

ANALYSIS

8 March 2019

Development on the Czech Labour Market in Q4 2018

Indices of the Czech labour market have been progressively getting steady. The unemployment rate remained at 2.1%, the lowest level in history, yet results of the Labour Force Sample Survey (LFSS), that is carried out in households, revealed also the employment rate culmination point at 75.4%. The record-breaking demand of businesses for the labour force still lasts. The growth in the average wages by 6.9% in Q4 2018 was weaker than in previous quarters. The increase in the real wages was subdued by inflation to reach 4.7%.

Employment, Unemployment, and Reported Job Vacancies

Results of the LFSS confirmed domestic employment has been culminating and already exceeded the limit of 5.3 million persons. This way Q4 2018 brought a next record-breaking employment rate of 75.4% in the aged 15–64 years. Changes to the age distribution are also significant and mean a decline in the number of young working persons and an increase in the number of the employed of elder age.

Business demand for the labour force has been still extremely strong. The best illustration provides the register of labour offices – the number of vacant jobs reported to labour offices surpassed the level of 324 thousand at the end of 2018, which is a new maximum recorded for the whole existence of this registration, while the number of available registered job applicants aged 15–64 years was 211 thousand persons. The share of the unemployed, ratio of the number the unemployed kept in the register of labour offices to the total population, was 3.1%.

In Q4 2018 the total number of the unemployed, that means persons who do not work and seek a job in an active manner as defined by the International Labour Organisation, fell to 111.0 thousand persons according to the LFSS. This way, the general unemployment rate reached a historically low value of 2.1% in the aged 15–64 years. Yet the declining trend seems to be exhausted and the indicator is getting steady. The number of the long-term unemployed was also steadily declining to reach 34.9 thousand persons and therefore there were mere 31.5% unemployed persons without having a job for over one year.

In the Czech Republic there is still, however, a significant number of persons, who do not work and do not seek a job in an active manner, yet in the LFSS interviews they state they would like to be working. This, so far unused, labour force reserve has been reduced to reach 101.7 thousand persons and therefore it is virtually comparable in size to the group of the unemployed.

Registered Number of Employees Expressed as Full-Time Equivalent Employees

Preliminary data of the CZSO business statistics have confirmed the aforementioned trend in the growth in the number of registered employees. In Q4 2018 there were by 37.1 thousand employees, converted to full-time employees (FTE), more than in the same period of the

ANALYSIS

previous year, which is a relative growth by 0.9%. This way, their number reached the value of 4 094.3 thousand persons. Let us mention that this indicator has been growing since 2014 because a minute quarter-on-quarter decline preliminary notified for Q3 2018 has not been confirmed by calculations using revised, that is more precise, data. Nevertheless, even in this case values of the year-on-year increase have been slowly declining and the growth trend weakens.

There are ever more and more emerging economic activities, which saw a drop in the number of employees, year-on-year. The one showing this trend in the most significant manner is 'mining and quarrying', which experienced a drop in the number of employees by 3.1%, i.e. by 0.8 thousand FTE employees. 'Agriculture, forestry, and fishing' lost the same number of FTE employees yet in its case it, however, means a decline by mere 0.9% because of this economic activity section relative size. The number of employees in 'arts, entertainment and recreation' was reduced by 0.6 thousand FTE employees, which for this small economic activities section, however, means a drop by 1.1%. Economic activities sections of 'transportation and storage', 'accommodation and food service activities', and finally also 'administrative and support service activities', which is dominated by labour agencies, saw a decline in the number of FTE employees by 0.5%.

The highest relative increase in the number of FTE employees by 5.8% was reported in a smaller economic activities section of 'electricity, gas, steam and air conditioning supply'. The 'real estate activities' gave employment to a number of FTE persons higher by 5.3%.

