

ANALYSIS

3 September 2021

Development of the Czech labour market in the Q2 2021

In the second quarter of 2021, the labour market started to gradually recover from quarantine measures. The year-on-year (y-o-y) comparison is influenced by an outlier base of the last year. The average wage nominally increased by 11.3%, y-o-y; after having reflected the increase of prices, real earnings increased by 8.2%. The employment (according to the Labour Force Sample Survey (LFSS)) decreased by 0.8%, y-o-y; the unemployment rate was by 0.6 percentage point (p. p.) higher, y-o-y.

Employment, unemployment, and economic inactivity

Aggregate indicators of the Labour Force Sample Survey (LFSS) show slackening year-on-year decreases of employment, which in the quarter-on-quarter comparison in the Q2 2021 already increased by 8.2 thousand, which confirms that the inflection point has been overcome and the situation already started to improve. In the year-on-year comparison, the number of working persons for the Q2 2021 still decreased by 41.3 thousand, i.e. by 0.8%, to 5 171.3 thousand, which is about a half decrease compared to the piece of data for the Q1 2021.

In that decrease, a decrease of the number of entrepreneurs (the self-employed) by 56.6 thousand was dominating, mainly owing to a decrease of the number of entrepreneurs without employees (own-account workers) by 48.7 thousand. On the other hand, as for employees, there was an increase by 22.4 thousand. It leads to a presumption that in the period of an increased uncertainty there was a partial flow of labour force from the group of the self-employed from the affected economic activities to the group of employees. Those people made use of the fact that even under the coronavirus crisis enterprises were offering a lot of vacancies. It is confirmed by data in the breakdown by economic activity (sections of the CZ-NACE classification); numbers of working persons were decreasing in 'accommodation and food service activities' and also in trade ('wholesale and retail trade; repair of motor vehicles and motorcycles'), 'transportation and storage' and, contrarily, were increasing in 'information and communication' and in 'education'.

The employment rate in the age group of 15–64 years decreased by 0.4 p. p., y-o-y, to 73.7%, while significantly higher slump was among females (0.7 p. p.) than among males (0.1 p. p.).

The number of all economically inactive persons aged 15+ years remained almost unchanged, year-on-year, and was 3 644.0 thousand, by which the negative trend stopped. The number of the economically inactive who would like to work was 113.5 thousand, by 4.2 thousand more than in the corresponding period of the previous year.

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 158.6 thousand persons; after seasonal adjustment, the figures show a q-o-q decrease by 9.8 thousand persons, in the y-o-y comparison, the unemployment increased by 32.3 thousand. The unemployment rate

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in the age group of 15–64 years thus increased to 3.1% (by 0.6 p. p.). Mainly females contributed to the increment of the unemployment; there were by 24.9 thousand unemployed females more, while only by 7.4 thousand more males were seeking a job.

28.5% of the unemployed (45.2 thousand) were without work over a year and the number of the long-term unemployed has thus slightly increased, which is logical now because the crisis period exceeded the determined period of one year. Higher unemployment afflicted in March mainly population of Regions specialised in tourism; in the *Karlovarský* Region, the unemployment rate reached 5.6%. On the other hand, the unemployment rate of the aged 15–64 years decreased the most in the *Královéhradecký* Region (by 1.1 p. p. to 1.9%) and it was the lowest there together with the *Jihočeský* Region (1.9%).

As for special results of the LFSS, it is worth reminding that the number of the employed who did not work for a single hour during the reference period decreased by almost a half, year-on-year (by 349.3 thousand), which indicates that the Czech economy after a year has adapted to the coronavirus crisis successfully. Mainly the number of working persons who did not work due to so-called personal reasons (which include mainly cases related to the coronavirus pandemic) has significantly decreased (by 321.4 thousand). The number of cases of absence due to incapacity for work and lack of work has also decreased.

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 housing. According to an administrative data source, the number of working foreigners in the Czech Republic further increased by the end of June 2021.

