

In this thesis, I examine the development of regional unemployment in the Czech Republic in the past 2 decades. The statistics show that there are differentials among the regional unemployment rates. The differentials in the Czech Republic seem to be one of the highest in Europe. More importantly, the differentials appear to be persistent as the disparity is stationary and there are cointegrating vectors among the regional unemployment rates. One of the possible explanation could be the different processes of setting long-run equilibrium in regional unemployment rates. In some regions, the behaviour of unemployment is consistent with the NAIRU hypothesis, thus the long-run equilibrium is not affected by economic shocks. On the other hand, I also find regions in which the data support unemployment Hysteresis and path dependent equilibrium of unemployment rate. Moreover, most of the time, the distribution of unemployment over the regions appears to be symmetrical around its mean i.e. there is a comparable amount of regions with higher and lower unemployment rates.