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Development of the Czech labour market in the Q1 2021

In the first quarter of 2021, covid-19 pandemic culminated in Czechia; it was accompanied by huge quarantine measures. However, an impact on the labour market was lower than it was expected. The employment decreased by 1.6%, year-on-year (y-o-y); the unemployment rate was by 1.4 percentage point (p. p.) higher, y-o-y. The average wage nominally increased by 3.2%, y-o-y; however, prices were constantly increasing at the same time and therefore earnings increased in real terms by 1.0%.

Hours worked, employment, unemployment, and economic inactivity

Since March 2020, within the News Release of the Czech Statistical Office (CZSO) called Rates of employment, unemployment and economic activity, data have been specially prepared and published about hours worked by individual month drawing from the Labour Force Sample Survey (LFSS). They describe the progress of the coronavirus crisis in the breakdown by employees and the self-employed (entrepreneurs). Much bigger slumps of hours worked can be found throughout the whole course in the latter group. The average number of hours among them decreased the most in April 2020 (by 31%), year-on-year; after that, the situation stabilised. Further waves were noticeably shallower. As for the dominant group of employees, the development was similar in shape; however, the slumps were incomparably lower in each period. It is naturally related to fields in which both the groups work.

Chart 1: Weekly hours actually worked in the main job from the LFSS, index as at the corresponding period of the previous year

ANALYSIS

Standard aggregate indicators of the LFSS depict, most of all, the slump in employment. For the whole Q1 2021, the number of working persons decreased by 82.4 thousand persons, y-o-y, i.e. by 1.6%, to 5 195.0 thousand persons. A quarter-on-quarter (q-o-q) employment drop, however, significantly decreased compared to the end of 2020 (from 28 thousand to 7 thousand persons). The economy was already able to partially adapt to the extraordinary situation. As for the number of working persons, too, much faster decrease is obvious among entrepreneurs than among employees; to put it in absolute values: the number of entrepreneurs decreased by 39.8 thousand and the number of employees by 39.4 thousand, while the group of employees is incomparably bigger.

The employment rate in the age group of 15–64 years decreased by 0.8 p. p. to 74.0%, while deeper slump was among females (0.9 p. p.) than among males (0.7 p. p.).

Development in individual economic activities (sections of the CZ-NACE classification) is very diverse; naturally, the biggest decrease in number can be found in ‘manufacturing,’ which is the biggest (by 55.7 thousand), where, however, it gradually weakened to 3.9%. On the other hand, in ‘accommodation and food service activities,’ the slump in employment deepened (42.3 thousand) to 22%. In ‘transportation and storage,’ the number of workers decreased by almost one eighth, too. It was in stark contrast to an ongoing development of ‘information and communication,’ in which employment increased by 32.2 thousand persons and thus it exceeded the 200 thousand threshold.

The number of economically inactive persons aged 15+ years increased by 7.4 thousand, y-o-y, to 3 607.6 thousand. The number of economically inactive females currently decreased by 5.5 thousand, whereas the number of economically inactive males increased by 12.9 thousand. The increase in the number of economically inactive persons was mainly caused by an increase in the age group of 15–19 years (by 14.2 thousand) and 65+ years (by 33.9 thousand). The number of the economically inactive who would like to work was 108.0 thousand, by 14.6 thousand more compared to the corresponding period of 2020.

The total number of the unemployed according to the LFSS (persons who seek a job in an active manner as defined by the International Labour Organisation (ILO)) reached 179.5 thousand persons; after seasonal adjustment, the figures show a q-o-q increase by 13.1 thousand persons, in the y-o-y comparison, the unemployment increased by 73.3 thousand. The unemployment rate in the age group of 15–64 years thus increased to 3.4% (by 1.4 p. p.). Mainly females contributed to the increment. Less than a fifth of the unemployed were jobless for over a year, the number of the long-term unemployed has remained virtually unchanged. In March, higher unemployment affected mainly young people below 25 years of age, namely females, and also population of some Regions specialising in tourism.

It has to be reminded 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 housing.

Registered number of employees expressed as full-time equivalent employees

ANALYSIS

Preliminary data of the CZSO's business statistics show a decrease in the registered number of employees. However, since the Q2 2020, the year-on-year slumps have been decreasing. In the Q1 2021, compared to the corresponding period of the previous year, which was only marginally affected by quarantine measures, there were by 57.3 thousand employees less in full-time equivalent, which is a relative decrease by 1.4%. Thus, the registered number of employees remained below the level of 4 million (3 967.5 thousand); it was above that level from the Q2 2017 to the Q1 2020. On the other hand, the figures for the Q1 2021 are higher than they were in the Q2 and Q3 2020 (however, it is hard to compare because the indicator depends on the season).

