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6 December 2021

Development of the Czech labour market in the Q3 2021

The third quarter introduced a new "normal" for the labour market after the end of quarantine measures. The average wage nominally increased by 5.7%, y-o-y; after having reflected the increase of prices, real earnings only increased by 1.5%. The economic activity was very high, the employment (according to the Labour Force Sample Survey (LFSS)) increased by 0.5%, y-o-y; the unemployment rate was by 0.2 percentage point (p. p.) lower, y-o-y.

Employment, unemployment, and economic inactivity

Results of the Labour Force Sample Survey (LFSS) after a revision brought for the Q3 2021 a year-on-year increase of employment by 23.9 thousand. The number of the employed thus increased for the first time for the last eight quarters. In the quarter-on-quarter comparison, the employment even increased by 85.9 thousand.

In the year-on-year increase in the number of working persons, an increase in the number of employees by 74.5 thousand was dominating; on the other hand, the numbers of entrepreneurs (the self-employed) were decreasing (the number of entrepreneurs without employees (own-account workers) dropped by 29.8 thousand; the number of entrepreneurs with employees decreased by 13.3 thousand). It confirmed again that in the period of an increased uncertainty part of the self-employed flowed into the group of employees. Businesses that constantly offer a big amount of job vacancies enabled conditions for such a significant change.

In the breakdown by economic activity (sections of the CZ-NACE classification), the employment decreased in 'accommodation and food service activities,' in 'transportation and storage,' and in 'administrative and support service activities'; conversely, it was growing in 'education,' in 'information and communication,' in 'professional, scientific and technical activities,' and in 'financial and insurance activities'. The absolute decrease of working persons in the economy was the most contributed to by 'manufacturing,' which lost 27 thousand workers or 2%, year-on-year. A slight increase in the employment continued in 'construction,' in which the long-term high demand for labour force is usually covered by recruiting abroad.

The employment rate in the age group of 15–64 years increased by 0.6 p. p., y-o-y, to 75.0%, while a dominant feature was that females returned to the labour market (an increase by 1.0 p. p.) compared to a small change among males (0.2 p. p.). It is also confirmed by mirror data on the numbers of economically inactive persons. The number of all economically inactive persons decreased by 21.5 thousand, year-on-year, to 3 578.6 thousand. The number of the economically inactive females decreased by 24.5 thousand, whereas the number of the economically inactive males increased by 3.0 thousand.

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 145.6 thousand persons; after seasonal adjustment, the figures show a q-o-q decrease by 13.0 thousand persons, in the y-o-y comparison, the unemployment decreased by 8.3 thousand. The unemployment rate in the age group of 15–64 years thus decreased to 2.8% (by 0.2 p. p.). A regional character is significant: the highest rates were in the *Karlovarský* Region (5.1%) and in the *Moravskoslezský* Region (5.0%), whereas the lowest was in the *Jihočeský* Region (1.9%).

29.0% of the unemployed (42.2 thousand) were without work for over a year, the number of the long-term unemployed decreased by 11.4 thousand.

It has to be noted that the LFSS only covers 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 (Labour Office of the Czech Republic), the number of foreigners working with the status of employees in the Czech Republic further strongly increased, especially the number of citizens of the Ukraine increased.

Registered number of employees expressed as full-time equivalent employees

Preliminary data of the CZSO's business statistics also confirm continuing recovery on the labour market. Their results show, most of all, an obvious year-on-year increase in the registered number of employees. In the Q3 2021, compared to the corresponding period of the previous year, there was an increase by 41.1 thousand employees in full-time equivalent (FTE), which is a relative increase by 1.0%. The registered number of employees, however, remained below the level of 4 million (3 989.7 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. In five economic activities (sections of the CZ-NACE classification) the number of employees decreased and in the remaining ones it increased; in total, it was in the range from -17.8% to 8.2%. The relatively most important increase can be found in the section of 'other service activities' (8.2%), which is, however, when numerically expressed, only an increase by 3.7 thousand jobs in small entities. The highest absolute increase by 10.7 thousand can be found in 'wholesale and retail trade; repair of motor vehicles and motorcycles,' by which this economic activity jumped above the threshold of half a million jobs (506.5 thousand).

Also in the opposite direction, there was a huge relative decrease in 'mining and quarrying' (by 17.8%), in absolute numbers, it was a decrease in units of thousands (3.9 thousand). Since this economic activity was in the doldrums for a long-term, only a fraction of employees remained there (18.2 thousand); they often go to work to entities classified to another economic activity.

