

## 6. Labour Market

The renewal of confidence in the economy and persisting inflow of orders in key branches led to the fastest growth of the number of workers after 2008 during the year 2015

Brisk growth of the economy was reflected in the strengthening pace of the total employment<sup>1</sup>. This was 1.2% above the level of the previous year in 2015. High year-on-year additions to employment were recorded in all quarters. There were 5.2 mil persons in the position of employed at the end of the year, which was together with year 2008 the most in the history of the independent CR. The demographic factors also have an effect on the employment in the longer term horizon apart from the effect of the business cycle, mainly the increasing age of retiring and higher participation – especially of women – in the tertiary education.

While manufacturing was creating positions to a higher extent in 2014, the majority of other branches mainly in services also contributed more the year later

While the addition to employment occurred mostly in manufacturing in 2014, services also started to generate job positions to a greater extent a year later. It was mainly the branch (significant by weight) including trade, transportation, accommodation and food service activities, where 20 thousand more persons found employment year-on-year (25 thousand persons in comparison in manufacturing). However, it is important to take into account, that especially the larger companies cover the short term demand fluctuations by hiring agency workers. The still high growth of the number of workers in professional, scientific, technical and administrative activities (by 3.9% in 2015) indirectly suggests, that their role is still significant currently<sup>2</sup>.

Prolonged fall of employment in the mining industry continued, more intensive utilisation of the current workforce in the form of overtime work assisted in covering the higher demand in construction

Despite the overall favourable tendencies, branches still existed also in 2015, which were losing the job positions. It was especially construction, where the deep decreases of employment persisted already the fifth year in a row (lastly by 2.4%). Non-manufacturing industrial branches also face difficulties (-0.8%), mainly the long-time declining mining activities. Employment was falling two years in a row also in the financial and insurance activities (saving measures were most likely motivated by the effort to keep the high profitability in a very competitive environment here).

Shifts in structure of employment - to the benefit of employees. Their numbers grow, the self-employed are on the decrease

The structure of workforce from the point of status in employment also changes. The numbers of self-employed have declined since Q3 2014, accompanied by a simultaneous year-on-year growth in the employee category. This discrepancy further strengthened during the year 2015 and was well apparent in construction, manufacturing or in specialised services (information and communication altern. the professional, scientific, technical and administrative activities). The transfer of part of the self-employed persons into the employee position is characteristic for the Czech labour market in times of business cycle peak, when the businesses pull workers among their primary employees, which they used within the “švarc-system” in “worse times”. Employers represent an important category from the view of the job creation potential. More detailed data from the LFSS indicate that the number of entrepreneurs with employees grew continuously since Q3 2013 year-on-year (excluding the end of year 2015).

Labour productivity already grew second year in a row and it reached the highest rate of growth in the last five years in 2015

The growth of the labour productivity was another positive feature in the last two years. It increased by nearly 2% in 2015, when the 3.8% real growth of the gross value added was achieved with the simultaneous 1.8% year-on-year growth of the hours worked. The productivity growth could have been even higher, if it was not for the considerable increase of the hours worked in Q4 (especially in manufacturing, trade and transportation). Information and communication, construction as well as financial and insurance activities achieved more than 5% productivity growth in 2015.

It was falling only in the primary sector and in the branch trade, transportation, accommodation and food service activities

Number of vacancies (offered by employment offices) grows already two years, they reached the highest level since November 2008 in December 2015

The intensity of creation of vacancies accelerated. While the job offices offered 59 thousand vacancies towards the end of 2014 (mere 35 thousand a year before), it was already 103 thousand vacancies twelve months later. The significant territorial as well as educational (resp. qualification) mismatch between the offered vacancies and registered job applicants persisted. It is valid for already two years, that the highest chance of employment belongs to applicants in the group of “plant

<sup>1</sup> Unless stated otherwise, seasonally adjusted national accounts data were used.

<sup>2</sup> Agency workers have contracts of employment within services – e.g. in Employment activities (CZ-NACE 78.2), which on higher aggregation belong to Professional, scientific, technical and administrative activities.



and machine operators, assemblers”, where there were only two applicants per vacancy towards the end of the year (the numbers of applicants and vacancies almost equaled in the Plzeňský, Pardubický and Liberecký region). Craft and related trade workers (2.9) were in a very similar situation, the professionals as well as technical and specialised workers followed with a little distance. On the contrary, already seven applicants aspired for one vacancy for unskilled workers i.e. elementary occupations (which constituted 40% of applicants. in the Karlovarský region) and already nearly eleven applicants for the clerical and support workers (22 persons then in the Central Bohemian region).

