

# Abstract

The choice of an appropriate government policy tool to promote the employment should be done with regard to the source of unemployment. This diploma thesis investigates structural and cyclical components of unemployment. The two components are induced by different causes. Search and matching frictions in the labor market are the source of the structural component. The cyclical component is induced by a low labor productivity which induces a negative gross marginal profit of firms. Consequently, they are obliged to cancel a portion of existing job-worker matches. The main finding is that during a period of economic slowdown the overall unemployment and its cyclical component rise while the structural component declines. The dynamics of the two components is reversed during a robust economic growth. The diploma thesis proceeds with investigating the public hiring, a policy potentially suitable to diminish the unemployment during an economic slowdown. The results show that the public hiring can be successfully applied despite the private employment crowding out. A New Keynesian DSGE model calibrated for the Czech Republic is used to model the labor market dynamics. The results are interpreted with regard to the historic development of the unemployment and the economic growth from 2000 to 2014.

**JEL Classification** E24, J21, J38, J45, J63, J64

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