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## Workforce: The Market That Shapes Our World

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### Summary

The labour market is a key factor in economic development, and its form significantly influences the competitiveness of a country. The aging population and declining birth rates lead to a decrease in the workforce, which presents a major challenge for future growth. In addition to demographic factors, the quality of the workforce plays a crucial role, largely determined by the education system.

### Highlights

- Demographic trends lead to a decrease in the workforce, which could weaken economic stability.
- The reduction in working hours and changes in work models could further affect the availability of the workforce.
- The structure of education does not meet the needs of the labour market, especially in the areas of technology and healthcare.
- Reform of higher education and better allocation of human capital are key to future economic growth.

Sundar Pichai, Satya Nadella, Arvind Krishna, and Shantanu Narayen are names that may not be very well known in the Czech Republic. However, these are men who largely manage the current IT world. Sundar Pichai is the CEO of Alphabet, which includes Google. Satya Nadella heads Microsoft. Arvind Krishna is the CEO of IBM, and Shantanu Narayen leads Adobe. These Indian-American CEOs not only have Indian ancestry, but also completed either high school or even university in their home country, India. This quartet proves that even the educational system in less developed parts of the world can produce top-notch experts, even in the highly competitive environment of the IT business. A high-quality workforce is the foundation of an economically successful nation. Let's take a look at how it is generated not only in the West but primarily in the Czech Republic.

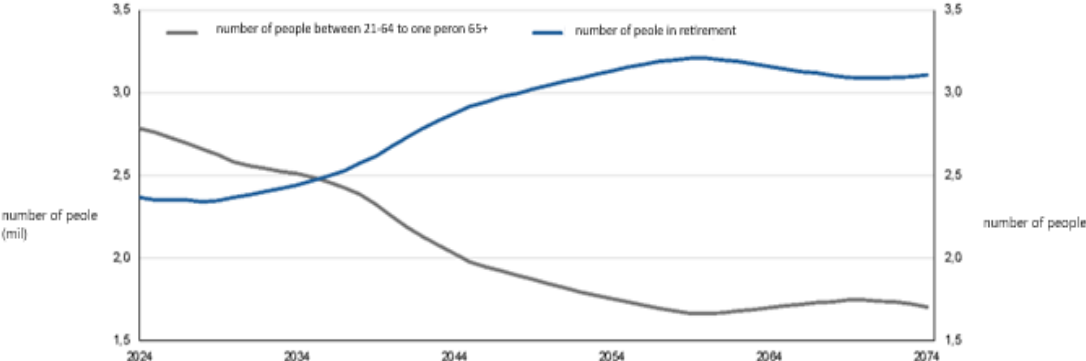
We can look at the workforce through the prism of both quantity and quality. From the perspective of quantity, the main variable is the demographic situation and demographic development. When it comes to the quality of the workforce, there are many viewpoints. However, we will show that in many indicators, the West and the Czech Republic are doing worse than we might expect.

### Quantity of Labour

Hand in hand with the increasing economic level of countries comes a gradual, yet entirely standard phenomenon – the decline in birth rates. The economically more successful part of the population no longer needs children as a certain form of cheap labour. At the same time, the decline in birth rates is linked to the increase in the likelihood that children will live to adulthood (reducing child mortality). These are two iron laws that apply and have influenced birth rates in all countries as they reach a higher economic level. At the same time, with the gradual increase in living standards, parents began to understand the benefits of educated and better-nourished children. This, along with the spread of contraceptive availability and changes in societal values, dramatically altered demographic curves in the Western world. Society, without the additional influx of migrants, would not only dramatically age but also become extinct. The Czech Republic is, from this perspective, unequivocally part of the West.

Demographic predictions for the Czech Republic are clear. The number of pensioners is expected to peak in 2059. At this time, there will be 3.2 million pensioners. The number of people of working age (i.e., 21–64 years) per citizen older than 65 will decrease in this time frame to 1.66 people in the workforce (NRR, 2024).