As for individual industries (economic activities), the situation was very heterogeneous; it was depending mainly on how measures were targeted and how individual branches were able to cope with them. In eight economic activities (sections of the CZ-NACE classification) the number of employees increased, namely in the range from 0.2 to 1.7%. Both in relative and absolute numbers, the most important of them is ‘education,’ in which the number of employees increased by 5.4 thousand (1.7%). A big relative increase was also in ‘water supply; sewerage, waste management and remediation activities’ (1.4%), however, it is an economic activity, which is not very important in terms of the number of employees. In ‘human health and social work activities,’ the number of employees increased by 3.4 thousand, which is 1.1% up. The remaining increases were lower: in ‘construction’ it was by 0.7% (1.5 thousand); in ‘agriculture, forestry and fishing,’ it was by 0.5% (0.4 thousand); in ‘public administration and defence; compulsory social security,’ the number of FTE employees increased by 0.4% (1.2 thousand), in ‘information and communication’ there were by 0.3% more employees (0.4 thousand) while this economic activity is constantly increasing; in ‘wholesale and retail trade; repair of motor vehicles and motorcycles,’ the increase was by 0.2% (1.2 thousand).

On the other hand, the registered number of employees decreased the most in ‘accommodation and food service activities,’ in which there was a decrease by 14.9 thousand employees, which is a y-o-y decrease by 12.6%; it means that roughly every eighth employee left that economic activity.

In industrial economic activities, the decrease was considerable in general, too; in the y-o-y comparison, there was a decrease by 30.3 thousand employees. Relatively the most significant decrease (-12.4%) can be found in ‘mining and quarrying,’ a section related to phase-out of coal mining, in which the numbers of employees are constantly decreasing, to put it in numbers, it is 2.9 thousand. The biggest section is ‘manufacturing,’ which employs 1 091.8 thousand employees; however, their number decreased by 28.1 thousand, y-o-y (-2.5% in relative terms). Table 1 from the News Release on average wages shows the most important CZ-NACE divisions of this section – except for manufacture of food products (-0.9%), the decreases were over one percent; the biggest decreases were in ‘manufacture of machinery and equipment n.e.c.’ (-4.8%) and in ‘manufacture of other non-metallic mineral products’ (-4.5%).

Here a piece of data about the section of ‘administrative and support service activities’ also has to be added, because agency workers belong there who also work in manufacture, where the decrease was by 7.1 thousand employees, 3.8% in relative terms.

ANALYSIS

Significant decreases can also be found in ‘transportation and storage’: by 8.4 thousand (-3.2%), further in ‘professional, scientific and technical activities’: drop by 2.4 thousand (-1.4%), and also a smaller section of ‘real estate activities’ (as for the number of employees) has to be mentioned, in which the decrease by 3.8 thousand means 8.1% down in relative terms.

Continuing automation and digitalisation probably caused a decrease in the number of employees in ‘financial and insurance activities,’ in which there were by 1.7 thousand less employees (-2.3%). ‘Arts, entertainment and recreation’ lost, probably due to the measures, 0.7 thousand employees (-1.4%); ‘other service activities’ 1.4 thousand (-2.9%).

Average gross monthly wages

The average wage (CZK 35 285) increased nominally by CZK 1 089 in the Q1 2021, compared to the corresponding period of 2020, i.e. in relative terms by 3.2%. It is a value similar to the one for the whole last year; historically, also e.g. in 2015. Data for the Q1 2021, however, are significantly influenced by the above analysed decrease in the number of employees. Therefore, it has to be realised that it is an average of a very diverse development on the level of individual economic activities, enterprises, or organisations and the set of them, moreover, changes together with the economic development.