Registered number of employees expressed as full-time equivalent employees

Preliminary data of the CZSO's business statistics confirm recovery on the labour market. Their results show, most of all, an obvious year-on-year increase of the registered number of employees. In the Q2 2021, compared to the corresponding period of the previous year (which was already considerably affected by quarantine measures), there was an increase by 28.8 thousand employees in full-time equivalent, which is a relative increase by 0.7%. The registered number of employees, however, remained below the level of 4 million (3 984.4 thousand); it was above that level before the coronavirus crisis, from the Q2 2017 to the Q1 2020.

As for individual industries (economic activities), the situation was very heterogeneous; it was depending mainly on how individual branches had to cope with government measures. In seven economic activities (sections of the CZ-NACE classification) the number of employees decreased and in twelve of them it increased; in total, it was in the range from -17.0% to 5.9%. Both in relative and absolute numbers, the most important increase is in the section of 'administrative and support service activities' into which also employment agencies belong (9.7 thousand, 5.9%); this group responds the most markedly to economic fluctuations and therefore it is a good barometer of changes in trends.

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'Mining and quarrying' section was an economic activity (industry) on the other side of the spectrum. The number of employees decreased there by 17%; to put it in absolute numbers, it is a decrease by 3.9 thousand to mere 18.9 thousand. The industry used to be important in the past, however, after three tens of years only a mere fraction remained from it – already less than half a percent of employees is working now in the section.

Also 'accommodation and food service activities' continued to decrease; there were by 3.7 thousand employees less, year-on-year, which is a decrease by 3.5%; however, it is a considerable slackening of the negative trend. The same decrease as for the number of employees can also be found in 'transportation and storage'; however, in relative terms it was a decrease by 1.4% only. 'Arts, entertainment and recreation' lost 0.8 thousand employees (drop by 1.6%). Continuing automation and digitalisation probably caused a decrease in the number of employees in 'financial and insurance activities,' in which there were by 1.0 thousand less employees (-1.3%). A marginal decrease by 0.1 thousand employees (0.3%) can also be found in 'electricity, gas, steam and air conditioning supply'.

The biggest section is 'manufacturing,' which employs 1 094.4 thousand employees; their number decreased by 7.0 thousand, y-o-y (-0.6% in relative terms). Table 1 from the News Release on average wages also includes the biggest CZ-NACE divisions of this section as for the number of employees. In those divisions, the number of employees did not grow, except for 'manufacture of fabricated metal products' (+1.4 thousand; 1.0%); 'manufacture of motor vehicles, trailers and semi-trailers' is stagnating as for the number of employees.

On the other hand, the number of employees significantly increased in 'education,' in which it increased by 8.3 thousand (2.7%); in 'wholesale and retail trade; repair of motor vehicles and motorcycles' by 7.5 thousand (1.5%); in 'human health and social work activities' by 5.6 thousand (1.8%), and in 'construction' by 4.0 thousand (1.9%). A big relative increase was in 'other service activities' (5.1%) and also in 'real estate activities' (4.1%), which is, however, the second smallest section as for the number of employees. 'Water supply; sewerage, waste management and remediation activities' increased by 2.0%. The remaining increases were smaller than two percent.

Average gross monthly wages

The average wage (CZK 38 275) increased nominally by CZK 3 893 in the Q2 2021, compared to the corresponding period of 2020, i.e. in relative terms by 11.3%. The piece of data is significantly influenced by the low comparison base of the last year. Moreover, it is an average of a very diverse development on the level of individual branches (economic activities), enterprises, or organisations.

Expressed in real terms, the wage growth for the Q2 2021 was weaker than the nominal one – the average wage increased in real terms by 8.2%. Real wage growth depends on inflation, i.e. on the growth of consumer prices. That increased to 2.9%. For the sake of completeness, 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 was 3.1%. Therefore, there was a slight decrease in earnings in real terms, but solely due to the slump in the Q2 (-3.6%). In 2019, there was still a real wage growth by 5.0%. In the Q1 2021, the average wage increased by 1.1% in real terms.

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The wage development was, as it was stated above, highly differentiated. In 'financial and insurance activities,' even a nominal decrease of the average wage by 1.6% was reported. On the other side, the section of 'human health and social work activities' is standing out, in which mainly as a result of payment of summary bonuses for coping with the coronavirus pandemic the average wage increased by unprecedented 43.8%. Between those two extremes we can find increases in the range from 0.8% ('public administration and defence; compulsory social security') to 19.2% ('other service activities') in other sections.

