

ANALYSIS

3 September 2020

Development of the Czech labour market in the Q2 2020

In the second quarter of 2020, the labour market was markedly influenced by impacts of unprecedented anti-infection measures with which, however, it started to gradually cope. The Czech labour market structure has also started to change. Therefore, the development in individual industries (economic activities) was highly differentiated. In total, the average wage has nominally increased by 0.5%; however, prices have highly increased concurrently and therefore earnings decreased in real terms by 2.5%.

Hours worked, employment, unemployment, and economic inactivity

Data about hours worked by individual month drawing from the Labour Force Sample Survey (LFSS) were the most characteristic results describing progress of the coronavirus crisis. They have been specially prepared since March and published within the News Release of the CZSO called Rates of employment, unemployment and economic activity.

Chart 1: Hours actually worked for a week in main job from the LFSS, index to the corresponding period of the previous year



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Markedly deeper falls of hours worked can be found in the group of the self-employed (entrepreneurs). Their average number of hours decreased in March by 17%, y-o-y, with the decrease peaking in April (by 31%); in May, there was already a more moderate decrease by 14%. In June, the drop by 6% corresponds rather to familiar situations such as flu epidemics in winter and as for July, the hours worked are already above the average.

A similar development is in the dominant group of employees; however, the decreases in the group are much less deep. The average number of hours worked by employees decreased by 9% in March, by 19% in April, and by 6% in May. June figures corresponded to an ordinary situation and July ones were even much higher than that (by 5%).

Standard aggregate indicators of the LFSS follow the trend of a slowing down growth phase of the economic cycle of the previous year; moreover, they depict an increasing fall in the employment due to the coronavirus crisis. For the whole Q2 2020, the number of working persons (employment) decreased by 1.6%, y-o-y, to 5 212.6 thousand persons; in the y-o-y comparison, it thus decreased by 83.3 thousand persons and in the quarter-on-quarter (q-o-q) comparison it decreased by 65.3 thousand after seasonal adjustment. The employment rate (74.1%) in the age group of 15–64 years decreased by 0.9 percentage point (p. p.).

While in the economic activities (sections of the CZ-NACE classification) providing for the basic functioning of the society and of the economy, i.e. 'electricity, gas, steam and air conditioning supply,' 'water supply; sewerage, waste management and remediation activities,' and 'public administration and defence; compulsory social security' the number of working persons increased, there was a decrease mainly in 'manufacturing' (by 47.9 thousand), 'accommodation and food service activities' (by 30.8 thousand), 'transportation and storage' (by 29.1 thousand), and in 'wholesale and retail trade; repair of motor vehicles and motorcycles' (by 17.6 thousand). A marked decrease of employment was also in the section of 'arts, entertainment and recreation' (by 12.3 thousand).

It seems that only part of the outflow of the working persons became the unemployed; the other ones remained, at least temporarily, economically inactive. 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 126.3 thousand persons; after seasonal adjustment, the figures show an increase by 27.9 thousand persons, q-o-q. The general unemployment rate thus increased rather moderately to 2.4% (by 0.5 p. p.).

The number of economically inactive persons aged 15+ years increased (by 86.1 thousand to 3 645.3 thousand). The number of economically inactive females increased more than the number of economically inactive males; females were 48.0 thousand up, while males 38.0 thousand up. Mainly the number of economically inactive males aged 60+ years markedly increased (by 24.9 thousand) and the number of young females aged up to 30 years (by 33.0 thousand).

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It has to be noted that the LFSS covers only persons living in dwellings (flats), not those living in hostels and similar collective households, which has a negative influence on the capture of foreigners who often use such ways of living (housing).

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 sharper decrease in the registered number of employees. In the Q2 2020, compared to the corresponding period of the previous year, there were by 138.3 thousand employees less in full-time equivalent, which is a relative decrease by 3.4%. Thus, the registered number of employees got below the level of 4 million (3 955.4 thousand), where it was last time in the Q1 2017. The growth trend was largely exhausted already before the coronavirus crisis; however, for a marked y-o-y decrease of 3.4% we can find a parallel in the recent past only in the period between the crisis year of 2009 and the Q1 2010. At that time, we can find even the value of -6.6%. Supporting state measures, especially the Antivirus programme, this time undoubtedly prevented a more massive wave of laying off.

As for individual industries (economic activities), the situation differed a lot; a marked decrease occurred in industry, in which there were 57.0 thousand employees less, y-o-y. The highest relative decrease (16.4%) was in 'administrative and support service activities,' in which employment agencies dominate that often employ foreigners. Concurrently, it is the second highest decrease in absolute terms (32.7 thousand). Actually, agency workers can work anywhere; however, they are most of all in industry.