**Figure 1:** Demographic Development – Projections until 2074 in the Czech Republic

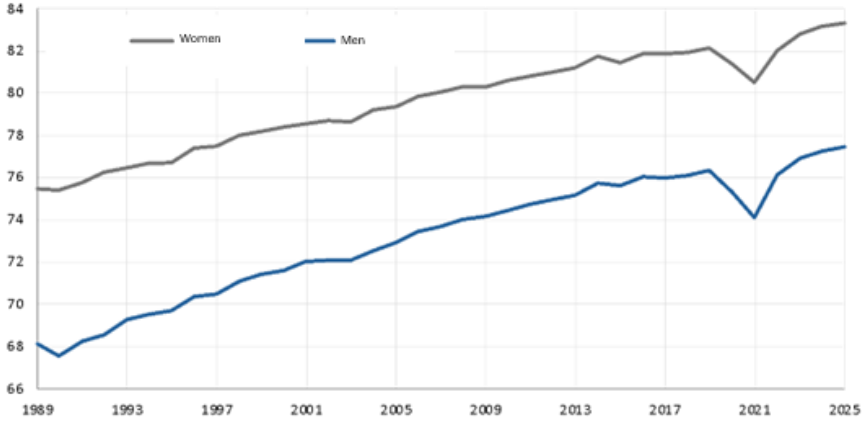


**Source:** NRR, 2024

This gradual development within the population is not entirely surprising. One of the main determinants of the demographic trend is the retirement of the so-called "Husák's children"

and the current increase in life expectancy. What acts as one of the greatest successes of the Czech Republic in the post-communist development, also reduces its future competitiveness. Due to innovations in healthcare, rising living standards, and the related improvement in the standard of living, people live significantly longer. In fact, the expected average life expectancy at birth in 1989 was 68.1 years for men and roughly 75.5 years for women. Today, in 2025, the expected average life expectancy at birth for men is nearly 77.4 years, and for women, it is 83.3 years. This means that life expectancy has increased by nearly 10 years over the past three and a half decades.

**Figure 2:** Average Life Expectancy in the Czech Republic

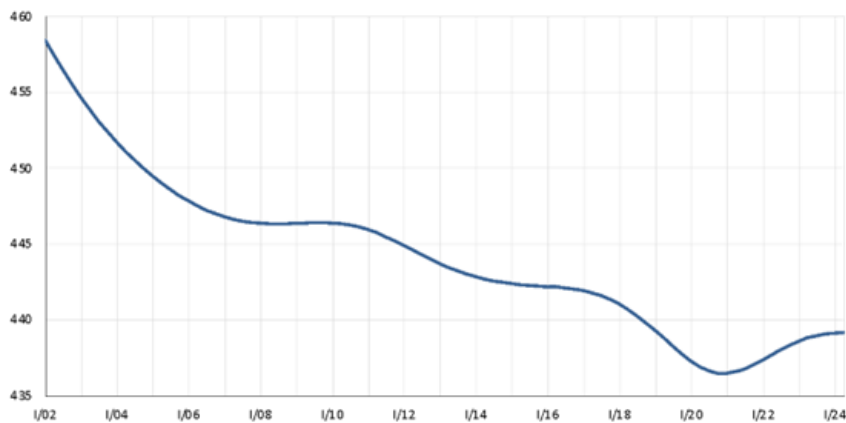


**Source:** MFČR, 2024

The fact that the population will gradually age will necessarily act as a snowball effect on the economic competitiveness of the entire economy. The problem is not just the mere fact of a missing workforce. Problems can also arise from the fact that a large portion of employees will be past their working peak. One of the main features of developing economies is precisely the high proportion of young people. This means the part of the workforce that is dynamic, willing, and able to learn new skills and activities, representing the innovative part of the population.