Since year-on-year indices in some economic activities are significantly influenced by the last year's basis, which can often be labelled as an outlier, it is more reasonable to compare the development of wages rather to a comparable period before the COVID-19, i.e. to data for the Q2 2019.

Table 1 Increase of average wages by CZ-NACE section for 2 years (CZK)

CZ-NACE section	Average wages in the Q2		increase (%)
	2021	2019	
Czech Republic, t o t a l	38 275	34 576	10.7
A Agriculture, forestry and fishing	28 968	27 148	6.7
B Mining and quarrying	39 835	38 093	4.6
C Manufacturing	36 554	34 821	5.0
D Electricity, gas, steam and air conditioning supply	51 847	47 077	10.1
Water supply; sewerage, waste management and remediation activities	32 766	30 714	6.7
F Construction	32 044	29 999	6.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	34 131	31 853	7.2
H Transportation and storage	32 994	31 357	5.2
Accommodation and food service activities	21 089	20 908	0.9
J Information and communication	62 710	58 591	7.0
K Financial and insurance activities	63 476	63 766	-0.5
L Real estate activities	33 532	31 598	6.1
Professional, scientific and technical activities	44 112	41 323	6.7
Administrative and support service activities	26 148	23 118	13.1
N Public administration and defence; compulsory social security	41 172	38 814	6.1
O Education	38 937	33 733	15.4
Human health and social work activities	54 418	37 066	46.8
R Arts, entertainment and recreation	32 278	30 430	6.1
S Other service activities	29 079	25 181	15.5

For the two-year period, the total average wage increased in nominal terms by 10.7%. Logically, a sole high increase of the average wage remains as for health workers (46.8%) as a consequence of changes in their salary tables as well as due to bonuses. Wage level increased

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by over 15% in 'other service activities' (+15.5%) and in 'education' (+15.4%), which with CZK 38 937 exceeded the level of nationwide average age (CZK 38 275). Highly above average was also an increase in 'administrative and support service activities,' into which also employment agencies belong; there was a wage increase by 13.1% to CZK 26 148.

An exceptional case from the other side is 'financial and insurance activities,' in which the average wage decreased by 0.5%. Despite that, it remained on the absolutely highest wage level in the Q2 2021 (CZK 63 476) of all sections of the CZ-NACE, just ahead of 'information and communication' (CZK 62 710) in which, however, the average wage increased by 7.0%.

The smallest wages remain to be in 'accommodation and food service activities' CZK 21 089); moreover, the two-year growth was mere 0.9% there. Therefore, the actual wage growth thus (merely) balanced the decrease from the previous period. Similarly seriously affected were 'arts, entertainment and recreation,' in which wages increased for the two years by 6.1% to CZK 32 278, by which they came out of the previous doldrums.

From among smaller economic activities, 'electricity, gas, steam and air conditioning supply' is standing out, in which wages increased by 10.1% to CZK 51 847.

In the biggest section as for the number of employees – manufacturing – wages increased during the two years by 5.0% to CZK 36 554. A slightly slower growth of wages was in 'mining and quarrying' (4.6%), in which the average wage was CZK 39 835. On the other hand, a higher increase of wages was in 'wholesale and retail trade; repair of motor vehicles and motorcycles' (7.2%), where they got to the level of CZK 34 131; in 'transportation and storage' wages increased more moderately by 5.2% to CZK 32 994. In the remaining economic activities the wage increases for the two years were moderately moving between six to seven percent.

Development in Regions

Regional results also bring a varied picture; the impacts on the numbers of employees were not nationwide anymore in the Q2 2021; in some Regions, there were year-on-year decreases, in other Regions the numbers were increasing. The span thus ranges from -2.0% in the *Karlovarský* Region up to +2.1% in Prague. The number of employees decreased in the *Moravskoslezský* Region (-0.6%), in the *Ústecký* Region (-0.4%), and in the *Zlínský* Region (-0.1%). On the other hand, a high increase was in the *Středočeský* Region (+1.7%) and in the *Plzeňský* Region (+1.1%). In other Regions, the numbers increased up to one percent.

