

ANALYSIS

4 June 2020

Development of the Czech labour market in the Q1 2020

In the first three months of 2020, Czech labour market indicators are rather unaffected by anti-coronavirus measures, yet, except for the number of hours worked. Development in individual industries (economic activities) differs. The higher inflation cut almost three quarters from a 5% wage increase and therefore earnings increased in real terms only by 1.4%. Preliminary results have been affected by difficulties during data collection and processing.

Employment, unemployment, and reported job vacancies

Key results of the Labour Force Sample Survey (LFSS) follow the previous year's ones and so far show rather a trend dictated by a slowing down growth phase of the economic cycle. Employment got below the level of 5.3 million persons; it decreased by 28.1 thousand persons, year-on-year. The Q1 2020 thus brought the employment rate of 74.8% in the age group of 15–64 years, which was a decrease by 0.2 percentage point (p. p.) compared to the corresponding period of the previous year. A more marked decrease was in the secondary sector, in which employment dropped by 13.4 thousand.

In the Q1 2020, the LFSS revealed the total number of the unemployed, which means persons who do not work and seek a job in an active manner as defined by the International Labour Organisation (ILO), reached 106.1 thousand persons; after seasonal adjustment, the figures show a decrease by 6.7 thousand persons, quarter-on-quarter. The general unemployment rate thus remained on 2.0%. The number of the long-term unemployed decreased by 6.2 thousand, y-o-y; it decreased to 28.7 thousand persons and therefore there were 27% unemployed persons not having a job for over one year.

When the number of both the employed and the unemployed decreased, in the y-o-y comparison, the number of economically inactive persons aged 15+ years increased (by 58.7 thousand to 3 600.2 thousand). The number of economically inactive females increased more than the number of economically inactive males (females were 36.0 thousand up and males 22.7 thousand up). Especially the number of economically inactive senior citizens aged 65+ years distinctively increased (by 45.4 thousand to 1 980.5 thousand). The number of persons, who do not work and do not seek a job in an active manner (and thus they do not meet the conditions of the ILO for the unemployed), yet they state they would like to be working, dropped in the y-o-y comparison by 11.2 thousand to 93.4 thousand persons.

Impacts of the incoming coronavirus crisis were shown markedly only in the average number of hours actually worked in March, in which they decreased by 10%, y-o-y (for April it was according to the preliminary LFSS data a decrease by 22%).

Anti-infection measures starting in the half of March brought much difficulties to work of the LFSS interviewers, who could not visit households in person during the measures and thus had to

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communicate only over the phone or e-mails. It entailed a decrease in the number of responses of respondents and could lead, at least temporarily, to a decrease in the quality of estimates. It also has to be reminded that the LFSS is carried out in households living in dwellings (flats); it does not cover hostels and similar collective households, in which working foreigners often live.

Statistical data about the business demand for the labour force will react on the coronavirus crisis with a delay, undoubtedly, because businesses were concerned about other issues so far than to have their job vacancies deleted from the register of labour offices. Selection procedures were in most cases stopped, anyway.

Registered number of employees expressed as full-time equivalent employees

Preliminary data of the CZSO business statistics illustrate the situation on the labour market by their indicators, mainly as for the decrease in the registered number of employees. This survey was also affected by anti-infection measures and decreased willingness or difficulties of businesses to respond within determined deadlines. At the same time, the survey changed from the previous year – a new unified quarterly report (questionnaire) on labour has been introduced (“Práce 2-04”) for all fields, which may have been reflected in year-on-year comparisons. Various industries (economic activities) were affected by both the factors in various degrees.

In the Q1 2020, compared to the corresponding period of the previous year, there were by 35.0 thousand employees less in full-time equivalent, which is a 0.9% decrease, by which we got to the amount of 4 034.2 thousand. The indicator was increasing since 2014; the values of the y-o-y increase were fluctuating and in 2019, the growth trend stopped.

As for individual industries (economic activities), trends differed; decreases were concentrated in the primary and secondary sectors, i.e. in agriculture and industry. Decreasing of the number of employees continued in ‘mining and quarrying’, in which, however, it is a long-term development. There were currently by 1.8%, i.e. by 0.4 thousand, FTE persons less. From the point of view of the economic cycle, a much bigger decrease (and also the most important as for the number) is in ‘manufacturing’, in which there were by 38.6 thousand less job positions, year-on-year, i.e. by 3.3%. Related to that is also a slump in ‘administrative and support service activities’ (by 12.6 thousand, i.e. by 6.2%), in which agency workers are prevailing, who work mostly also in positions in industry.

As for the tertiary sector of services, in which employees increased in amount in general, ‘accommodation and food service activities’ is standing out, in which the number of employees dropped by 5.2 thousand, which is by 4.3% less, and it can already be an impact of the coronavirus crisis there. Also in ‘transportation and storage’, the number of FTE employees dropped by 5.5 thousand, which is 2.0%.