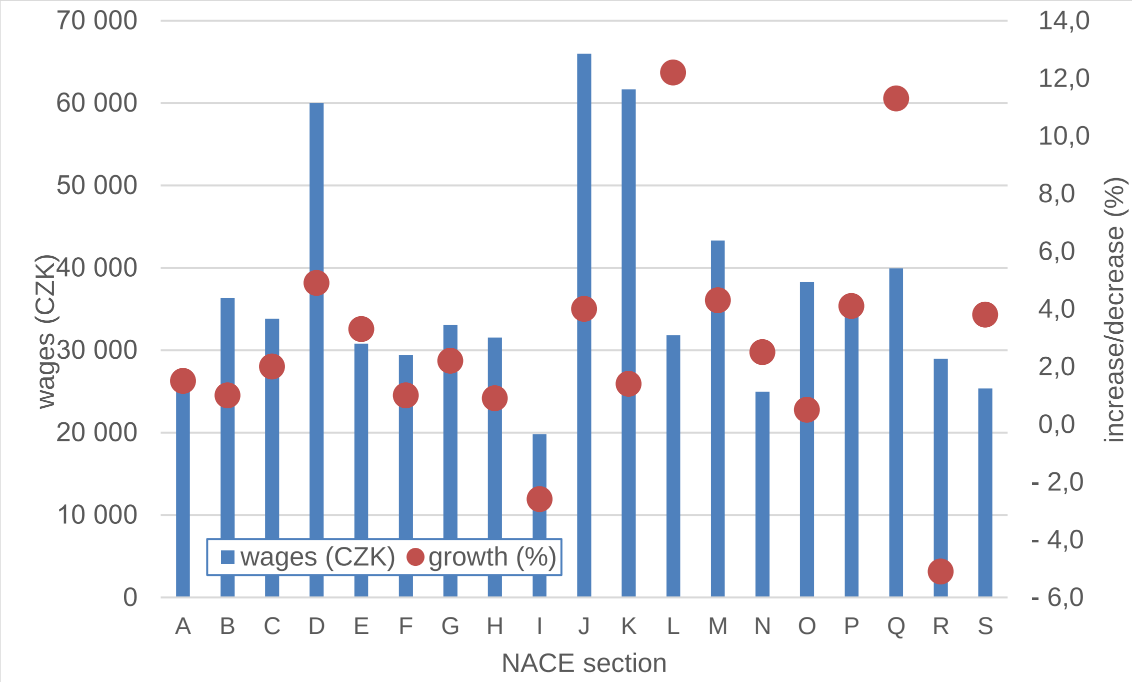
A revision (refinement) of data for the years 2019 and 2020 was made, too; new results showed that in all quarters of 2020 the average wages were by tens of CZK higher compared to previous estimates; as for the correction for the year 2019, it was even hundreds of crowns up. This correction thus changed the original y-o-y growth in the Q2 2020 to a slump by 0.6%; it also decreased increments in the remaining quarters.

Expressed in real terms, the wage growth for the Q1 2021 was significantly weaker than the nominal one – the average wage increased in real terms by 1.0%, which is by 1.6 p. p. less than in the Q4 2020. Real wage growth depends on inflation, i.e. on the growth of consumer prices. That dropped to 2.2%, which is the lowest value since the Q4 2018. To look back, let's summarise that in the last year 2020 the inflation was 3.2% and thus it was by 0.1 p. p. higher than the wage growth, which has been revised to the value of 3.1%. Thus, there was a slight real decrease in earnings, but solely due to the decrease in the Q2. In 2019, there was still a real wage growth by 5.0% – the second highest value for the decade after the preceding year 2018, in which wages increased in real terms by 5.9%.

The wage development was currently highly differentiated, the same as the development in the number of employees. In two CZ-NACE sections, we can find a nominal decrease of the wage level. In all of the other ones there was growth. The mentioned exceptions were ‘arts, entertainment and recreation’ with a decrease by 5.1% (to CZK 28 993) and ‘accommodation and food service activities,’ with the drop by 2.6% to CZK 19 805, i.e. the two sections, in which workplaces (business premises) were all under lockdown due to orders of the Government. On top of that, the letter is a section, in which there is permanently the lowest level of the average wage.

ANALYSIS

Chart 2: Average wages and their increase/decrease compared to the corresponding period of the previous year, by CZ-NACE section



On the other hand, a high increase in the average wage can be found in ‘real estate activities,’ by 12.2% to CZK 31 809, a very small economic activity, in which, however, the number of employees significantly decreased. The second most significant wage increase expressed as a percentage was in extremely burdened ‘human health and social work activities,’ by 11.3% to CZK 39 967, which was related to a change of salary tables since the beginning of the year as well as to high above-tariff components including extraordinary bonuses.