The current trend of decreasing workforce volume is also accompanied by discussions about reducing the number of working days per week. Between 2015 and 2019, Iceland carried out the largest pilot project in the world, where people worked only 35 to 36 hours per week. Since then, many Western economies have been discussing and gradually implementing this reduced model. Although there is currently no significant political force in the Czech Republic proposing this, the reduction in working hours has been occurring over the long term. While at the beginning of 2002, employees worked 458.4 hours per quarter, the most recent data from mid-2024 shows a continuous decline to 439.1 hours. Therefore, the shortening of working hours is also happening here, essentially automatically (MF ČR, 2024).

**Figure 3:** Average Number of Hours Worked per Quarter in the Czech Republic



Source: MFČR, 2024

## Quality of the Workforce

Every successful economic system needs not only an adequate workforce, but it is also important for employees to be sufficiently qualified and innovative. The allocation of the workforce in Czech society is determined by the market. This is, of course, correct. Monitoring price signals is crucial when choosing a profession. After all, the history of communist Czechoslovakia is a clear example of how a system with excessive state intervention can be dysfunctional.

On the other hand, we often take pride in the fact that the Czech Republic is home to people who are more educated, skilled, inventive, productive, and hardworking. However, this relatively good historical position may not be permanent. Naive notions that the state does not intervene in workforce allocation are entirely out of touch with current economic reality. In a country where the overwhelming majority of citizens attend public or state secondary schools, the future workforce is significantly defined. This is further accentuated by the principles of the higher education system, where the state inherently decides how many doctors, lawyers, technicians, engineers, or sociologists it will have available in the future. In 2023, 284 thousand students attended public and state universities. During the same period, just under a tenth of students (29 thousand) attended private universities (Czech Statistical Office, 2024).

From this perspective, the structure of future graduates from these schools is important. Of the 284 thousand people who are effectively provided education for free by the state, nearly 30 thousand are studying arts and humanities (i.e., excluding economics, which is classified under social sciences). In contrast, only 23 thousand students are studying information and communication technology, and just 36 thousand students are studying engineering, manufacturing, and construction. An interesting comparison is that software and application development is being studied by a total of 18,600 students, while law is being studied by 11 thousand students (Czech Statistical Office, 2024). This raises the question of whether the ratio with which the state intends to define the future workforce is set correctly.

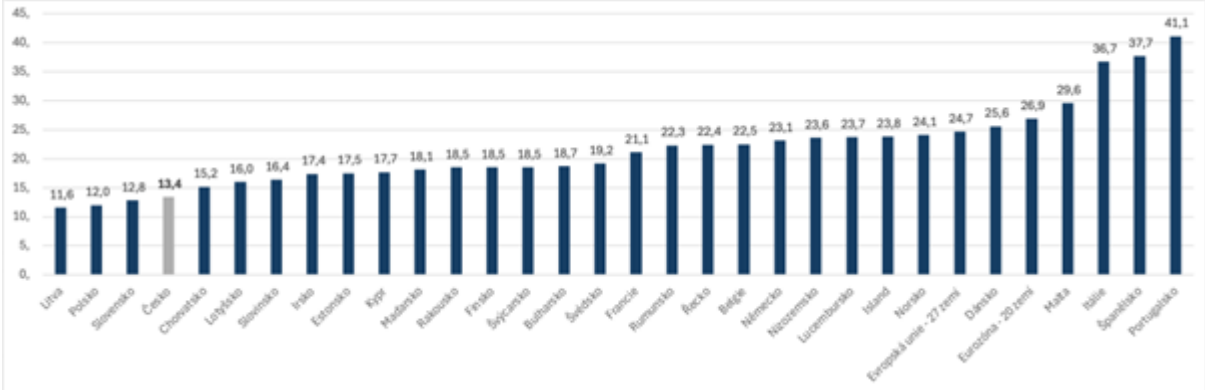
These are remarkable statistics given the widely recognized view that, in the future, countries with a developed IT sector will have a comparative advantage. Only 23 thousand people studying information and communication technology may be entirely insufficient for the future Czech economy. Do we really need more graduates in arts and humanities than experts in IT? After all, there are professions whose social usefulness is higher (such as doctors or teachers), and fields where social

usefulness is lower. This indifferent approach to the future, based on the non-acceptance of the basic return on the allocation of labour for society, which the state inherently defines through providing free higher education, is the result of the work not only of the Ministry of Education but also the accreditation authority.