In ‘agriculture, forestry and fishing,’ there were by 1.8 thousand positions less, which is by 1.9% less. ‘Electricity, gas, steam and air conditioning supply’ reduced the number by 0.4 thousand (-1.1%). In addition, a small decrease in construction emerged (by 0.3 thousand; -0.1%), which was otherwise economically successful. ‘Professional, scientific and technical activities’ lost 1.3

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thousand FTE employees (-0.7%, relatively). In 'wholesale and retail trade; repair of motor vehicles and motorcycles' there were by 2.0 thousand FTE employees less (-0.4%).

Increments in the numbers of employees concentrated in economic activities dominated by government, in which 'education' is remarkable with an increase by 12.5 thousand (4.2%). Also in 'human health and social work activities' the number of FTE employees increased by 3.7 thousand (1.2%). What can be surprising in the current situation, is a 0.6% increase in 'arts, entertainment and recreation,' which is by 0.3 thousand more; however, that CZ-NACE section is a mix of various entities of both market and non-market character.

An increase in a small CZ-NACE section of 'real estate activities' (by 22.9%) is caused by administrative shifts. Constant growth of the number of employees is in 'information and communication,' currently by 1.6 thousand, i.e. by 1.3%. In 'financial and insurance activities,' there were by 0.5 thousand more FTE employees (0.7%).

Average gross monthly wages

As for wages, there was a weak growth in the beginning of 2020, which was the lowest since the end of 2016. However, data for the Q1 2020 followed the economic development of the previous two years, in which the growth culminated and then it was gradually decreasing. The average wage (CZK 34 077) increased nominally by 5.0% in the Q1 2020, compared to the corresponding period of 2019.

Expressed in real terms, the wage increase was, however, much weaker – wages increased only by 1.4%, which is the least since the end of 2013. In the entire preceding year 2019, the real growth was 3.5%; in 2018, it was by 5.9%. It is because of a higher inflation (the consumer price index; demonstrated as a gap between the two lines in the chart below), which in the Q1 2020 reached 3.6%, i.e. by 0.8 percentage point more than in 2019 and by 1.5 p. p. more than in 2018.

Trends in the nominal and real average wages as indices to the corresponding quarter of the previous year

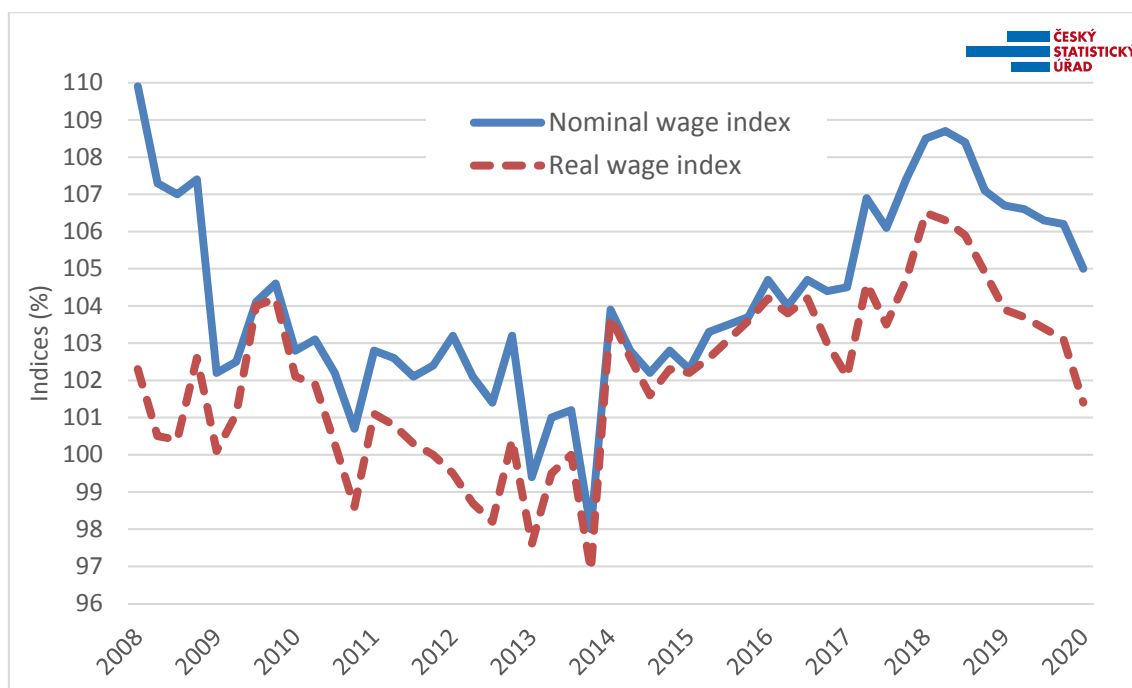
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Source: CZSO – the business reporting system

Wage growth was also highly differentiated in individual industries (economic activities) the same as the development of the number of employees. It depended, among others, on the fact that in some industries (economic activities), extraordinary bonuses are paid in this term, which are bound to economic results (namely in banks, insurance companies and the energy sector).

