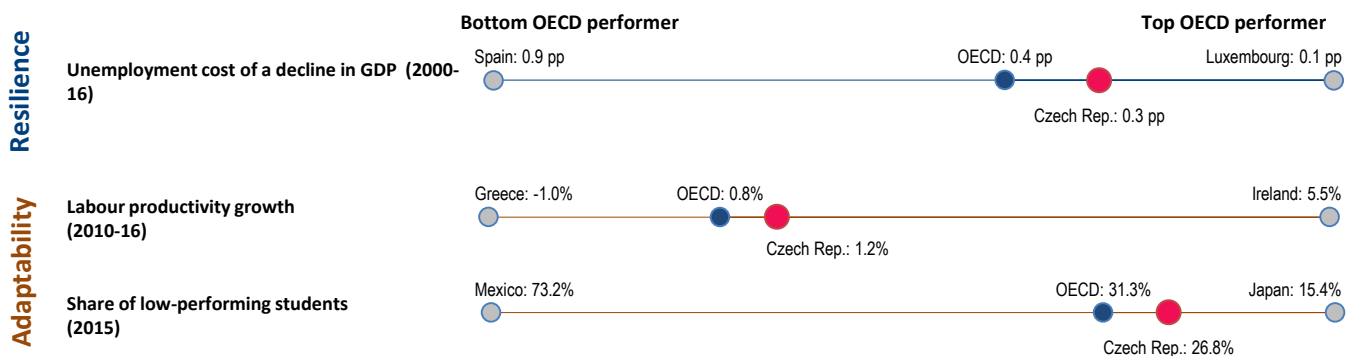
Notes: Resilience: average increase in the unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low-performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).