This time it was not 'manufacturing', which is otherwise by far the largest employer in terms of the number of employees, showing the highest increase in the number of employees, because it recorded an increase in employment of mere 0.7 thousand FTE employees, which is by 0.1% more, relatively. 'Manufacturing' was surpassed by the 'wholesale and retail trade; repair of motor vehicles and motorcycles', which saw an increase by 11.5 thousand FTE employees, i.e. by 2.3%.

'Information and communication' have been showing a steady growth in the number of employees, this time by 4.2 thousand FTE employees, i.e. by 3.6% relatively. 'Education' reported even a higher increase in the number of employees by 6.6 thousand FTE employees, i.e. by 2.2% relatively. 'Professional, scientific and technical activities' gave employment to by 5.4 thousand FTE employees more, which is by 3.0% more, relatively. The number of employees in construction increased by 0.3 thousand FTE employees, by 0.1% more, relatively.

Average Gross Monthly Wages

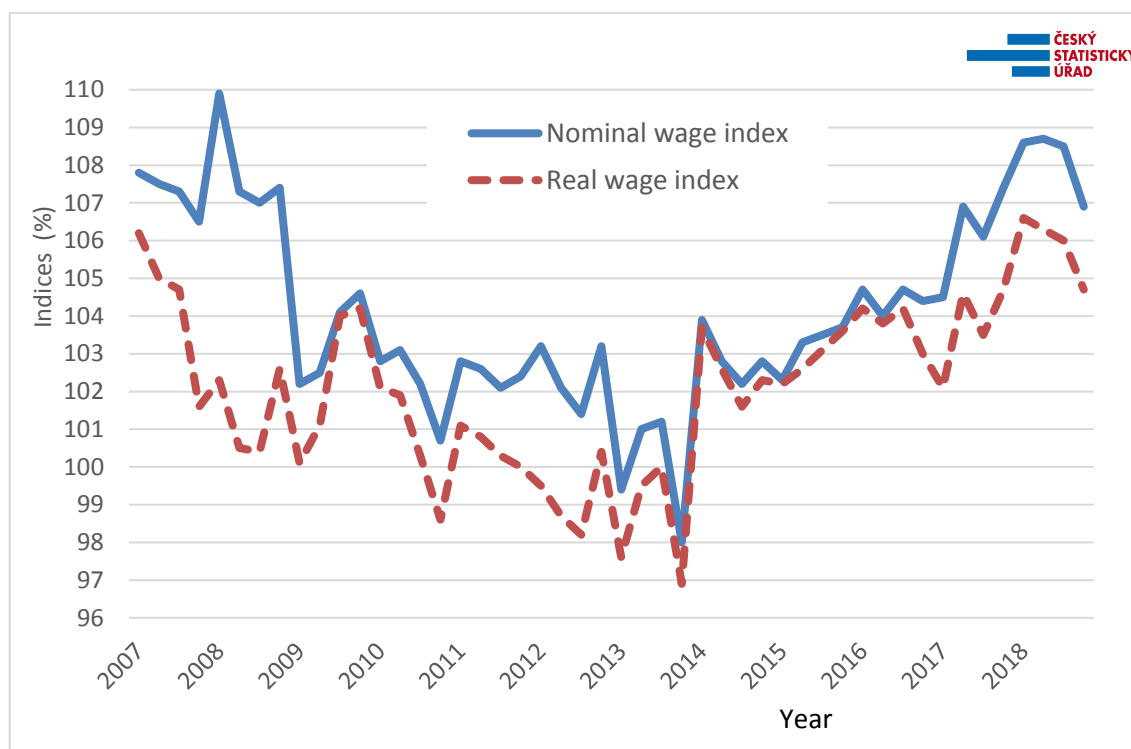
Concerning wages the last year featured a strong growth, which however slightly weakened in the last quarter. The average wage (CZK 33 840) increased nominally by 6.9% in Q4 2018, compared to same period of 2017, and the increase was lower than those in the four previous quarters.