'Accommodation and food service activities' is the second as for the relative decrease in the registered number of employees (14.5%); the decrease in absolute terms was 18.0 thousand. With a big margin, 'other service activities' ranked third (5.3%) and 'arts, entertainment and recreation' ranked fourth (5.1%). As for other sections, the decrease does not exceed 5%. Close to the 5% threshold is 'mining and quarrying' (4.9%), in which, however, the number of employees has been decreasing for a long-term. A considerable decrease by 4.8% was in 'manufacturing' (NACE section C), which is also the most important as for the number of employees (55.4 thousand), means that the trend that started already in the Q2 2019 has deepened and is undoubtedly related also to the coronavirus crisis and a fall of external demand. On the other hand, in a smaller industrial economic activity of 'water supply; sewerage, waste management and remediation activities,' the number of employees was stabilised (+0.1 thousand; 0.2%).

In 'wholesale and retail trade; repair of motor vehicles and motorcycles' there were by 12.0 thousand job positions less (-2.4%), in 'transportation and storage', the number of FTE employees dropped by 11.3 thousand, which is 4.2%. A deeper drop was also in construction (3.5 thousand; 1.7%). In 'agriculture, forestry and fishing,' there were by 3.6 thousand positions less, which is by 3.7% less. 'Professional, scientific and technical activities' lost 6.1 thousand FTE employees (-3.4%).

Increments in the numbers of employees concentrated in several economic activities, especially in 'education' with an increase in the number of employees by 7.6 thousand (2.5%). In a closely observed 'human health and social work activities,' the number of FTE employees increased

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merely by 0.3 thousand (0.1%). A marked increase by 5.8% was in 'real estate activities,' which is by 2.5 thousand more. In 'financial and insurance activities,' there were by 0.8 thousand more FTE employees (1.1%). Constant growth of the number of employees is in 'information and communication,' currently by 0.5 thousand (0.4%).

Average gross monthly wages

The average wage (CZK 34 271) increased nominally by CZK 160 in the Q2 2020, compared to the corresponding period of 2019, i.e. in relative terms by 0.5%. Therefore, as for this indicator, we can observe some halt of growth; however, it is just due to making an average of a highly differentiated development on the level of individual domains, enterprises or organisations. Data for the Q2 2020 already followed also the economic development from the previous years, in which the growth was gradually attenuating.

Moreover, expressed in real terms, the wage increase was actually a fall; real wages decreased by 2.5%, which is unprecedented in the modern history except for the Q4 2013, in which, however, the y-o-y index was distorted by the then tax adjustment, which led to a speculative flow of part of wage funds to the year 2014. The situation occurred after a longer period of rather decent increasing of wages; in the previous year of 2019, the real growth was by 3.5% and in 2018 even by 5.9%. What is also influential besides the nominal slowdown is over a 3% (3.1%) inflation (consumer price index; demonstrated as a gap between the two lines in the chart below).

Wage development was highly differentiated the same as the development in the number of employees and it depended, most of all, on the strength with which individual economic activities (industries) were affected by anti-infection measures.

In nine economic activities sections out of nineteen, there was a nominal decrease of the wage level. It is the most marked in 'accommodation and food service activities' (11.8%), in which there is the lowest wage level for a long-term (currently CZK 17 928). The second worst wage decrease was in 'real estate activities' (by 5.7%) and then already in 'manufacturing' (4.9%), in which almost 1.1 million employees work and where the average wage attained CZK 32 707.

The average wage has decreased nominally in a moderate way also in 'arts, entertainment and recreation' (1.3%), 'other service activities' (2.9%), and 'mining and quarrying' (2.5%). In the second (as for its size), 'wholesale and retail trade; repair of motor vehicles and motorcycles,' wages decreased by 0.7% to CZK 31 068. In 'transportation and storage,' wages dropped by 1.7% to CZK 30 631.

Chart 2: Nominal and real average wages as indices to the corresponding quarter of the previous year

