

ANALYSIS

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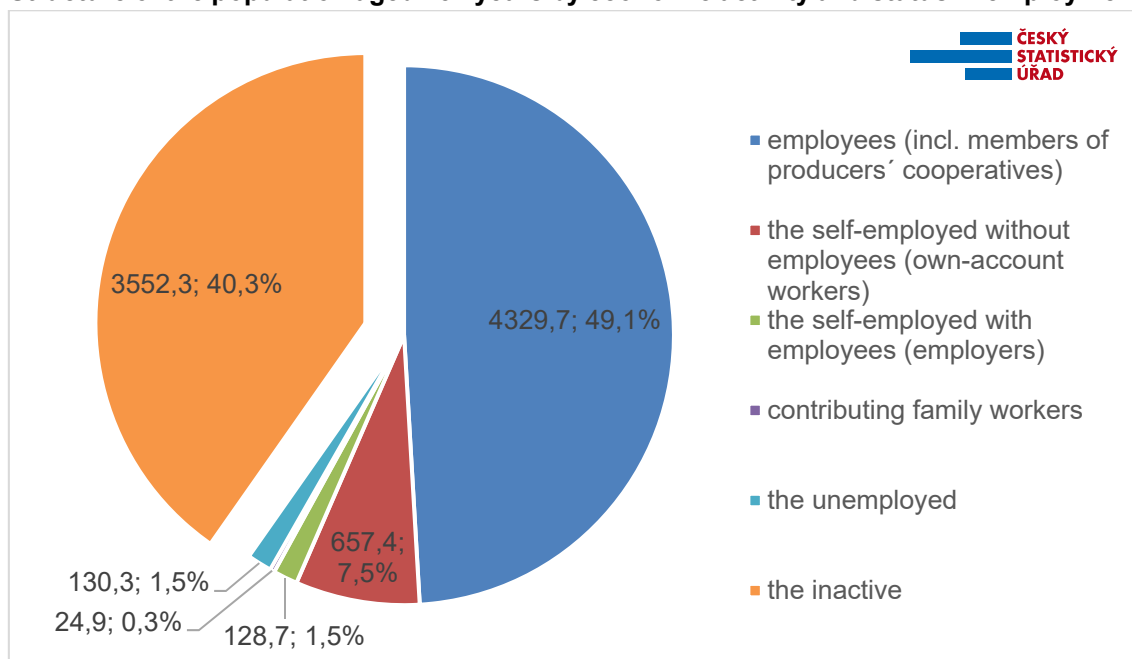
Development of the Czech labour market in the Q1 2022

In the first quarter of 2022, inflation started to become the main decisive force on the labour market. The average wage nominally increased by 7.2%, year-on-year (y-o-y); however, after reflecting the price growth, earnings decreased in real terms by 3.6%. The economic activity remained high, the employment rate increased by 1.4 percentage point (p. p.), the unemployment rate decreased by 0.9 p. p., y-o-y.

Employment, unemployment, and economic inactivity

Results of the Labour Force Sample Survey (LFSS) brought for the Q1 2022 a year-on-year increase in the employment rate (in the age group of 15–64 years) by 1.4 p. p. to 75.0%. Females were moderately closing the gap; the male employment rate increased by 1.3 p. p. to 81.9%, the female one by 1.5 p. p. to 67.8%.

Structure of the population aged 15+ years by economic activity and status in employment



As a consequence of application of new demographic weights after the 2021 Population and Housing Census, the population of the Czech Republic statistically decreased, which had an impact on all the subordinated indicators of the LFSS expressed in absolute numbers. The number of the employed decreased by 24.9 thousand, y-o-y (by 0.5%), the number of the unemployed dropped by 49.0 thousand, y-o-y, and the number of the economically inactive aged 15+ years decreased by 84.9 thousand.

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These numbers encompass both the change in the weighting scheme of the sample survey and the real change in the economy. Therefore, in order to better understand the development on the labour market, data for the year 2021 have also been recalculated using this year's weights, i.e. to the corresponding size/structure of the population. In total, the number of the employed increased by 115.7 thousand, the number of the unemployed dropped by 43.7 thousand, and the number of the economically inactive aged 15+ years decreased by 72.0 thousand persons, year-on-year.