In the remaining economic activities (CZ-NACE sections) increases were up to five percent. The following ones were close to that threshold: ‘electricity, gas, steam and air conditioning supply’ (4.9%), ‘professional, scientific and technical activities’ (4.3%), and ‘education’ (4.1%), in which the average wage reached CZK 34 846.

In the biggest section as for the number of employees – manufacturing – wages increased by 2.0% to CZK 33 833. In ‘financial and insurance activities,’ the average wage increased a bit less by 1.4%. Despite that, this economic activity remains with its wage level the second best, the average wage there was CZK 61 672. The first place clearly belongs to ‘information and communication,’ in which the average wage increased by 4.0% to CZK 66 005.

In ‘administrative and support service activities,’ into which also employment agencies belong, there was a wage increase by 2.5% to CZK 24 970.

ANALYSIS

A slower wage increase was in ‘mining and quarrying’ (1.0%), in which the wage level (CZK 36 323) thus got very close to the level of the total average wage (CZK 35 285), whereas in the beginning of the century it was roughly by a fourth higher. The average wage in ‘construction’ also increased by 1.0% to CZK 29 425. A higher increase of wages was in ‘wholesale and retail trade; repair of motor vehicles and motorcycles’ (2.2%), in which wages reached CZK 33 119. On the other hand, wages grew less in ‘transportation and storage,’ in which they increased by 0.9% to CZK 31 556. In ‘public administration and defence; compulsory social security,’ there was a very moderate growth by 0.5%.

Development in Regions

Regional results also bring a varied picture; however, the impacts of the coronavirus crisis on the numbers of employees were nationwide, i.e. there were decreases in all Regions. The span of decreases in Regions, however, ranges from 0.2% in the *Středočeský* Region up to 5.5% in the *Karlovarský* Region. A two percent decrease in the number of employees was in the *Ústecký* Region and in the *Moravskoslezský* Region it was even 2.8%. On the other hand, the *Jihomoravský* Region recorded a decrease by 0.8% only. An exceptional position of Prague known from the previous years when it was stealing labour force from elsewhere was currently evened up.

A differentiated situation was also in wages – the average wage nominal increase was high above the average in the *Vysočina* Region by 4.6%; it was followed by the *Ústecký* Region with 4.2% and the *Olomoucký* Region with 4.0%. Conversely, the *Karlovarský* Region and the *Plzeňský* Region only reached the value of 1.8%.

According to the total level of earnings, the Capital City of Prague still remains to be the richest among the Regions of the Czech Republic. The average wage in Prague increased by 2.9% to CZK 44 432. The *Středočeský* Region maintains its second position with CZK 35 296; the average wage increased there by 2.3%. On the other hand, the *Karlovarský* Region remains to be the Region with the lowest wage level (CZK 30 148), followed by the *Zlínský* Region (CZK 30 952), in which the average wage increased by 3.1%. In the *Moravskoslezský* Region, wages increased by 3.4% to CZK 31 607. In the *Severovýchod* cohesion region, the *Královehradecký* Region had much higher level (CZK 32 917) than the *Pardubický* Region (CZK 31 115).

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

The News Release of the CZSO for the Q1 2021 also contains 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, i.e. a common wage level. Extreme deciles were calculated concurrently, too. In the Q1 2021, the median wage increased to CZK 29 867, which is by CZK 730 (i.e. by 2.5%) more than in the corresponding period of the previous year.

The wage interval has slightly increased in the Q1 2021. Ten percent of employees with the lowest wages were receiving a gross wage below CZK 15 430 (the bottom decile increased by 3.4%, y-o-y), whereas the opposite tenth having highest wages earned over CZK 56 423 (the top decile increased by 4.1%). The decile ratio thus increased by 0.02 point, year-on-year.

ANALYSIS

Although female median wages increased more significantly – by 2.6%, year-on-year, while the wages of males grew by 2.3% only, the wage level of males was still much higher: in the Q1 2021, the female median wage was CZK 27 237, while the male median wage was CZK 32 235; thus, it was by almost five thousand crowns higher.

Concurrently, wages of males were distributed over a substantially wider interval, especially the area of high earnings is considerably higher for males than for females, although in the whole upper half of the distribution, female earnings increased somewhat more significantly, y-o-y. The top decile for females was CZK 49 493, while for males it was CZK 62 851, by which it is by 27% higher. As for low earnings, the difference was similar to the one for the medians; in the year-on-year comparison, earnings of females grew less than earnings of males: the bottom decile for females was CZK 14 044 and for males it was CZK 16 641, i.e. it was by 18% higher.

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