In 'administrative and support service activities,' there was an increment by 1.1 thousand or 0.7% jobs to the value of 169.3 thousand. Also employees of employment agencies belong there; this group responds the most markedly to economic fluctuations and therefore it is a good barometer of changes in trends.

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Conversely, 'accommodation and food service activities' continued to decrease; there were by 2.1 thousand employees less, year-on-year, which is a decrease by 2.0%. Another decrease – even a greater one as for the number – can also be found in 'transportation and storage' (2.8 thousand); however, in relative terms, it was only a decrease by 1.1% since the economic activity is very large (255.3 thousand employees). There was also a slight decrease in the number of employees in 'financial and insurance activities' (0.4 thousand; 0.5%) and even a smaller one in 'electricity, gas, steam and air conditioning supply' (0.1 thousand; 0.2%).

'Arts, entertainment and recreation' currently returned to a moderate increase, by 0.1 thousand employees (0.1%).

The biggest section is 'manufacturing,' which employs 1 093.3 thousand employees; their number increased by 7.2 thousand, y-o-y (0.7% 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 decrease, except for 'manufacture of machinery and equipment n.e.c.' (-1.3 thousand; -1.1%) and 'manufacture of food products' (-0.6 thousand; -0.7%).

On the positive side, another significant increase in the number of employees occurred in 'education,' in which the number increased by 6.9 thousand (2.2%) and further in 'human health and social work activities' (5.5 thousand; 1.8%). In 'construction,' the registered number of employees increased by 2.9 thousand (1.4%). A big relative increase also was in 'real estate activities' (4.4%), which is, however, 1.9 thousand when expressed as an absolute number, because it is the third smallest section as for the number of employees. 'Information and communication' increased by 3.2%, in absolute number by 4.0 thousand, by which it got to the value of 130.2 thousand jobs.

Average gross monthly wages

The average wage (CZK 37 499) increased nominally by CZK 2 012 in the Q3 2021, compared to the corresponding period of 2020, i.e. by 5.7%. 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 Q3 2021 was significantly weaker than the nominal one – the average wage only increased in real terms by 1.5%. The real wage growth depends on inflation, i.e. on the growth of consumer prices. That significantly increased to 4.1%. For the sake of completeness, let's summarise that in the Q1 2021, the average wage increased in real terms by 1.1% and in the Q2 by 8.3%; however, that was caused by a low comparison basis of the previous year. The inflation was 3.2% in the last year of 2020 and thus it was by 0.1 p. p. higher than the wage growth, which was only 3.1%. Therefore, there was a slight decrease of earnings in real terms, however, solely due to the slump in the Q2 2020 (-3.6%). In 2019, there was a real wage growth by 5.0% and the highest increase during the last decade was in the top year of 2018 when real wages increased by 5.9%.

Development of nominal and real average wage, the index to the corresponding quarter of the previous year

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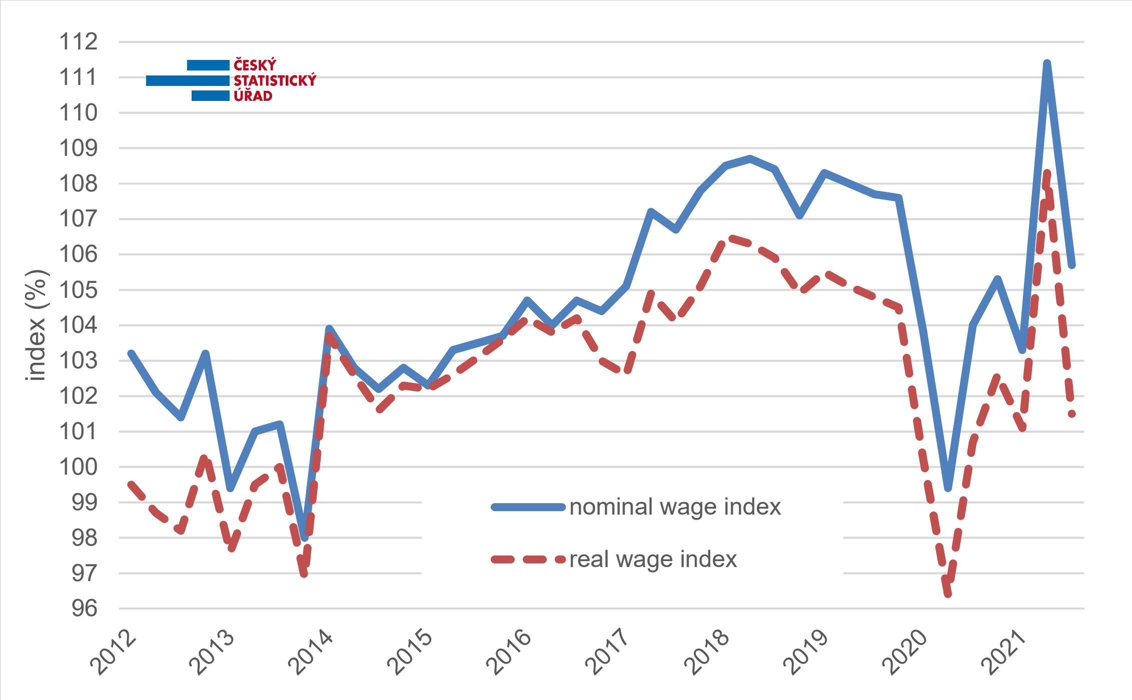