General unemployment rate dropped to the lowest level since November 2008

General unemployment rate<sup>3</sup> was decreasing throughout the whole year. It hit the 5% boundary during summer and ended on the lowest level (4.6%) since November 2008 in December 2015. It decreased by 1.3 p.p., against the beginning of the year, regardless of the gender. The favourable development in industry helped to push down to lowest levels the unemployment of males (3.8%), similarly to the populated group of persons with secondary education without the school leaving certificate, incl. apprentices (4.6%). On the other hand, a high unemployment persists in the group of persons with primary education (22.8%), as well as the high share of long-term unemployed among all job applicants (48.5%).

The CR was together with Germany among the countries with the lowest unemployment rate within the whole EU

The proportion of unemployed persons on the total labour force keeps falling also in the EU (faster among” the younger” member states), still it remains high (on the level of 9% in Q4 2015). The CR was together with Germany among the countries with the lowest unemployment rate at the end of 2015. The situation was less favourable for females, where already four countries achieved better results (Germany, Austria, Great Britain and Malta), even nine countries in case of the long-term unemployment rate (with duration of unemployment over 12 months).

Marked acceleration of the rate of growth of wages year-on-year during 2015

The rising demand for labour force was gradually reflected in wages as well. The rate of growth of wages (per full-time equivalent employee) was the highest in the last seven years in 2015 and accelerated during the year (from 2.3% in Q1 to nearly 4% at the end of the year). The wages were growing relatively faster in the business sphere than in the non-business sphere in the second half of the year. The higher growth of wages in the dominant (by weight) business sphere was among other things also enabled by the growth of profitability of businesses, especially those under foreign control. The development in the non-business sphere also presented a significant impulse, with the growth of the wage tariffs at the end of 2014. The employees in accommodation, restaurants and food service activities (6.6%) experienced the biggest relative improvement in 2015, however it is a branch with a long-term low wage level. The wages in manufacturing grew at the same speed as on the level of the whole economy, however the employment grew significantly here. The growth was much more modest in the branches with the highest wage level (information and communication, financial and insurance activities, energy industry). The important fact was, that the wage median (5.4%) grew by much faster rate than the average wage (3.9%) in Q4. The growth of the wage differentiation thus halted. The increase of the minimum wage level also most likely contributed.

Raise of the minimum wage contributed to the halt of further wage differentiation deepening

Low inflationary conditions assist the growth of the purchasing power of employees

Low rate of inflation and accelerating growth of the average wage were beneficially reflected in the development of the purchasing power of employees. While the average wage was raised by 2.2% in real expression in Q1 2015, it grew already by 3.8% at the end of the year. It represented the highest increase since the end of year 2009.

<sup>3</sup> Based on ILO methodology, constructed as a % of number of unemployed persons to the total labour force (aged 15-64), seasonally adjusted.

Chart 15 Number of employed persons and employees (nat. accounts data, seasonally adjusted, y/y in %)

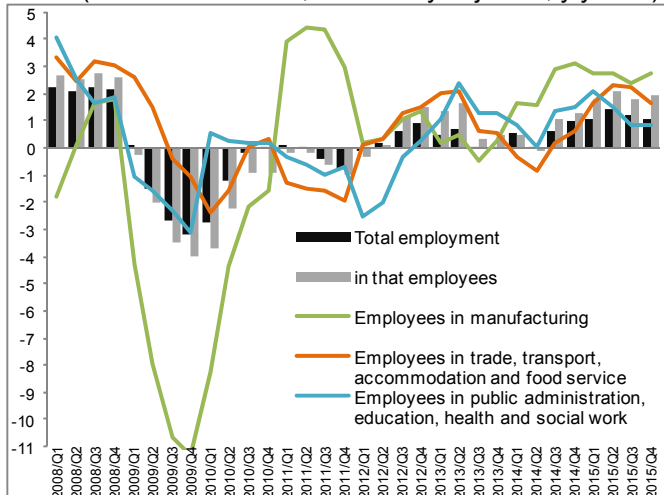
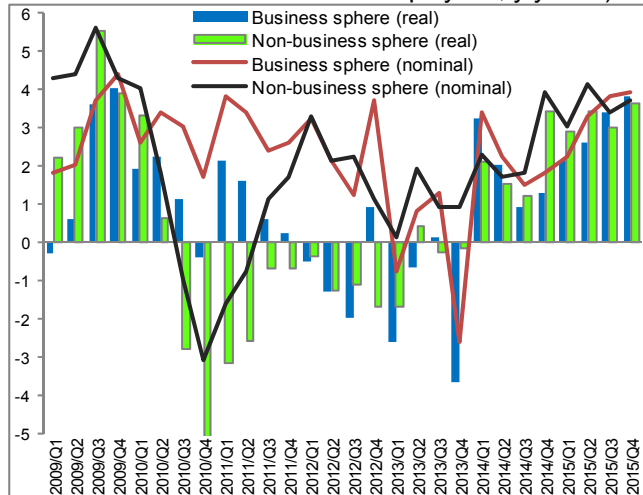


Chart 16 Average gross nominal and real wage (per recalculated numbers of employees, y/y in %)



Source: CZSO

