

## Labour Market

- *Negligible revival of the labour market in 2011***

Labour market only slightly revived in 2011. Total employment – by the national accounts methodology - not only did not reach the pre-crisis levels, the yearly growth by 12.7 thousand persons (+0.3 %) was the lowest addition (within the growth years) in the time row beginning 1995. Economy employed 5067.3 thousand persons, less than in 2007.
- *Aggregate employment in 4<sup>th</sup> quarter fell quarter-on-quarter***

In 3<sup>rd</sup> quarter the employment rose against the 2<sup>nd</sup> quarter (+0.4 %) by a rate comparable to the highest after crisis year-on-year addition in the same period of 2010. Worsening came in the 4<sup>th</sup> quarter, with the decrease of quarter-on-quarter 0.3 % employees. The drop affected nearly all industries with the exception of agriculture and some branches of services (activities connected to real estate, varied group of professional, scientific and administration activities, but also the public sector and defence, where the employment was falling from the 2<sup>nd</sup> quarter of 2009 except for the break of 2010 and 2011).
- *The trend of previous two years of growing numbers of entrepreneurs and lowering numbers of employees continued***

Addition to total employment resulted from the higher numbers of entrepreneurs, since the numbers of workers with the status of employee again decreased in 2011 (-6.8 thousand). The losses of employee job positions were not as extreme as in 2009 and especially 2010 (-83 thousand, resp. -127 thousand), but they confirm the fact, that the Czech economy did not create adequate number of vacant positions in 2011.

Most numbers of employees dwindled according to data from national accounts in construction (-14.2 thousand), which is at the same time the only branch experiencing simultaneously the lowering of number of entrepreneurs (-3.1 thousand persons). Most people found new employee positions in trade, transportation, accommodation and hospitality industry (6.5 thousand). Total employment grew the most in manufacturing (+10.8 thousand persons), it fell apart from construction also in the agricultural sector (-4.4 thousand persons). Year-on-year grew also the numbers of employed in public sector and defence, education, health care and social care (+2.5 thousand persons), however after deep fall in (-35.8 thousand), so the overall employment (882 thousand persons) is here roughly at the 2007 level.
- *Unemployment rate lower than in Europe, but featuring further dangers***

Unemployment rate measured by the Labour Force Sample Survey according to the international methodology<sup>1</sup> seasonally adjusted was throughout the year 2011 quarter by quarter decreasing from 7 % in 1<sup>st</sup> quarter to 6.6 % in the 4<sup>th</sup> quarter. Yearly average reached 6.8 %. In European comparison it is a favourable value – in the euro area the rate of unemployment exceeded 10 % beginning May 2011, in EU 27 from November. However structural issues of the labour market in the CR remain – the mismatch in the structure of supply of vacancies and demand (the largest demand exists for qualified tradesmen and repairmen for already two years).
- *Real wage slowest in the decade***

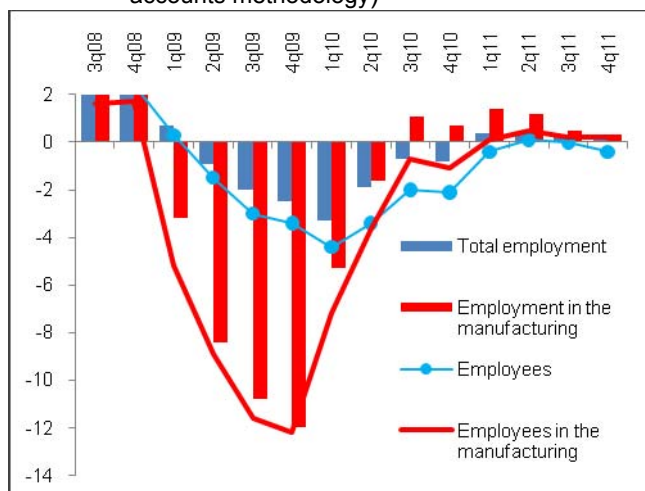
Wage development was not favourable. Average monthly nominal wage increased in 2011 year-on-year by 2.2 % to 24 319 crowns. Even though it was more than in 2010 (+1.9 %), still it was the second most modest wage raise in the last eleven years. This low addition together with the growing consumer prices means that the real wage in the CR increased only by 0.3 %, again the least since 2000. In the 4<sup>th</sup> quarter it even fell year-on-year (-0.2 %).

The difference between higher average wage in the private sector (24 326 crowns) and the public sector (24 287 crowns) in 2011 practically disappeared (in 2010 it arrived at 576 crowns). However, it can again grow as a consequence of the intended budget cuts, if the public sector is not forced to solve the situation by massive lay outs.

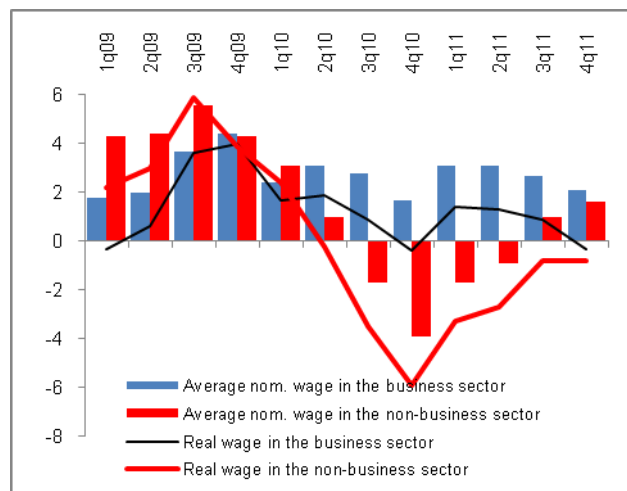
<sup>1</sup> According to the definition of International Labour Organisation (uniform for all EU member states), the unemployed are all persons who were during the reference period without work, did not work even one hour for wage or reward and were actively seeking work, and were available to work within two weeks at the latest. Definition of the unemployed by the ILO differs from the definition of „job applicants“ registered by the labour Office of MLSA.

Second slowest growth of average wage in a decade for the employed in the business sector lowered given the growing raising of prices in 2011 year-on-year addition to their real wage (+0.8 %) to the lowest level in the given period – in the last quarter it fell by 0.3 %). Further, mere stagnation of average wage in the public sector (+0.1 %) on the contrary decreased the real wage of people employed in their institutions compared to 2010 by 1.8 %. It has been lower each quarter year-on-year already since 2<sup>nd</sup> quarter 2010. Given that in 2011 there were over 882 thousand of persons employed in the public sector, this wage development sends a negative signal regarding the abilities of households to spend. Subsequent fall of their consumption expenditure will be negatively reflected in the growth of the Czech economy.

**Graf 13 Total employment and numbers of employees (y-o-y in %, seas. adj. national accounts methodology)**



**Graf 14 Nominal and real wage (y-o-y in %, recalculated values, monthly average)**



Source: ČZSO