The wage development was currently highly differentiated according to economic activity. There was a positive increase in nominal terms everywhere, however, in five CZ-NACE sections it got under the value of consumer price increase (4.1%), therefore in real terms it would be a decrease.

The weakest nominal increase can be found in ‘arts, entertainment and recreation’ (0.6%), in which wage only increased by CZK 199 to CZK 32 615. ‘Public administration and defence; compulsory social security’ ranked second worst with an increase by 2.3%. The third place belonged to both ‘construction’ and ‘other service activities’ (both 3.6%); they are followed by ‘electricity, gas, steam and air conditioning supply’ (3.8%). Finally, what has to be mentioned is ‘agriculture, forestry and fishing,’ in which the growth of the average wage just covered the inflation (4.1%).

Conversely, the result in ‘real estate activities’ of 11.8% was the highest wage increase of all CZ-NACE sections.

The highest average wage can be found in ‘information and communication’ with the level of CZK 64 817; it increased by 6.5%, year-on-year, and thus it slightly increased its margin ahead of the second position, which belonged to ‘financial and insurance activities,’ in which the average wage increased by 6.0% to CZK 58 795. The mentioned economic activity of ‘electricity, gas, steam and air conditioning supply’ still ranks third with a margin with CZK 50 970.

The ranking was as usual also from the other side. In ‘accommodation and food service activities’ the average wage increased by 7.1%; however, it still remains on the lowest level (CZK 22 346) of all economic activities. The second lowest average wage was in ‘administrative and support service activities, where it increased by 6.6% to CZK 26 759.

In trade (‘wholesale and retail trade; repair of motor vehicles and motorcycles’), the average wage increased by 6.6% to CZK 34 837. In economic activities of industry the wage growth was weaker in total (5.3%); in the dominant manufacturing it was by 5.4%, which thus got to CZK 35 535. In ‘mining and quarrying’ wages jumped by 7.5% to CZK 38 759.

As for the statistics of hours worked, it was characteristic for the Q3 2021 that there was a higher number of paid unworked hours compared to the corresponding period of the previous year.

Development in Regions

Regional results bring a picture, which strongly follows the pre-covid period. In terms of the number of employees, there still were year-on-year decreases in three Regions in the Q3 2021; in the *Karlovarský* Region it was a decrease by 0.7%, in the *Moravskoslezský* Region it was by 0.5%, and a “negative stagnation” was found in the *Ústecký* Region. On the other hand, a significant increase in the number of employees was in Prague (2.8%), a high increase was also in the following Regions: in the *Středočeský* Region (1.8%), in the *Liberecký* Region (1.4%), and in the *Plzeňský* Region (1.3%). In other Regions, the numbers were increasing up to one percent.

It is true for the development of average wages that a more moderate increase was in Regions, in which there was a more significant increase in the number of employees, i.e. in the four enumerated Regions. It was the weakest in the *Liberecký* Region (4.5%), the second weakest was in the *Plzeňský* Region (4.7%), and the third one was in the *Středočeský* Region (4.9%). Prague ended up with the below-average 5.2%. In other Regions, the wage increase was over 5.5%. It was the highest in the *Zlínský* Region (7.1%).