A considerable change in the economy was a decrease in the number of entrepreneurs (the self-employed) by 23.2 thousand, which was due to a decrease in the number of the self-employed with employees (i.e. employers). The number of the self-employed without employees (own-account workers) as well as the number of contributing family members remained almost unchanged.

In the breakdown by economic activity (sections of the CZ-NACE classification), the employment decreased in the secondary sector of industry and construction by 40.8 thousand. Conversely, in the tertiary sector of services, the total employment increased by 21.7 thousand.

Registered number of employees expressed as full-time equivalent employees

Preliminary data of the Czech Statistical Office's (CZSO's) business statistics confirmed that even the last wave of the coronavirus infection did not prevent the labour market from the ongoing recovery. It is apparent from its results that there was an increase in the registered number of employees. In the Q1 2022, compared to the corresponding period of the previous year, there were by 44.7 thousand employees more in full-time equivalent (FTE), which is a relative increase by 1.1%. The registered number of employees remained closely below the level of 4 million (3 994.4 thousand); it used to be above that level before the coronavirus crisis from the Q2 2017 to the Q1 2020.

However, as for individual industries (economic activities), the situation was heterogeneous. In seven economic activities (sections of the CZ-NACE classification) the number of employees dropped, they decreased in number by 13.9 thousand. In the remaining twelve sections, the number of employees increased by 58.4 thousand. Relative increments or decrements in individual sections of the CZ-NACE ranged from -10.4% to 4.5%.

Relatively the most important increase (by 4.5%) can be found in 'information and communication,' in which there was an increase by 5.7 thousand jobs. It was followed by 'accommodation and food service activities,' in which the number of employees, after slumps in preceding years, increased by 3.8% (3.8 thousand) and by 'real estate activities' (3.7%; 1.6 thousand). In absolute numbers, the biggest increase in the number of employees was in 'wholesale and retail trade; repair of motor vehicles and motorcycles' (by 11.6 thousand), which was an increase by 2.3%. A significant growth was also in 'human health and social work activities' by 8.7 thousand (2.8%) and in 'education' by 8.2 thousand (2.6%).

In the opposite direction, there was a huge relative decrease in 'mining and quarrying' (by 10.4%), which, when expressed in absolute numbers, means a couple of thousands of jobs

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(2.1 thousand). This economic activity has been undergoing a phase-out for a long-term, only a fraction of employees are still remaining there (18.2 thousand), and those are often changing over to work for other businesses (entities) classified to another economic activity. In 'administrative and support service activities,' the number of FTE employees decreased by 8.4 thousand, i.e. by 4.7%, to the amount of 170.3 thousand. Agency workers belong there, too – this group responds the most markedly to economic fluctuations and therefore it is a good barometer of changes on the labour market. The third decrease, which was the biggest as for the number, occurred in 'public administration and defence; compulsory social security,' in which the number of FTE employees decreased by 1.6 thousand, year-on-year, which is a decrease by 0.6%. Other decreases, which are lower when expressed as an absolute number, yet higher when expressed relatively, can be found in 'arts, entertainment and recreation' (0.9 thousand; 1.7%) and in 'electricity, gas, steam and air conditioning supply' (0.4 thousand; 1.1%). Small decreases also occurred in 'agriculture, forestry and fishing,' (0.4 thousand; 0.4%) and in 'financial and insurance activities' (0.1 thousand; 0.1%).

'Manufacturing' still was the biggest section while employing 1 095.3 thousand employees; year-on-year, their number increased by 7.1 thousand (by 0.7% in relative terms). Table 1 from the News Release on average wages also includes CZ-NACE divisions of this section, which are the biggest as for the number of employees. In those divisions, we can find a decrease in the number of employees mainly in 'manufacture of motor vehicles, trailers and semi-trailers' (3.9 thousand; 2.3%). On the other hand, 'manufacture of electrical equipment' significantly strengthened (2.8 thousand; 3.0%).

