

## ANALYSIS

4 December 2014

### Commentary: Labour Market Development in Q3 2014

In the previous commentary of 5 September 2014 the Director of Labour Market and Equal Opportunities Statistics Department dealt with the continuous fragile recovery, and results of statistics for Q3 2014 have confirmed the prevailing positive trends on the labour market. Data from the Labour Force Sample Survey (LFSS) performed in households have shown a continuous growth of total employment and a drop in unemployment. The next important source, results of business statistics of the Czech Statistical Office bring an increase in the registered number of employees, yet a significant portion of them are so-called agency workers. The growth of nominal wages is weak; the average wage, however, does not grow faster also because it is the less qualified employees (blue-collar workers) with lower wages who are more frequently recruited.

The LFSS results demonstrate a monotonous growth in total employment which has been lasting already for four years. In Q3 2014 it was namely an important increase in the number of employees in industrial activities. This positive trend is accompanied with already two-year-long decrease in the number of the unemployed, both in males and in females. At the same time labour force reserves are reduced in economically inactive persons and job vacancies are on the rise.

Long-term unemployment (longer than 1 year) has been declining the same way as total unemployment and thus its proportion stays at 43.7%. The main issue of high unemployment in border groups of persons has not been solved in a satisfactory manner yet, especially in the least qualified persons (with basic education only) whose unemployment rate reached 21.2% in Q3 2014, although if compared year-on-year it dropped by almost three percentage points.

Preliminary data of the Czech Statistical Office business statistics can offer a more detailed image of status of standard employees. They essentially confirmed the positive trends. Since the beginning of 2014 the growth in the registered number of employees has been accelerating; the year-on-year increase was growing step by step: 0.2%, 0.6%, and 0.7%. In Q3 2014 the absolute increment was 27 146 occupied jobs. Just remember that the registered number of employees was declining for the whole year 2013.

Respective areas of economy show different trends. Especially all sub-activities of construction in Q3 2014 were still experiencing a year-on-year decline (-4.5% in total), the number of employees in accommodation and food service activities continued to fall as well. Although industrial activities were overall doing well, mining and quarrying lost 1.5 thousand jobs (-4.7%) at the expense of coal mining phase-out. In certain sub-activities of manufacturing the loss of jobs was still prevailing over job creation as, for instance, in manufacture of food products, beverages, and tobacco products. In total manufacturing, however, grew by 19.2 thousand employees due to the dominating effect of the car making industry and heavy machinery industry, which are booming.

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Certain typical activities of services were also rising, namely real estate activities (+3.7%) and administrative and support service activities (+5.0%), which are dominated by labour agencies. In the agencies themselves employment grew by almost 8.5 thousand persons (increase by 15%), which shows one of weak spots of the contemporary recovery on the labour market.

Numbers of employees also increased in all activities affected by government as human health and social work activities, education, and public administration and defence; compulsory social security. If viewed in a more detailed breakdown there was a minute drop (-0.2%) in the number of employees at central government bodies (ministries) while a growth was recorded at regional and municipal offices by approx. 2 thousand persons as a result of public benefit works. The expanding of capacities of labour offices, dedicated to combat unemployment, where almost 1.4 thousand jobs were created year-on-year, had a non-negligible effect as well.

**Concerning wages** there was just a slight increase in Q3 2014. The total nominal increase by 1.8% was accompanied by a low increase in consumer prices by 0.6% which led to a real increase of the average wage by 1.2%. This result is substantially worse than that in the first half of 2014 (2.6%). One of the reasons for can, however, be a higher recruitment to activities and categories of employees with a lower earnings level which reduces the wage index. It would mean that the growth of economy is rather reflected in a growth in employment than in wage increase and such a fact may not be perceived as a negative.

If viewed as the business sphere and non-business sphere their indexes were not much different this time. The average wage in the minor non-business sphere grew nominally by 1.9% which is 1.3% in real terms after deducting inflation. In the business sphere the average wage grew nominally by 1.7% and it was 1.1% in real terms. The wage growth lost its pace especially in this dominant sphere because in the first half 2014 the nominal wage growth in this sphere was 3.0% while in the non-business sphere it was mere 1.9%.

In business activities, nevertheless, the overtime work and total work hours increase and paid non-worked hours decreases. Simultaneously a significant increase in proportion of extraordinary (irregular) bonuses was recorded in all business activities except for construction.

The wage development in respective economic activities (CZ-NACE sections) was varied. Three CZ-NACE sections recorded a nominal decrease as follows: mining and quarrying (-1.8%), administrative and support service activities (-1.6%), and other service activities (-0.6%). The average wage in education stagnated, or being precise, it decreased year-on-year by CZK 3.

The highest average wage growths can be found, besides public administration and defence; compulsory social security (by 4.0%), also in accommodation and food service activities (2.5%), where, however, the number of employees substantially decreased (-4.5%). Slightly better conditions are in information and communication (wages +2.4%; number of employees -0.5%). What is really doing well in the labour market is especially manufacturing with a wage increase of 2.3% while the number of employees simultaneously increased by 1.8%, and also activities of wholesale and retail trade; repair of motor vehicles and motorcycles with the average wage growth of 2.4% at a growth in the number of employees by 0.4%.

Development in average wages compared by region did not reveal any surprise in Q3 2014. The lowest wage growth was found in the Capital City (1.1%) as usual, yet the number of employees recorded an above average increase (1.3%) and there is no need to remember that

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the average wage in the Capital City is still absolutely the highest one, which exceeds the average wage for other regions by almost 40%.

It was newly found that the average wage growth was identically low in the Ústecký Region (1.1%) where the number of employees increased by 0.7% that means at an average pace.

In three regions of the Czech Republic there were declines in the number of employees; the highest drop was recorded in the Karlovarský Region (-1.1%), then in Moravskoslezský Region (-0.2%), and in Královéhradecký Region (-0.1%). On the other hand, there were not so low wage increases recorded in these regions as the highest wage increase was found in Královéhradecký Region (2.3%), which was a record high among regions, an average one in Karlovarský Region (-1.8%) only, and in Moravskoslezský Region by 1.7%.

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The related News Release includes also data on the **median wage** and **decile span** calculated from a mathematic model of earnings distribution. The median wage demonstrates a wage of the employee in the middle of the interval that is the common wage level. In Q3 2014 the median wage was CZK 21 521, which is by CZK 321 more (by 1.5%) than in the same period of the previous year. Thus the wage level of the middle employee has increased a bit less than the arithmetic average wage and indicates the growth in earnings is disproportional.

The wage interval remained quite wide as eighty per cent of employees earned wages within the interval of CZK 10 457 and CZK 40 326. Concerning sexes the increase in wages was more pronounced in males, who have the middle wage level higher than females by CZK 4 300 anyway. Eighty per cent of males earned wages within a wide span from CZK 11 210 to CZK 45 034, while eighty per cent of females earned from CZK 9 937 to CZK 34 214; the highest wage disparity between sexes was found in the group with the highest earnings

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Concerning cumulation in the period of **Q1 to Q3 2014** the average wage grew nominally by 2.5%, which combined with a significantly low inflation rate (0.3%) meant a real increase in purchasing power of earnings by 2.2%. This, however, does not hold to both the spheres, the nominal growth in the business sphere was higher (2.6%), where the average wage increased by 2.3% in real terms. The non-business sphere demonstrated a worse result – the real growth of the average wage attained mere 1.6% here.

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The monthly amount of the **minimum wage** of CZK 8 500 has been in force since 1 August 2013; it shall be increased to CZK 9 200 since 1 January 2015.

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