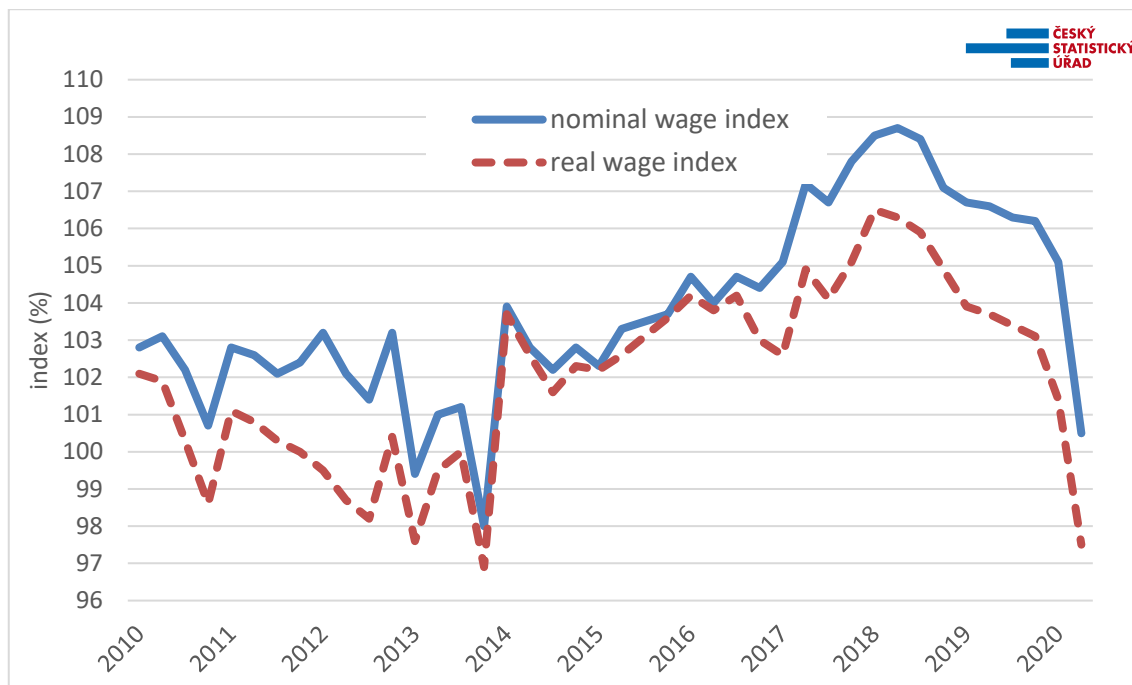
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On the other hand, there are also nominal increases in the average wage exceeding the 5% threshold, namely in the economic activities sections ensuring basic functioning of the society: they were the highest in ‘education’ and ‘human health and social work activities’ (both increased the same by 5.5%), further in ‘electricity, gas, steam and air conditioning supply’ (5.3%) and in ‘public administration and defence; compulsory social security’ (5.1%). In economic activities (industries), in which the state dominates, a decision of the Government about a change in the table of salaries was the main reason.

In ‘administrative and support service activities’ wages increased by 4.2%, in which, however, it may have been a consequence of dismissing of employees with low wages, which increases the arithmetic mean. Above-average growth can be found also in ‘agriculture, forestry and fishing’ (4.1%), ‘information and communication’ (3.5%), and in ‘water supply; sewerage, waste management and remediation activities’ (2.0%). ‘Construction’ and ‘professional, scientific and technical activities’ remained “above zero” (the wage growth in both was by 0.4%).

The highest absolute average gross wage can be found still in ‘financial and insurance activities’ with the level of CZK 63 425, although it dropped by 0.6%, y-o-y. ‘Information and communication’ ranked second; the average wage increased there to CZK 60 084. ‘Electricity, gas, steam and air conditioning supply’ ranked third again (with a margin) with CZK 49 479.

Development in Regions

Regional results bring also a varied picture; however, the impact of the coronavirus crisis on the numbers of employees seems to be nationwide, i.e. there was a decrease in all Regions. The span of the average wage growth or decrease, however, was from 2.4% to -2.8%. The highest

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wage increase was in the *Ústecký* Region (2.4%), which has a rather ordinary wage level (CZK 31 922). A decent growth was also in the *Jihomoravský* Region (1.7%) with a moderately above-standard level (CZK 33 049) and further in the *Jihočeský* Region (1.6%), in which the wage level is a bit weaker (CZK 31 194).

Conversely, the deepest fall of wages was in the *Liberecký* Region (2.8%), in which the level of wages was currently CZK 30 819. Other decreases were under one percent.

In Prague, wages increased moderately (0.6%); however, there is still a marked margin between Prague and other Regions. The average wage in Prague was CZK 42 435. The *Karlovarský* Region remained to be the Region with the lowest wage level; it was the only Region, in which the figure for the Q2 2020 did not exceed 30 thousand (CZK 29 514); the y-o-y development showed stagnation there (drop by CZK 7; 0.0%). The *Zlínský* Region was slightly above the 30 thousand (CZK 30 105), the average wage decreased there by 0.6%.

As it was already said, in the Q2 2020, numbers of employees were decreasing in all Regions, the most markedly it was in the *Karlovarský* Region (6.1%) followed by the *Moravskoslezský* Region (4.7%), and *Liberecký* Region (4.4%). The weakest decrease was in Prague (1.8%).