Average gross monthly wages

The average wage (CZK 37 929) increased nominally by CZK 2 533 in the Q1 2022, compared to the corresponding period of 2021, i.e. by 7.2%. It is an average of a very diverse development on the level of individual economic activities, enterprises, or organisations.

Expressed in real terms, however, it was a wage decrease by 3.6%; therefore, employees could buy for the average wage less goods or services than a year before. Real wage growth depends on the inflation, i.e. on the growth of consumer prices. That substantially increased in the Q1 2022 to 11.2%. For the sake of completeness, to summarise it, in the 2021, the average wage increased in real terms by 1.0% and in 2020 by 1.4%; at that time, the inflation was between 3 to 4 percent.

The total development of both nominal and real wages is shown in the chart, which captures the period since 2012. The gap between the two lines in the chart below demonstrates namely the inflation. We can see that the coronavirus period was very turbulent, especially due to temporary lockdowns of the economy, and recently there is a 'scissor' effect between the nominal development and the real one.

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

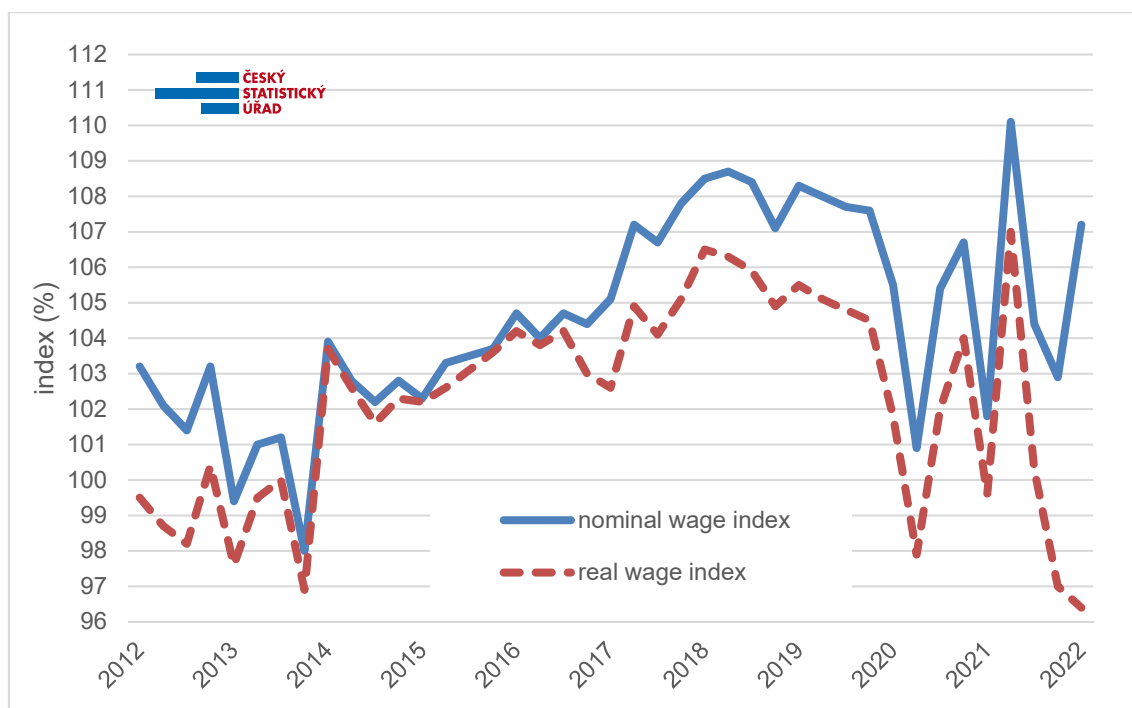
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The wage development was highly differentiated by economic activity, the nominal increase of average wages ranged from 1.9% to 15.9%. Only in two CZ-NACE sections the growth exceeded the value of the consumer price increase (11.2%) and therefore wages in those sections increased in real terms, too.

