

## ANALYSIS

4 December 2013

**Commentary: Labour Market Development in Q3 2013**

The development of the Czech labour market remained uncertain in Q3 2013. While the results of the Labour Force Sample Survey (LFSS) in households show that the [total employment increased](#) year-on-year, the results of the business statistics of the CZSO, on the contrary, indicate a substantial drop in the number of employees. The average registered number of employees (headcount) decreased by 48.7 thousand persons and the average registered number of employees (FTE persons) dropped by 46.3 thousand persons compared to the same quarter of the previous year.

“Small” jobs have been increasing in numbers, which has been confirmed by long-term analyses of the LFSS. The average number of usually worked hours per employee has decreased from 41.1 to 40.5 hours/week, that is by 1.5% for the two recent years, and the share of part-time workers increased by almost a quarter. The share of employees with definite period employment contracts has been also growing substantially.

The **grey zone** of employment (moonlighting jobs, chaining of agreements on work, agreements on work activities, etc.), sometimes called flexible forms of employment, which provide employees with just a very low level of certainty for the future, **has been expanding**.

From the standpoint of respective economic activities the trend of employment seems ambiguous. According to the results of business statistics it is construction, which suffered most and in which there was a decrease in the number of jobs by 17.8 thousand that is a drop by 7.5%, year-on-year. Manufacturing and agriculture also experienced year-on-year decrease in the number of employees by 1.1% and 1.6%, respectively. The sector of services is more stable, except for accommodation and food service activities, which saw a drop by 5.9%.

The number of employees grew substantially in **public administration and defence; compulsory social security** by 8.7 thousand persons, which is by 3.2%. This increase did not happen in central government authorities (ministries), in which the number of employees decreased by 1.6 thousand persons. It occurred mostly in authorities at the level of regions and municipalities which number of employees rose by more than eight thousand. This was an effect of public works, subsidised from the EU funds, which gave employment to roughly ten thousand persons. In the previous year 2012 these works were provided by persons out of the registered number of employees within the so-called public service. The announced increasing of labour office capacities dedicated to combat unemployment brought a substantially smaller effect creating six hundred new jobs in Q3 2013.

The **wage growth** demonstrates still a **very low pace**. The nominal growth of the average wage by 1.3% is the fourth lowest in the recent decade. The deceleration of consumer price growth (inflation), which showed the index value of 101.2, is important for the development of the purchasing power. In previous periods a high inflation devastated increase in wages so the real purchasing power of earnings decreased, even though the nominal growth in wages was rather significant. The real wage in Q3 2013 grew by 0.1%.

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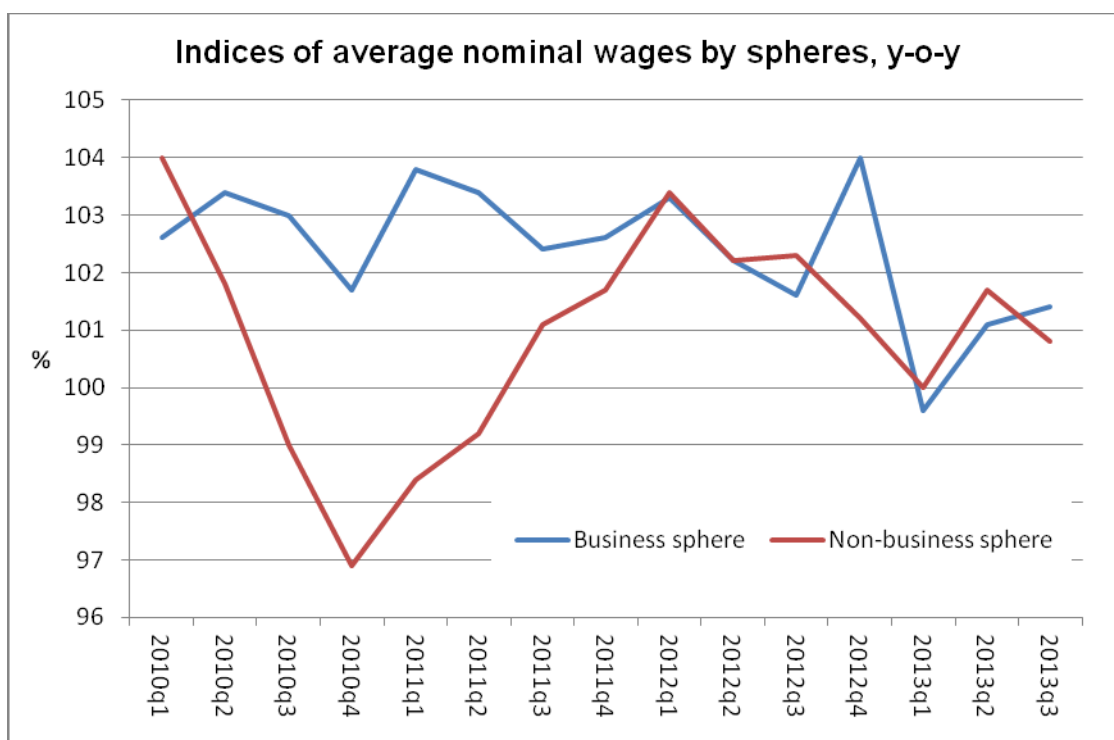
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In order to make a time comparison it is needless to take into account that Q3 2013 was by three working days longer than the same quarter of the previous year so the periods compared are not of the same characteristics.

In the non-business sphere, which is dependent on the state budget, the average nominal salary increased by 0.8% and decreased by 0.4% in real terms. The business sphere, in which wage trend is traditionally more fluctuating due to influence of market conditions to date, showed a better result – the average nominal wage grew by 1.4%, which means a growth by 0.2% in real terms. The share of extraordinary bonuses in the average wage in the business sphere decreased and the effect of overtime work was also lower.

Watching the trends over a longer term one can see gradual convergence of trends in both the spheres, see the graph below.



Concerning respective economic activities the development is much differentiated. In seven sections of the CZ-NACE average nominal wages decreased, most significant drop by 2.3% experienced construction. In the rest of activities we can find increases by even 3.9% in agriculture, which absolute wage level, however, remains still below the average wage in the whole Czech Republic.

Concerning regions, more important increases in wages were in the Vysočina Region and in the Pardubický Region (identically by 2.2%), conversely, in the Hl. m. Praha Region the average wage grew the least (0.3%).

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This year the CZSO News Releases also include data on the **median wage**. These are calculated by means of a mathematic model of the earnings distribution and show the wage of an employee right in the middle of the distribution. This way it demonstrates the middle level, that means the common level of wages. Because differences in earnings have been ever growing the median wage in Q3 2013 was already by CZK 3 505 below the arithmetic average (the average wage) and in absolute value it accounted for CZK 21 331. Eighty per cent of employees earned wages within the interval of CZK 10 837 to CZK 39 603; the decile ratio stayed at the last year level (3.7).

The wage level in women (median wage of CZK 19 061) was essentially lower than that of men (median wage of CZK 23 197). The wage inequality in women is also lower: the decile ratio of females was 3.3, while males' one was 3.8.

\* \* \*

The Government of the Czech Republic raised, in its decision, the minimum wage by CZK 500 to CZK 8 500 since 1 August 2013. Because the share of persons earning so low wages is not high (according to data for 2012 there were mere 4.4% employees within the gross wage range up to CZK 10 000), there might not be expected that this move could affect the labour market development in a significant manner.

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