It is also true for the development of average wages that some Regions were affected by the coronavirus crisis more than others, depending on the structure of the economy of the Region or jobs. As for year-on-year indices, we would thus compare this year's data to the last year's comparison base that is unequally low. Therefore, it will be better to compare it again to the Q2 2019, which was before COVID-19. Prague then ranks the worst with its two-year increase by 7.6%. The second lowest value can be found in the *Středočeský* Region (8.1%) and the third one in the *Plzeňský* Region (9.7%). In other Regions, the two-year wage increase is over ten percent. The highest two-year increase was in the *Ústecký* Region (14.4%), the *Jihočeský* Region ranked second (13.6%), and the *Olomoucký* Region ranked third (13.5%).

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According to the absolute level of earnings, however, the Capital City of Prague still remains to be the richest among the Regions of the Czech Republic. The average wage in Prague was CZK 46 163. The *Středočeský* Region maintains its second position with CZK 39 832. On the other hand, the *Karlovarský* Region remains to be the Region with the lowest wage level (CZK 33 636), closely followed by the *Zlínský* Region, in which the average wage increased by 13.0%, year-on-year to CZK 33 856. In the *Moravskoslezský* Region, wages increased by 12.9% to CZK 34 677 and in the *Jihomoravský* Region by 11.6% to CZK 37 182.

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

The News Release of the CZSO for the Q2 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 Q2 2021, the median wage increased to CZK 32 408, which is by CZK 3 354 (i.e. by 11.5%) more than in the corresponding period of the previous year.

The wage interval has slightly increased in the Q2 2021 compared to the previous year. Ten percent of employees with the lowest wages were receiving a gross wage below CZK 16 447 (the bottom decile increased by 12.3%, y-o-y), whereas the opposite tenth having highest wages earned over CZK 63 731 (the top decile increased by 12.8%). The decile ratio thus increased by 0.02 point, year-on-year.

Although female median wages increased more significantly – by 13.2%, year-on-year, while the wages of males grew by 10.1% only, the wage level of males was still much higher: in the Q2 2021, the female median wage was CZK 30 026, while the male median wage was CZK 34 461.

Concurrently, wages of males were distributed over a substantially wider interval, especially the area of high earnings is higher for males than for females, although in the top decile, female earnings increased the most significantly, y-o-y. The top decile for females was CZK 58 123, while for males it was CZK 68 315, by which it was by 18% higher. As for low earnings, the difference was smaller; however, even there earnings of females grew more than earnings of males: the bottom decile for females was CZK 15 452 and for males it was CZK 17 459, i.e. by 13% higher.

* * *

The preliminary results of the **Information System on Average Earnings (ISAE)** for the first half-year of 2021 bring a more detailed view of wage structures, 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 these 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 66 889. However, their wages are the most

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differentiated ones; a tenth of the best-paid earned over CZK 160 491, while the opposite tenth got less than CZK 34 546. The second highest wage level can be found in professionals with the median wage of CZK 47 021 and the third rank is occupied by technicians and associate professionals with the median wage of CZK 39 134. Clerical support workers had the median wage of CZK 29 950. The median wage of the group of service and sales workers increased to CZK 25 876; however, they often belong to low-income employees¹ – they had the decile interval from CZK 17 442 to CZK 44 772. Craft and related trades workers had their median wage CZK 31 490 and plant and machine operators and assemblers CZK 30 505. The lowest wage level can be found in elementary occupations with the median wage of CZK 21 372. Among them, the share of low-income employees is over a half; their decile interval was between CZK 15 624 and CZK 33 454. Armed forces occupations form an independent major group with the median wage of CZK 41 128. In the year-on-year comparison, median wages increased more to managers and service and sales workers (the number of whom, however, decreased the most in the sample); the lowest growth of wages was among the armed forces occupations.

