

ANALYSIS

4 December 2023

Development of the Czech labour market in the Q3 2023

The Czech labour market remains in a state of high uncertainty. Demographic changes are reflected in statistical indicators. Low unemployment is persisting, although the unemployment rate increased by 0.5 percentage point (p. p.), year-on-year (y-o-y). The average wage nominally increased by 7.1%, y-o-y; in real terms it decreased by 0.8%. It can be stated that wages gradually catch up on the increased price level, which is, however, very differentiated as for economic activities (industries).

Employment, unemployment, and economic inactivity

Results of the Labour Force Sample Survey (LFSS) brought for the Q3 2023 an inconsiderable year-on-year decrease of the employment rate (in the age group of 15–64 years) by 0.1 p. p. to 75.3%. A different development as for males and females persisted. The male employment rate decreased by 0.7 p. p. to 81.8%, whereas the female one increased by 0.4 p. p. to 68.4%.

In absolute terms, the number of the employed increased by 76.4 thousand, year-on-year, i.e. by 1.5%, to 5 079.9 thousand, while it was mainly an increment in working males that contributed to the increase. Their number was higher by 45.5 thousand, y-o-y.

The number of persons with the employee status increased very slightly by 34.4 thousand. A more remarkable is the trend as for entrepreneurs (the self-employed, excluding unpaid contributing family workers), where the number increased by 54.0 thousand in total, however, only thanks to an increase in the number of entrepreneurs without employees (own-account workers), namely by 60.8 thousand. The number of the self-employed with employees (employers) decreased by 6.8 thousand.

In the breakdown by economic activity (sections of the CZ-NACE classification), we can rather speak about decreasing of employment in the secondary sector. A decrease by 20.1 thousand to 1 801.6 thousand occurred there. An increase of the employment was driven by the tertiary sector, with a year-on-year increase by 91.8 thousand, mainly in the section of 'professional, scientific and technical activities' (35.2 thousand) and 'education' (27.4 thousand). A decrease by 15.9 thousand occurred in 'public administration'.

In terms of the national version of the Classification of Occupations (CZ-ISCO-08), the highest increase was in the number of professionals (by 95.1 thousand) and in the major group of craft and related trades workers (by 24.4 thousand). Conversely, the biggest decrease occurred in clerical support workers (by 51.1 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 135.7 thousand persons, which is a y-o-y increase by 26.0 thousand. The unemployment rate in the age group of 15–64 years increased to 2.7%, which was by 0.5 p. p. more, y-o-y.

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In terms of Regions, the general unemployment rate in the age group of 15–64 years was the highest in the *Ústecký* Region (4.8%), in the *Moravskoslezský* Region (4.0%), and in the *Karlovarský* Region (3.5%). The unemployment rate decreased the most, year-on-year, in the *Olomoucký* Region (by 0.9 p. p. to 2.8%). The lowest unemployment rate within Czechia was in the *Vysočina* Region (1.3%).

38.6 thousand, i.e. 28.4% of all the unemployed were without work for over a year, the number of the long-term unemployed thus increased by 10.8 thousand, year-on-year.

The number of persons who cannot be classified as unemployed and who are considered to be inactive, although they are declaring that they are willing to work, increased in the Q3 2023 by 25.5 thousand, y-o-y, to 79.4 thousand. It is the third successive yet less considerable increase of this indicator of surplus labour. In total, 3 449.6 thousand economically inactive persons aged 15+ years were in Czechia, which was by 15.4 thousand less, year-on-year.

The LFSS only covers persons living in dwellings (flats), not those living in hostels and similar collective households. It has a negative influence on the capture of foreigners who often use such ways of housing. The weighting and grossing up methodology of the LFSS has been this year adapted to this type of survey, which slightly affected time series of absolute figures on employment, mainly as for classification by age group; relative indicators (rates) were almost unaffected by the change.

Registered number of employees converted to full-time equivalent employees

Preliminary data of the CZSO's business statistics confirmed a slightly positive trend in the year-on-year increase in the number of employees. The registered number of employees in full-time equivalent (FTE) increased, y-o-y, in the Q3 2023, by 16.3 thousand to 4 033.6 thousand, which was a relative increase by 0.4%.

In terms of economic activities (industries), the increase in the number of employees concentrated in the sector of services, including the public ones, whereas the numbers were generally decreasing in the primary and in the secondary sector but also in trade and transportation. In six CZ-NACE sections, the number of employees decreased, year-on-year, by 23.6 thousand, whereas in the remaining thirteen it increased by over forty thousand. Individually, relative increments or decrements ranged from -1.9% to 9.3%.

