ANALYSIS

4 June 2018

Development on the Czech Labour Market in Q1 2018

A top period of the Czech labour market has been confirmed by results of all statistics employed. Results of the Labour Force Sample Survey (LFSS), that is carried out in households, showed stabilised unemployment at the level around 130 thousand persons, which is the lowest number in history of the Czech Republic. At the same time, demand for labour force expressed in the number of job vacancies has been at its climax. These conditions are reflected in a strong growth in earnings when in Q1 2018 the average wages nominally increased by 8.6%, year-on-year (y-o-y), and by 6.6%, y-o-y, in real terms, which is the highest growth since 2003. Results of business statistics, performed by the Czech Statistical Office (CZSO), also indicated a significant increase in the number of registered employees by 2.1%.

Results of the LFSS showed a culminating growth of total employment, which reached 5.26 million persons. This way Q1 2018 brought a next record-breaking employment rate of 74.2% in the age group of persons aged 15–64 years. The increase in business demand for labour force is still very strong. The number of vacant jobs reported to labour offices exceeded 267 thousand at the end of April 2018, which is a maximum value for the whole period of the registry existence.

The total number of the unemployed was in Q1 2018 reduced to 129.8 thousand persons according to the LFSS. The unemployment rate this way also moved to historically record-breaking low value of 2.4%. The number of the long-term unemployed was also declining rapidly to drop to 40.9 thousand persons. The lowest unemployment can be still found in persons with educational attainment of higher education whose unemployment rate is mere 1.2%.

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 by 19.6 thousand persons to attain 113.5 thousand persons and therefore it is comparable in size to the group of the unemployed and remains a challenge to employers as well as to the state employment policy.

Preliminary data of the CZSO business statistics have confirmed the described trends in the **growth in the number of registered employees**. In Q1 2018 there were by 83.1 thousand employees, as converted to full-time employees (FTE), more than in the same period of the previous year. This is a relative increase by 2.1%, and this way their number exceeded the limit of four million. Let us remember that a decline in the average number of registered employees happened in 2013 (by 1.0%) for the last time and since 2014 this indicator has been demonstrating a monotonous growth.

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ANALYSIS

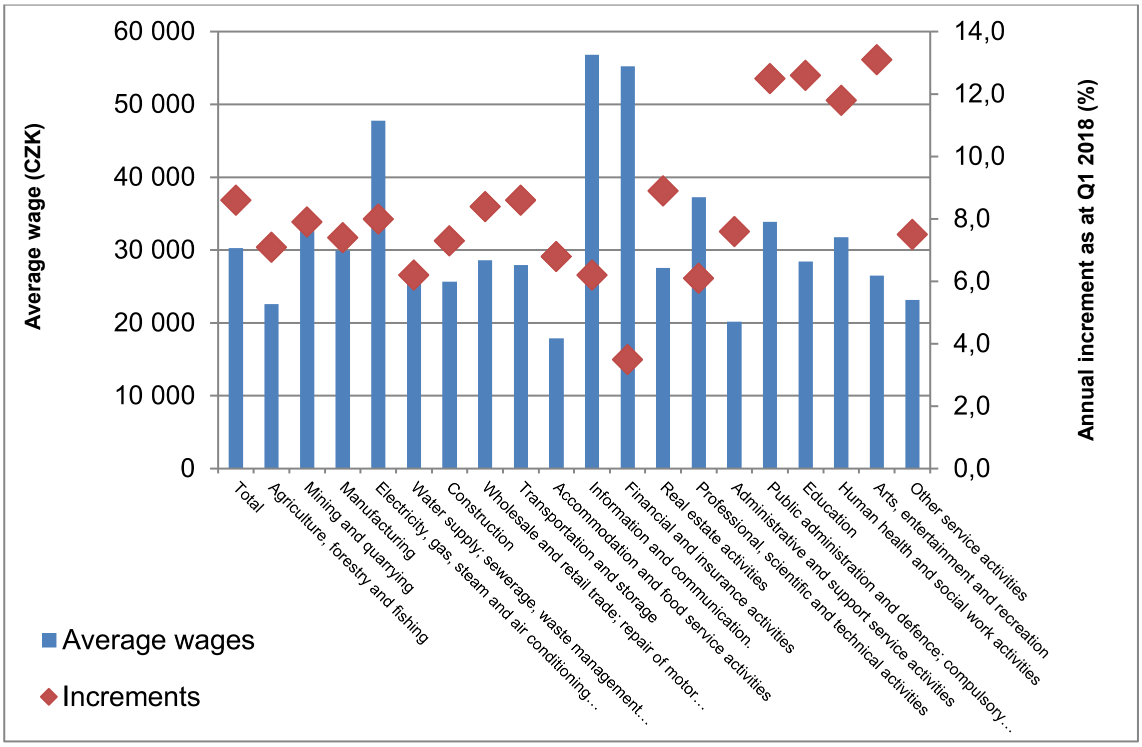
Although there is in general positive trend, there is one group of economic activities, which do not contribute to, and it is mining and quarrying. These activities still experience a complex situation. In Q1 2018 the activities saw a decline in the number of employees by 1.8 thousand FTE, i.e. -6.9%. In construction, on the contrary, they already managed to reverse the decline and the number of employees increased by 1.5 thousand FTE (+0.8%). Even in formerly troublesome economic activities of administrative and support service activities the number of employees grew by 0.9 thousand FTE (+0.5%) and accommodation and food service activities saw an increase by 4.8 thousand FTE (+4.2%).

