

ANALYSIS

5 June 2013

COMMENTARY: DEVELOPMENT OF AVERAGE WAGES OF EMPLOYEES IN Q1 2013

Already in the commentary for Q4 2012 I referred to the results as to “an entirely exceptional development in wages“. I furthermore wrote: “The reasons for can be seen not in rapidly improved economic conditions of enterprises yet in a change to tax legislation leading towards rectification of the degressive taxation of the highest incomes, which has been in force since the beginning of 2013.“

Data for Q1 2013 confirmed this explanation. The growth in the average nominal wage by 3.5% in Q4 2012 was strongly affected by a significant increase in extraordinary bonuses, first of all, among the best-paid employees. Therefore, it may be assumed that some enterprises used the opportunity at the end of the last year to pay in advance extraordinary bonuses to their managers, which are otherwise used to be paid in first months of the next year.

The current drop in the average wage can be simply explained that financial resources, which were in a non-standard manner paid at the end of 2012, are just missing at the beginning of this year. The wage volume decreased by 1.0%; comparing to the previous time series it may be estimated there are approx. CZK 5.3 billion missing against the standard level. The share of extraordinary bonuses in the average wage declined in the business sphere as well, in a mirror like way to its increase in Q4 2012. This affected also the overall average wage, which thus decreased by CZK 85 compared to Q1 2012.

The ‘financial and insurance activities’, in which the average wage declined in Q1 2013 by almost CZK 6 000 this way, saw the most considerable effect of extraordinary bonuses. Thus this factor was strongest in these activities. It can be estimated that there was a transfer in between quarters at the amount of approximately CZK 2 billion.

The actual trend in wages can be the best way judged by means of average annual indices for the whole period from the beginning of October 2012 to the end of March 2013, that is for both the periods concerned. Thus the average wage grew nominally by 1.7%, which is an increment significantly lower than the inflation rate; nevertheless, it is not a nominal decrease. Results, broken down by respective activity, are in the graph enclosed. The fastest growth in wages (7%) can be found in the section of ‘arts, entertainment and recreation’. Taking a more detailed look however, reveals that this means mainly gambling clubs, casinos, and bookmakers and betting offices, which all also belong to this section. The sections of ‘electricity, gas, steam and air conditioning supply’ and ‘financial and insurance activities’ saw a wage increase of around 5%. Then the average wages increased solely in ‘accommodation and food service activities’ by over 3.0% yet the number of employees in this section declined by 4.1%. In most other activities wages of employees grew slower than the consumer price index increased and therefore their purchasing power was decreasing in real terms.

The **registered number of employees** (full-time equivalent) was not affected by the bonus payments so development in respective quarters can be observed with no limitation. In Q1 2013 the number of employees decreased again (by 0.6% compared to the same period of the previous year, which represents a drop by 23.4 thousand persons).