The biggest decrease both in relative terms (by 1.9%) and absolute terms (by 20.3 thousand) can be found in 'manufacturing'. However, it was still employing over one million employees (1 071.7 thousand), it is far the most numerous section. Table 1 in the news release on average wages therefore provides CZ-NACE divisions of this section, which were the biggest as for the number of employees. In all those divisions, we can currently find a decrease in the number of employees; the deepest relative one was in 'manufacture of other non-metallic mineral products' (by 4.4%); however, in absolute numbers it was more considerable in 'manufacture of fabricated metal products, except machinery and equipment' (by 4.4 thousand), which is the second most numerous division after 'manufacture of motor vehicles, trailers and semi-trailers'. There, the

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number of employees decreased by 0.3 thousand or by 0.2%, which was, on the other hand, the second smallest relative decrease. A minimum decrease occurred in 'manufacture of food products' (by 0.1%).

A slump in the number of employees was in 'transportation and storage', in which the number decreased by 0.6% or by 1.5 thousand. It also occurred in 'agriculture, forestry and fishing', by 1.1%; in absolute numbers it was by 1.0 thousand. The registered number of employees in that section was currently 91.6 thousand. Further small decrease in the number of employees was in 'mining and quarrying'; currently it was by 0.5%; expressed as an absolute number it was 0.1 thousand. This economic activity has been constantly decreasing for a long-term since the beginning of the century; now it only employs 18.3 thousand employees, which is the smallest section of the CZ-NACE as for the number of employees, namely with a great gap. Generally, Czechia has a small part of employment allocated in the primary sector. In trade ('wholesale and retail trade; repair of motor vehicles and motorcycles'), the number of employees decreased by 0.4 thousand, year-on-year, which was, however, a relative decrement by 0.1% only, because trade is the second most numerous section with over half a million employees (504.3 thousand). And finally, a small decrease in the number of employees can also be found in 'financial and insurance activities' (by 0.3 thousand or by 0.4%), which currently employs 70.8 thousand employees.

In two smaller industrial sections – 'water supply; sewerage, waste management and remediation activities' and in the energy sector ('electricity, gas, steam and air conditioning supply') – the numbers of employees increased by 1.7% and by 1.5%, respectively. In total, it was an increase by 1.4 thousand.

Three economic activities from the sector of services, in which the number of employees increased in total by 24.1 thousand, contributed to an increase in the number of employees much more. It was 'education' (by 8.2 thousand), 'human health and social work activities' (by 7.6 thousand), and 'administrative and support service activities' (by 8.3 thousand). In the latter, the relative increase was by 4.8% to 181.6 thousand. This section also includes agency workers while this group responds the most sensitively to economic fluctuations and therefore it is a good barometer of changes on the labour market. In the Q1 through Q3 2022, the number of employees was decreasing there, year-on-year.

The most significant relative increase (by 9.3%) can be found in 'other service activities', in which there was an increase by 3.2 thousand employees; despite that, with the total number of 37.6 thousand this section remains to be the third smallest economic activity (industry).

In 'real estate activities', there was an increase by 2.7 thousand jobs (an increase by 5.8%) to the total of 48.4 thousand. Nevertheless, this economic activity remains the fourth smallest in terms of numbers.

'Arts, entertainment and recreation' strengthened by 1.5 thousand or by 2.9%. In 'professional, scientific and technical activities', there was an increase by 2.7 thousand or by 1.6%. What was also worth recording was an increase in 'construction' by 1.1%, because in absolute terms it was

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by 2.3 thousand. In 'information and communication', which is an economic activity that is strengthening for a long time, there was currently an increase by 0.2% or by 0.3 thousand employees only.

Average gross monthly wages

The average wage (CZK 42 658) increased nominally by CZK 2 810 in the Q3 2023, compared to the corresponding period of 2022, i.e. by 7.1%. It is an average of a very diverse development on the level of individual branches (fields of activity), enterprises, or organisations.

Expressed in real terms, it was a wage decrease by 0.8%. Therefore, employees could buy for an average wage less goods or services than a year ago. However, year-on-year decreases are slackening. The real wage growth mainly depends on inflation, i.e. on the growth of consumer prices. It reached 8.0%, year-on-year, in the Q3 2023, which was a high value, however, it was the lowest since the Q1 2022. For the sake of completeness, let's summarise that in the previous year of 2022, the inflation was 15.1%, the real wage decreased by 8.5%; in 2021, the inflation was 3.8% and the average wage increased in real terms by 1.9%, and in 2020 the inflation was 3.2% and wages increased in real terms by 1.4%. In previous years of economic boom 2015–2019, increases of real wages were much higher (from 2.9% up to 5.9%) and the inflation kept below three percent.