In two industries (economic activities), there was a nominal decrease of the wage level; it was in 'real estate activities' (-6.5%; see above) and in 'arts, entertainment and recreation' (-3.8%), in which, however, it is related to a high comparison base from the previous year (high extraordinary bonuses).

On the other hand, there are also high increases in the average wage, mainly in 'administrative and support service activities' by 11.8%, in which it might be a consequence of dismissing of employees with low wages, which increases the arithmetic mean. By over a tenth, wages jumped also in 'electricity, gas, steam and air conditioning supply' (10.8%).

Above-average growth can be found also in 'agriculture, forestry and fishing' (7.4%), 'information and communication' (7.1%), 'education' (7.0%), further in 'construction' (5.7%), and, finally, in 'human health and social work activities' (5.2%).

The highest absolute average gross wage can be found in 'information and communication' with the level of CZK 63 521. 'Financial and insurance activities' ranked second; the average wage increased there by 1.8% to CZK 60 595. 'Electricity, gas, steam and air conditioning supply'

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ranked third (with a margin) with CZK 56 778. On the other hand, the lowest wage level remained in 'accommodation and food service activities' with CZK 20 316.

In the biggest industry (economic activity), 'manufacturing,' in which over 1.1 million employees work, wages increased by 4.0%, by which they got to CZK 33 123. In the second (as for its size), 'wholesale and retail trade; repair of motor vehicles and motorcycles,' wages increased by 4.6% to CZK 32 357.

Regional development

Results broken down by region have not brought any surprise; they follow the development of the previous years. The span of the average wage growth was from 3.1% to 6.0%. The wage increase was the most marked in the *Jihočeský* Region (6.0%), which has a lower wage level (CZK 30 906) and in the *Ústecký* Region (5.8%), which has a rather ordinary wage level (CZK 31 530). On the contrary, the lowest wage increment was, as usual, in the Capital City of Prague (3.1%). There, it is a long-term development, which gradually makes the Capital City closer to other Regions. Despite that, there is still a marked margin; the average wage in Prague is CZK 42 760. The second lowest wage increase was in the *Liberecký* Region (3.8%), where the wage level was currently CZK 31 265.

The *Karlovarský* Region still remained to be the region with the lowest wage level; the average wage in the Q1 2020 did not exceed 30 thousand as the only one among all Regions (CZK 29 687); a y-o-y increase in wages was by the average 5.0% there.

In Prague, a fast growth in the number of employees still continues; in the Q1 2020, their increase was by 2.3%, y-o-y, there. In all of the other Regions, numbers of employees were decreasing. The most marked decreases were in the *Karlovarský* Region (−2.9%) and in the *Moravskoslezský* Region (−2.4%)

Median wages and decile intervals of wages

The News Release of the CZSO for the Q1 2020 contains also a piece of data on the median wage, which is calculated from a mathematical model of the earnings distribution. The model shows the wage of a middle employee that means a common wage level. Extreme deciles were calculated simultaneously as well. In the Q1 2020, the median wage was CZK 29 333, which is by CZK 1 602 (i.e. by 5.8%) higher compared to that in the corresponding period of the previous year. The wage interval has slightly narrowed. Ten percent of employees earning the lowest wages got earnings below CZK 15 761 (bottom decile) and the opposite tenth having highest wages, on the contrary, earned above CZK 53 850 (top decile). Low wages were growing substantially more than the other ones, probably because of an increase of the minimum wage; the bottom decile wages increased by 9.9%, year-on-year, the top decile wages grew only by 4.7%, year-on-year, they were growing the slowest.

Although the female median wage increased more than the male median wage, in the year-on-year comparison (by 1 p. p.), males still had a much higher wage level: in the Q1 2020, the female median wage was CZK 26 723, while the male median wage was CZK 31 790, i.e. by about CZK 5 thousand higher (i.e. by 19%). Concurrently, wages of males were distributed over a

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substantially wider interval than wages of females, especially the area of high earnings is considerably higher for males than for females. The top decile for females was CZK 46 554, while for males it was CZK 60 663, by which it is by 30% higher. As for low earnings, the difference was smaller; the bottom decile for females was CZK 15 039 and for males it was CZK 16 566, i.e. by 10% higher.

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