Expressed in real terms the wage increase was somewhat weaker as well. In Q4 2018 wages grew by 4.7%, while in the rest of 2018 they increased by 1.6 percentage point (p.p.) more. The

ANALYSIS

inflation rate, expressed as the consumer price index, reached a value of 2.1% and is demonstrated as a gap between the two lines in the graph below.

Trends in the nominal and real average wages as indices to the same quarter of the previous year



Similarly to trends in the number of employees the wage growth was differentiated in respective economic activities in Q4 2018. Except for one, all economic activities experienced a year-on-year nominal increase in wages of at least 5.0%. The aforementioned exemption is 'mining and quarrying', in which the average wage reached CZK 40 288, which, however, represented an increase by mere 3.7%.

The important effect of a tariff wages hike rise in economic activities dominated by government got already weakened in Q4 2018. A wage increase in 'public administration and defence; compulsory social security' was an under-average 5.1%, 'education' attained a growth by 6.0%. Employees in 'human health and social work activities' were doing much better with a wage increase by 7.9%.

It was 'accommodation and food service activities', which experienced the highest rise in wages by 8.0% yet the average wage in these activities still sits at the lowest level of CZK 19 206.

The two economic activities sections of best pay recorded a weaker year-on-year growth in wages. In 'financial and insurance activities' wages rose by 5.4% to reach CZK 53 323, which

ANALYSIS

means a second highest wage level among economic activities sections. 'Information and communication' occupied the first rank with the wage grow of 5.8% to attain CZK 55 754.

In 'wholesale and retail trade; repair of motor vehicles and motorcycles' the average wage increased by 7.6% to yield CZK 31 578. Industrial-type activities recorded a wage growth of 7.0% while the dominating 'manufacturing' was doing the best with an increase of 7.1% and the average wage in these economic activities reached CZK 33 512. In 'agriculture, forestry and fishing' the wages increased by 5.0% to reach the average wage of CZK 28 060.

If viewed from the number of hours worked Q4 2018 was comparable to that of the previous year. However, the number of overtime work hours was reduced in an important manner and the number of reimbursed hours out of work slightly increased. In Q4 2017 and Q4 2018 extraordinary bonuses of employees formed a significant portion of earnings but in 2018 their importance slightly declined.

Regional Development

Results broken down by region have not brought any marked surprise. The highest growth in average wages (+8.0%) was recorded in the Zlínský Region, which although features a rather lower wage level (CZK 30 744). On the contrary, the lowest wage growth (+5.4%) was noticed in the Karlovarský Region, which still remains the region having the lowest level of wages (CZK 29 703). In the Capital City of Prague the growth in average wages was under average (+6.5%), as usual, nevertheless, the average wage (CZK 41 851) in the City remained by far the highest. The Středočeský Region recorded a strong increase (+7.6%) with the average wage to attain CZK 34 293.

Prague still boasts a fast growth in the number of employees. In Q4 2018 the increment in the number of employees was 3.2%, y-o-y, in Prague. There was a significant decline in the number of employees in the Karlovarský Region by 1.1%. The Plzeňský Region and the Vysočina Region also experienced a drop in the number of employees, yet by mere 0.1%. The highest growth in the number of employees, but that in Prague, was recorded in the Jihomoravský Region (+0.9%).

Results for the Whole Year 2018

The last year was an extraordinary one from many aspects. There was an unprecedented drop in unemployment, on one hand, and a mirrored increase in the number of job vacancies, on the other hand. The number of the employed rose to the record-breaking level in history. This brought a corresponding pressure on an increase in earnings. From the standpoint of cumulated data for the whole year 2018 from businesses, the overall average wage grew nominally by 8.1%, which is by over 5.9%, y-o-y, in real terms, to reach CZK 31 885. From macroeconomic point of view, it means an important growth in the volume of wages, which increased by almost one tenth, year-on-year.

From long-term point of view, results for 2018 are comparable solely to those for 2008, the year prior the recession. In the ten-year period the average wages grew by 41.1% nominally, the inflation rate increased by 16.1% and thus wages grew by 21.5% in real terms.