Wage dynamics varied widely by economic activity in the Q3 2023. There was a nominal positive increase of average wages everywhere, however, only in five CZ-NACE sections it exceeded the above-mentioned value of the consumer price increase (8.0%) and therefore there was an increase of wages of employees in real terms, too.

The highest increase of wages was for employees in the energy sector (the same as in the first half-year of 2023), where the nominal increase by 13.7% was a real increment by 5.3%. The purchase power of wages increased – although much less – also for employees in 'information and communication' (by 0.9%), 'accommodation and food service activities' (by 0.7%), 'real estate activities' (by 0.6%), and in 'manufacturing' (by 0.2%). In other sections, the nominal increase was below the eight-percent inflation level.

The weakest nominal increase can be found in 'other service activities' (0.9%), where wages only increased on average by CZK 299 and in real terms it was thus a slump by 6.6%. 'Education' was on the second worst place; the average wage only increased there in nominal terms by 3.3% and therefore it slumped in real terms by 4.4%.

Nominal increases in the remaining sections range from 5.1% to 7.6%, which means that there were decreases in real terms by 2.7% to 0.4%.

The highest average wage in the Q3 2023 can be found in 'information and communication', in which the average wage reached CZK 77 275. It is followed with up to a ten-thousand gap by 'financial and insurance activities' with the level of CZK 67 240; wages only increased there by 5.1%, year-on-year, in nominal terms. The third place is held by the aforementioned 'electricity, gas, steam and air conditioning supply' with CZK 61 584.

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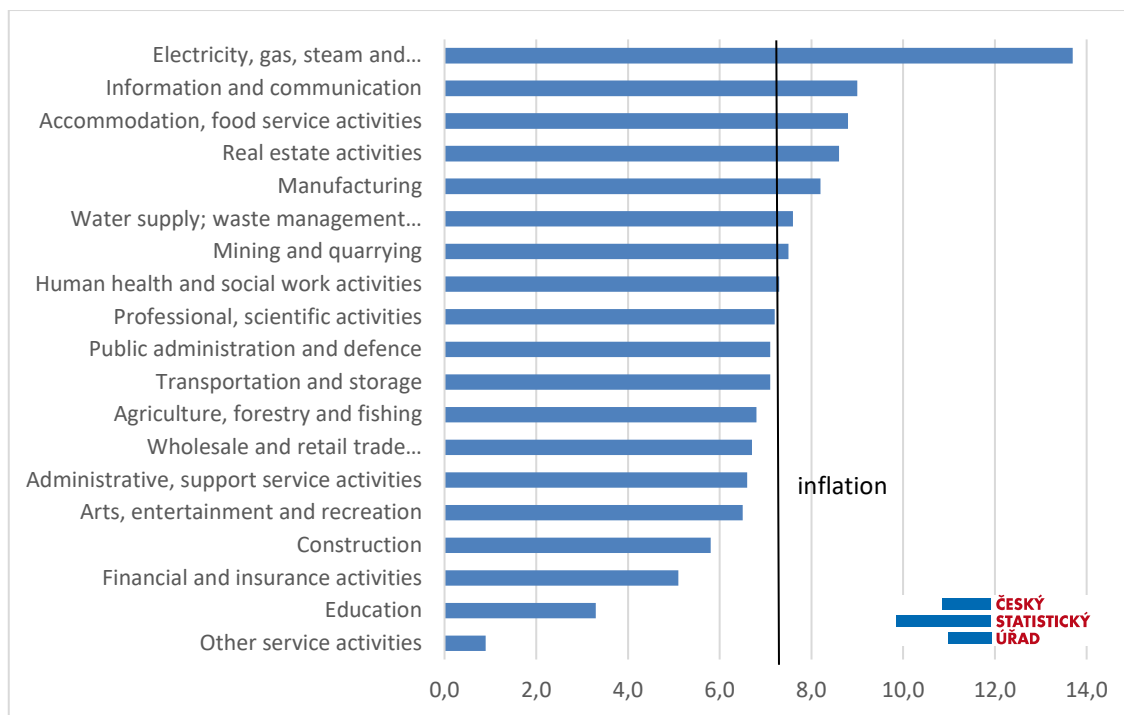
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Chart 1: Year-on-year increases of nominal wages by CZ-NACE section (%)



From the opposite side, the order was as usual. In ‘accommodation and food service activities’, the average wage increased by 8.8%; however, it still remained at the lowest level (CZK 26 216) of all economic activities. The second lowest average wage was in ‘administrative and support service activities’, where it increased by 6.6% to CZK 30 379, and the third lowest was in the above-mentioned ‘other service activities’ with an average wage of CZK 32 217.