Results for the first half of 2020

The first half of 2020 was breaking as far as statistics is concerned. During March, unprecedented anti-infection measures came into force that had huge economic impacts. Many operations (business premises / establishments) were closed and therefore part of workers could not work; however, concurrently, overtime working hours were necessary in other areas in order to keep vital services functioning. All that happened in otherwise rather favourable macroeconomic situation when, for example, the unemployment was on a minimum level and part of the labour force had to be taken from abroad, although the growing economic trend seemed to be exhausted already.

As for cumulative data from enterprises, the overall average wage increased to CZK 34 200, i.e. by 2.7%, which is a decrease by 0.7%, y-o-y, in real terms, due to the marked inflation (3.4%). Concurrently, the number of employees, converted to full-time equivalent employees, has already decreased by 2.2%, y-o-y, i.e. by 89.1 thousand. In the following four sections (industries / economic activities of the CZ-NACE classification), there was a nominal fall in the wage level in the first half of 2020 compared to the corresponding period of the previous year: 'manufacturing' (0.6%), 'arts, entertainment and recreation' (2.3%), 'accommodation and food service activities' (3.8%), and 'real estate activities' (5.2%).

Median wages and decile intervals of wages, socio-economic characteristics

The News Release of the CZSO for the Q2 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 Q2 2020, the median wage decreased to CZK 29 123, which is by CZK 54 (i.e. by 0.2%) less compared to that in the corresponding period of the previous year. Before, the median decreased in the Q4 2012.

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The wage interval has widened as the coronavirus crisis affected various groups with different strength. Ten percent of employees with the lowest wages got a gross wage below CZK 14 659 (the bottom decile decreased by CZK 251), while the opposite tenth having highest wages earned above CZK 56 263 (the top decile increased by CZK 1 191).

Although the female median wage slightly increased, year-on-year (by 0.1%), while the male median wage dropped (by 1.0%), males still had a much higher wage level: in the Q2 2020, the female median wage was CZK 26 489, while the male median wage was CZK 31 450, i.e. by almost CZK 5 thousand higher (i.e. by 16%). Concurrently, wages of males were distributed over a 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 48 625, while for males it was CZK 63 722, by which it is by 24% higher. As for low earnings, the difference was smaller; the bottom decile for females was CZK 13 556 and for males it was CZK 15 705, i.e. by 14% higher. As for wages of females, increasing differentiation of earnings was more marked.

The preliminary results of the **Information System on Average Earnings (ISAE)** for the first half of 2020 bring a more detailed view of wage distributions and socio-economic breakdowns. The ISAE, however, applies a different methodology for the calculation of personal earnings of employees (especially, it excludes all absence at work) and therefore the data are comparable neither to the aforementioned amounts of the average wages nor to figures given in tables attached to the News Release of the Czech Statistical Office.

According to the valid Classification of **Occupations (CZ-ISCO)** managers were the group with highest earnings having the median wage of CZK 61 278. However, their wages are the most differentiated ones; a tenth of the best-paid earned over CZK 148 817, while the opposite tenth got less than CZK 30 668. The second highest wage level can be found in professionals with the median wage of CZK 43 362 and the third rank is occupied by technicians and associate professionals with the median wage of CZK 36 605. Clerical support workers had the median wage of CZK 28 169. A rather significant year-on-year growth of the median wage (by 7.5%) was found in the large group of service and sales workers, of which, however, many belong to low-income employees¹⁾, with the decile range from CZK 16 530 to CZK 38 875 and their median wage was CZK 23 911. Craft and related trades workers and plant and machine operators and assemblers have their median wages CZK 29 680 and CZK 28 500, respectively, yet wages in plant and machine operators and assemblers were growing at a slower pace. The lowest wage level can be found at elementary occupations with the median wage of CZK 19 731. Among them, the share of low-income employees is over a half; their decile range was between CZK 14 727 and CZK 30 740.

By **age group**, the lowest median wage was earned by employees aged up to 20 years (CZK 21 349). Their wages also increased the least of all, year-on-year. In the age group 20–29 years, the median wage was already much higher (CZK 29 185) and for the age group 30–39 years it was the highest (CZK 33 279). In other age groups, wages are very gradually decreasing.

Wages are also highly structured by the **educational attainment** of an employee; also in the first half of 2020, university graduates had the highest earnings, their median wage was CZK 44 620;

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however, they were growing with the slowest pace. Conversely, wages were increasing the most among employees with primary education or with incomplete primary education, which, however, still remained to be the lowest ones (CZK 23 867). Graduates of secondary schools with an A-level examination earned much more (CZK 32 573) than those without the A-level examination (CZK 27 098), but less than employees with higher professional education or graduates from bachelor study programmes (CZK 37 805).

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