

Low-skilled people in the Czech Republic – a new analysis

In 2018 the IDEA¹ think tank operating under CERGE-EI² published a study about the low-skilled people³ in the Czech Republic. The authors (Alena Bičáková and Klára Kalíšková) determine from available data the characteristics, labour market conditions and labour market outcomes of this group. Based on the evidence the most relevant policies to increase the employment participation of low-skilled people are suggested.

For a long time, the share of low skilled people was relatively low in the Czech Republic (less than 7% of working age population) and slowly decreasing. In recent years, nevertheless, there are signs that this trend may change. The share of low-skilled people increased among younger age cohort due to larger numbers of drop-outs from education. This is caused by the introduction of unified *maturita* exam for all upper secondary four-year study programmes (ISCED 354). For many programmes, the unified *maturita* test is more demanding than their previous school-designed tests and larger number of students fail and thus do not finish their upper secondary education.

Although the share of low skilled people is lower compared to the EU average, the problems associated with this status are much worse than in many other countries. The employment rate of low-skilled people is only about 42 %. They are often long-term unemployed (61% of those who search for a job) and they often accumulate more other socio-economic drawbacks. If the low-skilled people are in employment, this is likely to be precarious work. They struggle to maintain stable long-term jobs and have only low earnings. Employers in private sector are not motivated to hire the low-skilled even in case they can receive subsidies from the LM policy schemes for employing them, which makes the low-skilled frequent participants of the public work programmes. And also, the current taxation system does not motivate the unemployed or inactive low-skilled people to participate in the labour market. They would lose half of their potential earnings in taxes paid or benefit loss if they started working.

Based on thorough analysis, the authors conclude that several directions of intervention can be recommended to improve the prospects of low-skilled people in the Czech Republic. The upskilling and motivation seems to be the main effective pathways to reach this goal. Training courses tailored specifically to the needs of low-skilled should be promoted, combining theory with practice. The incentives for employers should be introduced to provide long-term contracts to low-skilled and invest in their development. Reducing tax rates for low-skilled would increase their benefits from paid jobs and motivate them to participate in the labour market. Timely preventing of early drop-outs from education is also one of key directions of intervention. The policies should specifically take into account needs of low-skilled women, as they are overrepresented in the endangered group.

The study is available online: https://idea.cerge-ei.cz/files/IDEA_Study_3_2018_Low_skilled/mobile/index.html#p=1

¹ Institute for Democracy & Economic Analysis (<https://idea.cerge-ei.cz>)

² Center for Economic Research and Graduate Education - Economics Institute (www.cerge-ei.cz)

³ People with only primary or lower secondary education.