Manufacturing, which is largest employer, recorded the absolutely highest increase in employment. It was 22.1 thousand FTE, which was +2.0% relatively. Wholesale and retail trade; repair of motor vehicles and motorcycles also grew in a significant manner by 12.6 thousand FTE, i.e. by 2.6%, and education finished third in the rank with increase by 9.7 thousand FTE, which is by 3.4%. Electricity, gas, steam and air conditioning supply showed a relatively highest growth (+7.4%), the next fast growing activities were other service activities (+4.6%) and information and communication (+4.4%), yet the last activities have been showing a long-term growth.

Concerning **wages** this year started with a strong growth as expected. The average wage (CZK 30 265) increased nominally in Q1 2018 by 8.6% compared to same period of the last year, which is the highest growth for this period of the year since 2008.

Since the beginning of 2014 till Q3 2016 real wages almost copied the trend of nominal wages, because inflation (consumer price index) was around approx. a half-per cent and thus the real purchasing power was growing rapidly even at a weaker nominal growth in wages. As 2017 came the price increase surpassed the inflation target of the Czech National Bank (which was 2%) and trends in nominal wages and in real ones became to differ more significantly. In Q1 2018 inflation fell slightly to 1.9% and thus wages increased more, by 6.6%, y-o-y, in real terms. Then this accord of lower inflation and a strong nominal increase brought the highest index since Q1 2003 when the average wage in real terms grew even by two tenths of percentage point more.

ANALYSIS



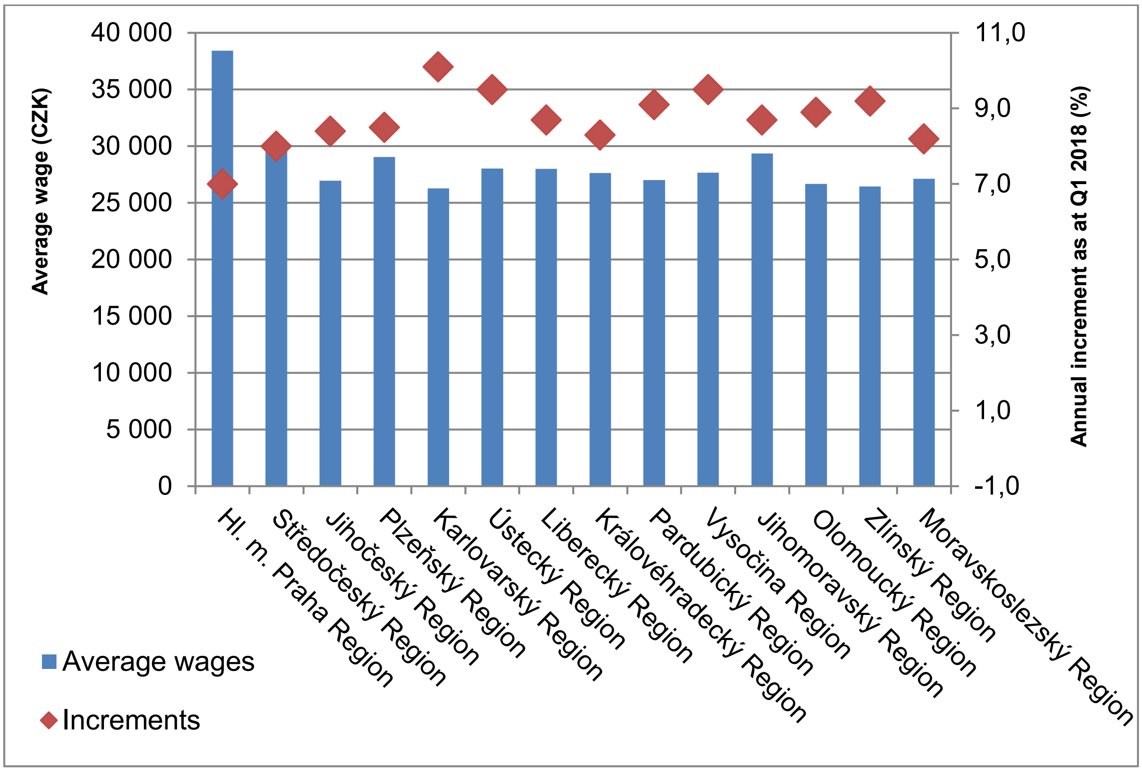
Similarly to trends in the number of employees the wage growth was differentiated in respective economic activities in Q1 2018. None of economic activities experienced a decline; year-on-year nominal increases of wages in respective economic activities fell within the interval from 3.5% to 13.1%. The increase in average wages is most visible in economic activities sections of the national version of the international Statistical classification of economic activities in the European Community, which are dominated by government. Let us remember the increases in salary tariffs from 1 November 2017 and 1 January 2018, respectively. This holds for sections of arts, entertainment and recreation, in which the average wage grew most (by 13.1%) to reach CZK 26 497, education (by 12.6%) to reach CZK 28 425, and similarly for public administration and defence; compulsory social security (by 12.5%) to reach CZK 33 857, and for, last but not least, human health and social work activities (by 11.8%) to reach CZK 31 747.