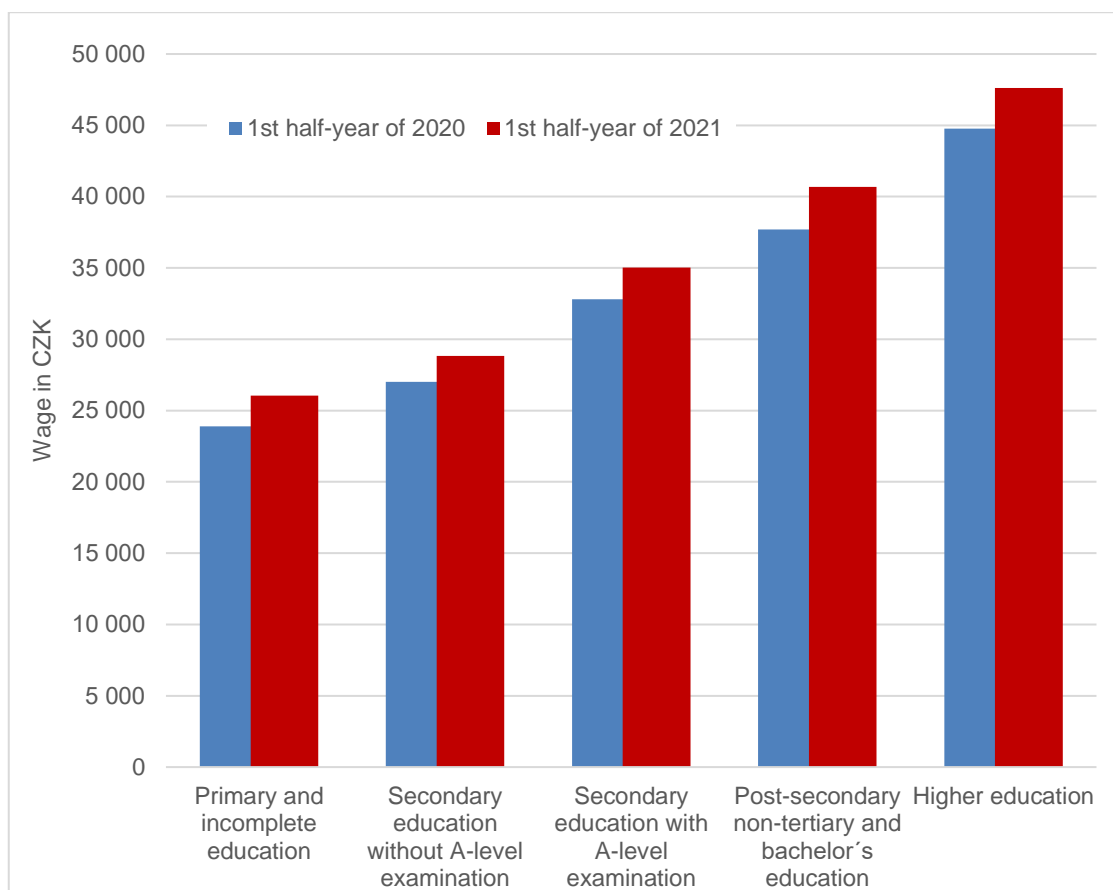
By **age group**, the lowest median wage was earned by employees aged up to 20 years (CZK 24 149). In the age group of 20–29 years, the median wage was already considerably higher (CZK 31 442). In the year-on-year comparison, in those youngest categories, wages increased the least. For the age group of 30–39 years, the median wage was the highest (CZK 36 197). In other age groups, wages are very gradually decreasing.

Wages are also highly structured by the **educational attainment** of an employee; again, employees with higher education had the highest earnings, their median wage was CZK 47 608; however, it increased the least, year-on-year. Conversely, wages were increasing the most significantly to employees with primary education or with incomplete (primary) education; however, they still remained to be the lowest ones (CZK 26 050). Employees with secondary education with A-level examination earned much more (CZK 35 022) than those without A-level examination (CZK 28 829), but considerably less than employees with post-secondary non-tertiary and bachelor's education (CZK 40 678).

Chart 1 Median wages by level of education attained (CZK)

¹ In general, such an employee is considered to be a low-income (low-wage) employee who earns less than 2/3 of the total median wage; according to preliminary results of the ISAE for the 1st half-year of 2021, the threshold was CZK 22 889.

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As for big groups of foreigners, median wages in Czechia are above standard among Slovaks (CZK 37 978); they were by 10% higher than wages of employees with Czech citizenship. Conversely, Ukrainians have wages by 23% lower (CZK 26 593), wages lower by 17% were among Romanians, and by 18% lower among Bulgarians.

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