The weakest nominal increase can be found in 'public administration and defence; compulsory social security,' in which the average wage only increased by CZK 723, which is 1.9%. In real terms, it thus decreased almost by a tenth. It was followed by 'human health and social work activities' with an increase by 2.7% and by 'education' with 3.4%. What those three economic activities have in common is that the amount of earnings dominantly depends on decision making of the state, which determines the salary tables. For the year 2022, a large part of employees of the state had basic salaries frozen (i.e. no increase took place).

The highest increase of average wages can be found in 'financial and insurance activities,' in which they increased by CZK 9 873, i.e. by 15.9%. It was mainly thanks to payment of bonuses. A small economic activity of 'real estate activities' ranked second with an increase by 13.9%.

The highest average wage can be found in 'information and communication' on the level of CZK 71 996; it increased by 8.7%, year-on-year. The already mentioned 'financial and insurance activities' ranked second with the average wage of CZK 71 847. 'Electricity, gas, steam and air conditioning supply' ranked third, with a gap, with CZK 64 308.

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On the other hand, the lowest wage level persisted in 'accommodation and food service activities' (CZK 22 222) despite its increase by 11.2%, year-on-year. The second lowest average wage was in 'administrative and support service activities,' in which it increased by 10.7% to CZK 27 553.

In 'wholesale and retail trade; repair of motor vehicles and motorcycles,' the average wage increased by 9.4% to CZK 36 118. In economic activities of industry, the wage growth was weaker in total (6.8%), in the dominant 'manufacturing' it was the same by 6.8%, which thus reached CZK 36 266. In 'mining and quarrying,' wages jumped by 8.9% to CZK 39 567, which was presumably highly influenced by a decrease in the number of employees. In 'transportation and storage,' wages increased by 8.2% to CZK 33 982.

As for the working hours statistics, the Q1 2022 was characteristic for its higher number of hours worked in comparison with the corresponding period of the previous year.

Development in Regions

Regional results also show an ambiguous development. As for the number of employees, there was a year-on-year decrease in two Regions in the Q1 2022: by 0.3% in the *Ústecký* Region and by 0.2% in the *Moravskoslezský* Region. On the other hand, the number of employees considerably increased in Prague (3.0%), high increases were also in the *Středočeský* Region (1.6%), in the *Jihomoravský* Region (1.4%), and in the *Pardubický* Region (1.2%). In other Regions, the numbers were increasing by up to one percent.

Concerning the development of average wages, the span is substantially smaller compared to the breakdown by economic activity; increases were from 5.7% in the *Ústecký* Region up to 8.2% in the *Karlovarský* Region. The Capital City of Prague recorded a high increase by 8.1%.

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 was CZK 48 498. The *Středočeský* Region maintains its second position with CZK 37 582, whereas the *Karlovarský* Region remains to be the Region with the lowest wage level (CZK 32 605), followed by the *Pardubický* Region with a small gap (CZK 33 300) and by the *Zlínský* Region, in which the average wage reached CZK 33 302. As for other most populated Regions, in the *Moravskoslezský* Region, wages increased by 6.5% to CZK 33 981 and in the *Jihomoravský* Region by 7.0% to CZK 37 171.

Median wages and decile intervals of wages by sex

The News Release of the CZSO for the Q1 2022 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 2022, the median wage increased to CZK 31 923, which is by CZK 1 974 (i.e. by 6.6%) more than in the corresponding period of the previous year.

The wage distribution did not change much in the Q1 2022 in comparison with the previous year. Ten percent of employees with the lowest wages were receiving a gross wage below CZK 16 733 (the bottom decile increased by 7.8%, y-o-y), whereas the opposite tenth having highest wages

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earned over CZK 60 467 (the top decile increased by 6.5%). The decile ratio thus decreased by 0.04 point, year-on-year.

Male median wages were still higher than female median wages; in the Q1 2021, the female median wage was CZK 29 262, whereas the male median wage was CZK 34 362; the gap between median earnings thus was 14.8%.

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. The top decile for females was CZK 53 037 and for males it was CZK 67 469, by which the gap for high earnings was 21.4%. Contrarily, as for low earnings, the difference was smaller: the bottom decile for females was CZK 15 802 and for males it was CZK 17 803, which is a gap of 11.2%.

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