Market economic activities were falling a bit behind concerning this development. In this sector the fastest growth in wages was recorded in real estate activities (by 8.9%) and in transportation and storage (by 8.6%). In trade and repair activities (wholesale and retail trade; repair of motor vehicles and motorcycles) the average wage already showed a below average increase (by 8.4%).

In the industrial activities sector the wage increase was by 7.5%, in agriculture, forestry and fishing it was a bit lower, by 7.1%. The lowest increase at all was recorded in financial and insurance activities, in which employees with the average wage of CZK 55 234 still remain ranked second from the wage level point of view. Employees enjoying the best pay are those in information and communication with the average wage of CZK 56 822.

ANALYSIS

The wage growth in Q1 2018 was hampered by a lower number of worked hours and, on the contrary, a higher number of reimbursed hours out of work. The share of overtime hours was comparable to that in the last year.



The growth in average wages was most pronounced in the Karlovarský Region (+10.1%), which, however, remained the region with the lowest wage level. The Ústecký Region and Vysočina Region showed identically the second highest wage increase (+9.5%). In all regions, but in the Capital City of Prague, wages grew by 8.0%, at least. In the Capital City of Prague the growth in average wages was the lowest, +7.0%, as usual. On the other hand, Prague still boasts the fastest growth in the number of employees. In Q1 2018 the increment in the number of employees was significant 6.3%, y-o-y, in Prague. The only region, that experienced a drop in the number of employees, was the Královéhradecký Region (-0.2%). Conversely, the highest growth in the number of employees, but that in Prague, was recorded in the Liberecký Region (+2.7%), followed by the Ústecký Region and Pardubický Region (both identically +2.0%)

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The News Release of the CZSO for Q1 2018 contains also data on the median wage (M), 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 and extreme deciles were calculated simultaneously as well. In Q1 2018 the median wage was CZK 25 674, that is by

CZK 1 965 (+8.3%) higher than in the same period of the previous year. The wage interval was broad, ten per cent of employees earning the lowest wages got earnings below CZK 12 135 (bottom decile D1), and the opposite tenth of highest earnings, on the contrary, earned wages above CZK 48 199 (top decile D9).

The male wage level is significantly higher: in Q1 2018 the median wage in females was CZK 23 084 while in males it was CZK 28 031. That means the median wage in males was by 21% higher than that in females. Simultaneously, it holds that wages in males are distributed over a wider interval and especially the area of high earnings is incomparably higher in males than in females, see the graph above. The top decile in males was CZK 54 283, in females solely CZK 41 054. In low earnings the difference is smaller the bottom decile in males was CZK 12 972, in females it was CZK 11 792.

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