Another example of insufficient elasticity is the situation in healthcare. Society clearly needs more doctors, so there is a nationwide demand to increase the capacity of medical faculties. However, this is limited by the inability to grant accreditations due to a lack of qualified teachers. The question remains whether this is truly a lack of qualified instructors or rather a lack of people who meet the accreditation-bureaucratic process requirements of the authorities.

Even from the perspective of the number of university-educated individuals, the Czech Republic is not among the top performers in the European Union. If we look at the age category of 25 to 34 years, which is no longer influenced by the past regime, the Czech Republic has the fourth worst position. Only 13.4% of the population in this age group has completed higher education. Only Slovakia (12.8%), Poland (12.0%), and Lithuania (11.6%) have lower percentages. The frequently repeated discussions that we have too many universities are therefore not based on a European comparison.

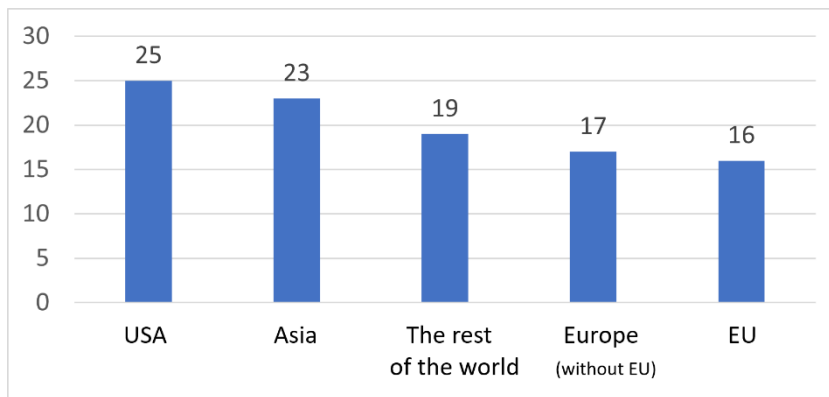
**Figure 4:** Share of University-Educated Population in the Age Group of 25 to 34 Years



**Source:** Eurostat, 2024

Moreover, Czech higher education, even in terms of quality, does not aspire to the highest ranks in global university rankings. According to the QS World University Rankings, the highest-ranking university in the Czech Republic is Charles University. This university, founded in 1348, is ranked 246th globally. It is followed by Masaryk University (408), the Czech Technical University in Prague (420), and others are above the 500th mark. In fact, EU countries performed poorly in this ranking. None of the universities from the EU are in the top 20 most prestigious universities in the world. The highest-ranked EU university is Université PSL, placed 24th. In the top 100, the USA dominates with 25 of the best universities, followed by Asia with 23, and Europe, excluding the European Union, has 17 of the best universities in the world. This number is primarily due to the United Kingdom, which has 15 universities in the top rankings. Within the European Union countries themselves, only 16 of the world’s best universities are located.

**Figure 5:** Distribution of the 100 Best Universities by Region



**Source:** QS World University Rankings, 2025

## Conclusion

The future of the Czech Republic, as well as Europe, will be defined by the quantity and quality of people who will live on its territory. Influencing demographic development without significant increases in migration is an exceptionally difficult task. However, what the state can influence, especially when it comes to setting the conditions for public education, is the future capabilities of the workforce. A reform of higher education aimed at increasing both quality and quantity, along with a gradual adjustment of fields of study, is a necessary condition to ensure dynamic economic growth in the coming decades.

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Martin Zeman graduated from the Faculty of Economics and the Faculty of Business Administration at the University of Economics in Prague. He also defended his dissertation at the University of Economics. He specializes in economic policy, fiscal policy and public finance. He is the author of several professional articles, speaks at international conferences and publishes commentaries in the media. For several years, he worked as an advisor to the Minister and also in other institutions dealing with public finance.

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