Information Services Unit – Headquarters

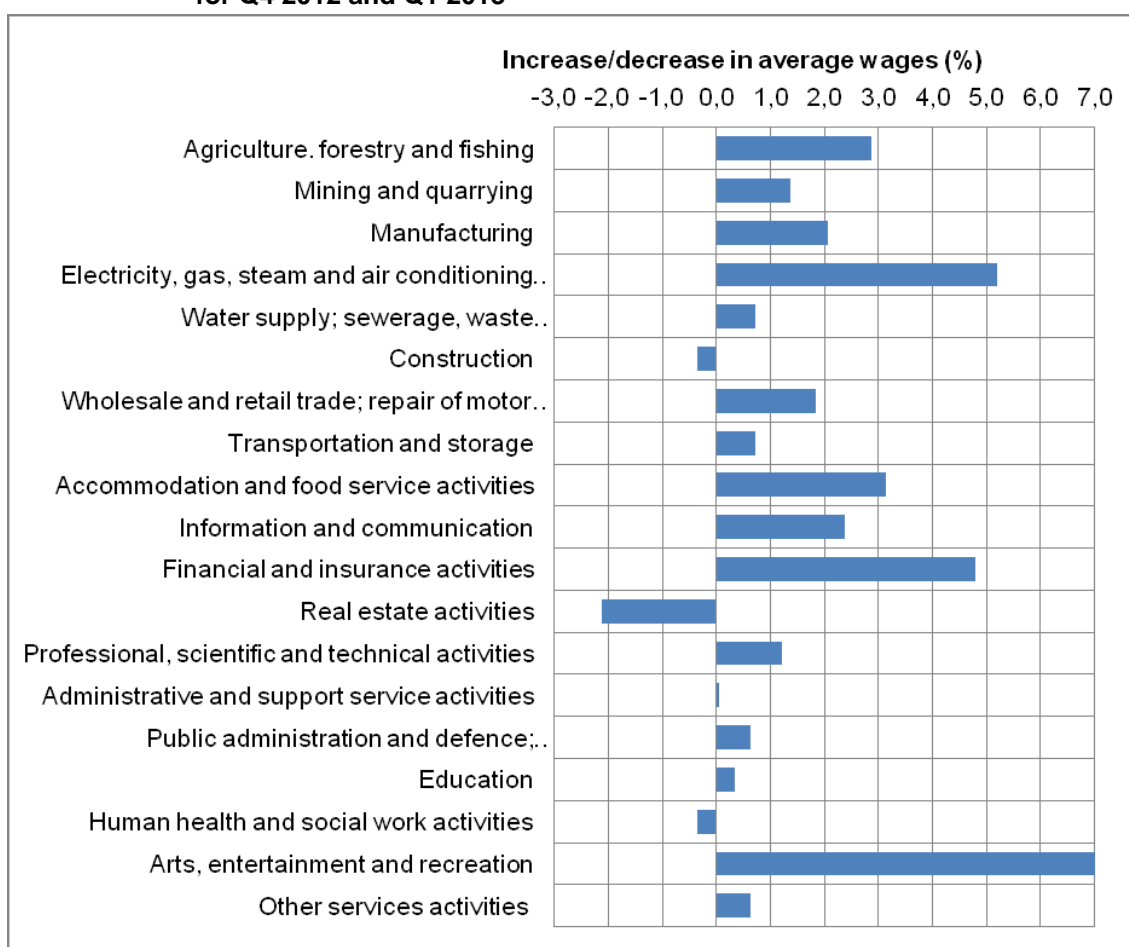
Are you interested in the latest data connected with inflation, GDP, population, wages in industry and much more? You can find them on pages of the Czech Statistical Office on the Internet: www.czso.cz
tel: +420 274 052 304, +420 274 052 425, e-mail: infoservis@czso.cz

ANALYSIS

The decrease in the number of employees in 'manufacturing', which is the largest economic activity of the Czech economy, got even deeper (-1.1%), and the same happened in 'construction' (-4.6%), which has been in a long-term recession. Conditions have not been improving in 'accommodation and food service activities' (-4.7%) either.

Thus the business sphere lost in total almost thirty thousand occupied jobs, which is a drop by 0.9%. Labour market conditions have been partly saved by the non-business sphere, in which the number of employees grew by 4.7 thousand (0.7%), following the last year decreases.

Graph: Year-on-year increase/decrease in the average wage, average wages for Q4 2012 and Q1 2013



CZSO, proprietary calculations

The News Release has newly included also data on the median wage. The median wage is calculated by means of a mathematical model of the earnings distribution and shows the wage of an employee in the middle of the wage distribution. This way it demonstrates best the common wage level. Because differences among earnings have been larger and larger the median wage has been already by approximately CZK 4 000 lower than the arithmetic average (average wage) and attained CZK 20 051 in Q1 2013.

Information Services Unit – Headquarters

Are you interested in the latest data connected with inflation, GDP, population, wages in industry and much more? You can find them on pages of the Czech Statistical Office on the Internet: www.czso.cz
tel: +420 274 052 304, +420 274 052 425, e-mail: infoservis@czso.cz

ANALYSIS

Closing the analysis, please, allow me to draw your attention to the fact the News Release has newly attached table containing average wages and numbers of employees broken down by region of the Czech Republic (Annex No. 3).

Dalibor Holý

Labour Market and Equal Opportunities Statistics Department of the CZSO