ANALYSIS

Median Wages and Social Distribution

The News Release of the CZSO for Q4 2018 contains also data on the median wage, which is calculated from a mathematical model of the earnings distribution. The model shows the wage of a middle employee that means a common wage level. Extreme deciles were calculated simultaneously as well. In Q4 2018 the median wage was CZK 29 247, which is by CZK 1 927, i.e. by 7.1% relatively, higher compared to the same period of the previous year. The wage interval was still very broad. Ten percent of employees earning the lowest wages got earnings below CZK 14 475 (bottom decile), and the opposite tenth having highest wages, on the contrary, earned above CZK 54 320 (top decile).

The male wage level is significantly higher. In Q4 2018 the median wage in females was CZK 26 490, while in males it was CZK 31 910, which is by 20.5% higher than the female median wage. We can say the male pay is roughly by twenty percent higher. Simultaneously, it holds that wages in males are distributed over a wider interval than in females and especially the area of high earnings is incomparably higher in males than in females. The top decile in males was CZK 60 671, in females CZK 46 645, which means the male one was by 30.1% higher; this is roughly by thirty percent higher. In low earnings the difference is smaller, the bottom decile in males was CZK 15 146, in females it was CZK 13 813, which means the males' one was by 9.6% higher only, which is approximately by ten percent higher.

The preliminary results of the **Average Earnings Information System (ISPV)** for the year 2018 bring a more detailed insight into wage distributions and social distributions. The ISPV, however, applies a different methodology for the calculation of personal earnings of employees. It especially excludes all absence at work and therefore the data may neither be compared to the aforementioned values of the average wages, nor to figures given in tables attached to the News Release of the Czech Statistical Office.

According to the valid Classification of **Occupations (CZ-ISCO)** managers where the group with highest earnings having the median wage of CZK 51 741 yet also with a very wide decile span from CZK 21 519 to CZK 127 271. The second highest wage level can be found in professionals with their median wage of CZK 38 947 lying within a decile span of CZK 26 579 and CZK 76 917. The third rank is occupied by technicians and associate professionals with the median wage of CZK 33 538. Clerical support workers had the median wage of CZK 25 643. A significant growth by 11.1% in the median wage was found in the large group of service and sales workers, of which, however, a great number belong to low-income employees, because their the decile range is from CZK 13 571 to CZK 35 438 and their median wage was CZK 20 723. Craft and related trades workers and plant and machine operators and assemblers had median wage CZK 27 685 and CZK 27 233, respectively. The lowest wage level can be found, in general, at elementary occupations with the median wage CZK 17 941 and the decile range from CZK 12 701 to CZK 29 374. Elementary occupations and clerical support workers recorded the lowest growth in earnings, identically by 7.0%.

Wages are also markedly structured by **educational attainment** of employees when in 2018 employees with higher education earned the highest earnings. Their median wage was

ANALYSIS

CZK 40 652 yet their wages also showed the slowest increase by 7.9%. On the contrary, employees with primary and/or incomplete education had the lowest median wages of CZK 21 532. Employees having secondary education with A-level examination earned more, the median wage of CZK 29 752, than employees having secondary education without the A-level examination, the median wage of CZK 24 939, yet less than employees with completed higher professional school or with bachelor degree, the median wage of CZK 34 043.

If viewed by **age group** the lowest median wage of CZK 21 451 was earned by employees up to 20 years of age. Employees aged 20–29 years already had markedly higher earnings of CZK 27 138, and the age group 30–39 years recorded the highest median wage of all of CZK 30 326. This is, however, accompanied with an increase in variability of earnings. The lowest tenth of earnings (1st decile) remains below the level of CZK 16 000 in every age group.

Author: Dalibor Holý

Labour Market and Equal Opportunities Statistics Department of the CZSO

Tel.: +(420) 274 052 694

E-mail: dalibor.holy@czso.cz