According to the absolute 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 was CZK 45 523. The *Středočeský* Region maintains its second position with CZK 37 625. On the other hand, the *Karlovarský* Region remains to be the Region with the lowest wage level (CZK 33 249), followed with a small gap by the *Zlínský* Region, in which the average wage got to CZK 33 794. In the *Moravskoslezský* Region, wages increased by 5.6% to CZK 33 941 and in the *Jihomoravský* Region by 6.0% to CZK 36 852.

Median wages and decile intervals of wages by sex

The News Release of the CZSO for the Q3 2021 also contains a piece of data on the median wage, which is calculated from a mathematical model of the earnings distribution. It shows the wage of a middle employee, i.e. a common wage level. Extreme deciles were calculated concurrently, too. In the Q3 2021, the median wage got to CZK 32 979, which is by CZK 1 786 (by 5.7%) more than in the corresponding period of the previous year.

The wage distribution didn’t change much in the Q3 2021 compared to the previous year. Ten percent of employees with the lowest wages were receiving a gross wage below CZK 17 133 (the bottom decile increased by 5.5%, y-o-y), whereas the opposite tenth having highest wages earned

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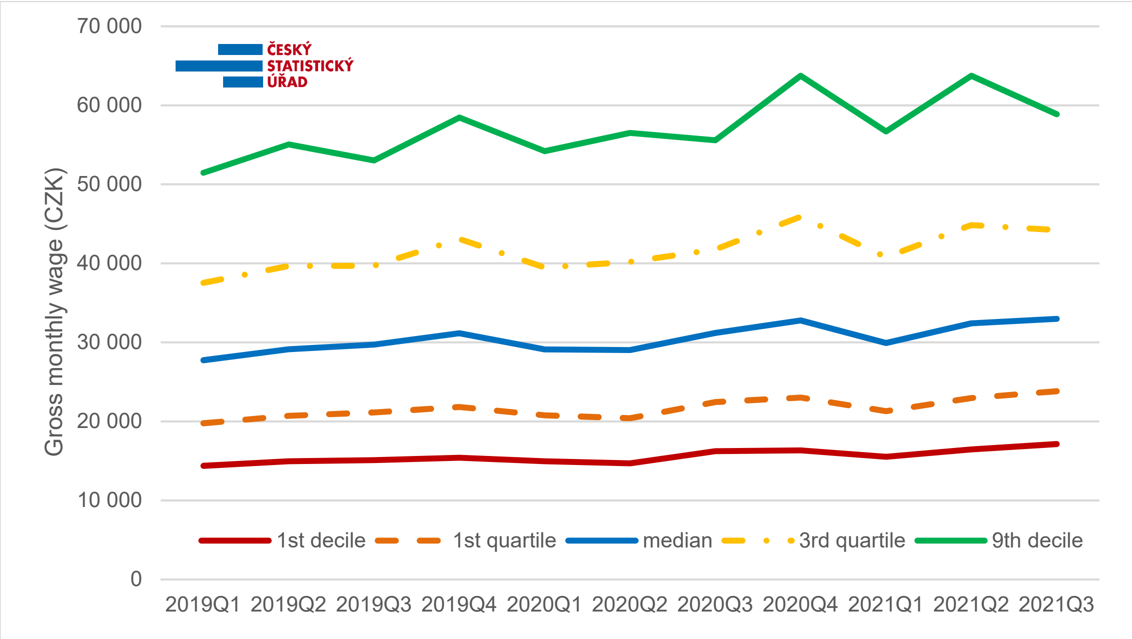
over CZK 58 875 (the top decile increased by 5.9%). The decile ratio thus increased by 0.01 point, year-on-year.

Male median wages were still higher than female ones; in the Q3 2021, the female median wage was CZK 30 433, whereas the male median wage was CZK 35 086. The gap between median earnings thus was 13.3%.

Concurrently, wages of males were distributed over a substantially wider interval, especially the area of high earnings is significantly higher for males than for females, although in the top decile, female earnings currently increased more significantly: the top decile for females was CZK 52 931, while for males it was CZK 64 609, by which there was a gap of 18.1% in high earnings. On the other hand, as for low earnings, the difference was smaller: the bottom decile for females was CZK 16 178 and for males it was CZK 18 242, which is a gap of 11.3%.

Development of quantile characteristics of gross earnings



It can be seen in the chart above that the typical seasonal movement (caused by disbursements of bonuses in the Q2 and Q4) is more obvious in higher earnings, whereas as for low earnings (the 1st decile) the effect is weak.

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