In trade (‘wholesale and retail trade; repair of motor vehicles and motorcycles’), the average wage increased by 6.7% to CZK 39 961. In ‘manufacturing’ the average wage jumped by 8.2% to CZK 41 339, while in ‘manufacture of motor vehicles, trailers and semi-trailers’ it increased by 11.1% to CZK 48 121. In ‘construction’ the wage increased by 5.8% to CZK 37 458. In ‘professional, scientific and technical activities’, wages increased by 7.2% to CZK 51 571. In ‘human health and social work activities’, in which roughly every twelfth employee works, the average wage increased by 7.3% to CZK 47 309.

As for the statistics of hours worked, it was characteristic for the Q3 2023 that there was a slightly lower number of paid hours, especially overtime, compared to the corresponding period of the previous year.

Development in Regions

In terms of the number of employees, there was a year-on-year decrease in most of the Regions in the Q3 2023. The most considerable one, by 1.2%, was in the *Pardubický* Region and by 1.1%

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in the *Zlínský* Region. In the *Vysočina* Region and in the *Olomoucký* Region, the number of employees decreased the same by 0.7%. In the *Ústecký* Region, there was a decrease by 0.6%, in the *Karlovarský* Region, in the *Moravskoslezský* Region, and in the *Liberecký* Region the decrease was the same by 0.5%, and in the *Jihočeský* Region by 0.4%. A total increase in the number of employees was thanks to an increase in Prague (by 3.2%); smaller increases were also recorded in the *Plzeňský* Region (0.9%) and in the *Jihomoravský* Region (0.1%), and in the *Královéhradecký* Region and in the *Středočeský* Region the numbers were stagnating.

As for the development of average wages, the dispersion is much smaller among Regions than in the breakdown by economic activity (industry). Wages were increasing nominally in the range from 5.9% to 8.0%. It thus holds true that the real purchasing power of a wage did not increase in any of the Regions, year-on-year. The lowest nominal growth (and thus also the biggest slump in the real wage) was again recorded by the Capital City of Prague (the *Hl. m. Praha* Region), by 5.9%, followed by the *Moravskoslezský* Region (6.4%). In the *Ústecký* Region, the nominal increase was currently the highest (8.0%) followed by the *Středočeský* Region (7.9%), which was the second, and two Regions on the third place: the *Olomoucký* Region and the *Plzeňský* Region (7.7%).

According to the absolute level of earnings, however, Prague still remained to be the richest among the Regions of the Czech Republic. The average wage in Prague was CZK 51 925. The *Středočeský* Region maintained its second position with CZK 42 990. The *Jihomoravský* Region was the third (CZK 41 812) and a forty-thousand threshold was overcome also by the *Plzeňský* Region (CZK 41 220). On the other hand, the *Karlovarský* Region remained to be the Region with the lowest wage level (CZK 37 164). In the *Moravskoslezský* Region, which is following Prague, the *Jihomoravský* Region, and the *Středočeský* Region a Region with the highest number of employees (413.6 thousand), the average wage reached the value of CZK 38 957.

Median wages and decile intervals of wages by sex

The news release of the CZSO for the Q3 2023 also contains a piece of data on the median wage, which is calculated from a mathematical model of the distribution. It shows the wage of a middle employee, i.e. a common wage level. Extreme deciles were calculated concurrently, too. In the Q3 2023, the median wage got to CZK 37 492, which is by CZK 2 472 (by 7.1%) more than in the corresponding period of the previous year.

The wage distribution has expanded compared to the previous year. One tenth of employees with the lowest wages were receiving a gross wage below CZK 19 835 (the bottom decile increased by 6.0%, y-o-y), whereas the opposite tenth had wages over CZK 66 998 (the top decile increased by 7.4%). The decile ratio increased by 0.04 point, year-on-year, to 3.38.

Male median wages were higher than female ones; in the Q3 2023, the female median wage was CZK 34 705 (it increased by 7.2%, year-on-year), whereas the male median wage was CZK 40 153 (it increased by 6.9%). The gap between median earnings by sex thus slightly decreased by 0.2 p. p. to 13.6%.

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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: the top decile for females was CZK 58 483 and for males it was CZK 74 623, by which there was a gap of 21.6% in high earnings and it increased by 0.7 p. p., year-on-year. On the other hand, as for low earnings, the difference was smaller and by 1.3 p. p. lower, y-o-y: the bottom decile for females was CZK 19 235 and for males it was CZK 20 452, which is a gap of 5.9%.

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