

ANALYSIS

6 March 2020

Development on the Czech labour market in the Q4 2019

Employment in the Czech Republic still keeps its record-high values; however, in the year-on-year comparison, it has slightly decreased. Also as for the unemployment it is adequate to speak about stagnation during the whole year 2019 with the level right above two percent. The average wage increased by 6.7%, which was lower than in the preceding quarters. After adjustment by the influence of all the time increasing inflation, the wage increase in real terms was 3.6%.

Employment, unemployment, and reported job vacancies

Results of the Labour Force Sample Survey (LFSS) already show that the total employment has decreased, year-on-year. Despite that, the number of the employed remains to be high, over 5.3 million. The fourth quarter of 2019 thus brought the employment rate of 75.3% in the age group of 15–64 years, which decreased (for both males and females the same) only by 0.1 percentage point (p. p.) compared to the corresponding period of the previous year.

Changes in internal structures, be it a demographic one or that, which means transfers between sectors of the economy, have become a more marked trend. What is decreasing markedly faster is the number of own-account workers (the self-employed), which is high in Czechia in European comparison; however, their share has gradually dropped below 16%. What is characteristic for the current phase of the economic cycle is also the fact that employment was decreasing in the secondary sector (industry and construction), while it was still increasing in the tertiary sector.

The business demand for the labour force has been still very strong, though stabilised already, which is clear from the register of the labour offices – the number of job vacancies reported by the end of 2019 reached almost 341 thousand jobs. Most of the jobs is marked for a long term as jobs for foreigners, however, concurrently they are low- or unqualified professions. The number of available registered job applicants aged 15–64 years was 196 thousand. The share of the unemployed (ratio of the number of the unemployed kept in the register of labour offices to the total population) was 2.9%.

In the Q4 2019, the LFSS revealed 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, decreased even more by 1.8 thousand persons, quarter-on-quarter, to reach 109.3 thousand persons. The general unemployment rate thus remained to be low (2.1%) and despite fluctuations caused by the sample character of the survey it can be said that this indicator has stagnated. The number of the long-term unemployed continued to be slightly decreasing; it decreased to 31.1 thousand persons and therefore there were 28.0% unemployed persons not having a job for over one year.

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In the Czech Republic, there is still also 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. However, this so far unused labour force reserve dropped below 100 thousand persons in the Q4 2019 (for the first time in the measurement history).

The LFSS covers only persons living in dwellings (flats), not those living in hostels and similar collective households, which has a negative influence on the capture of working foreigners who often use such ways of living (housing).

Registered number of employees expressed as full-time equivalent employees

Preliminary data of the CZSO business statistics illustrate the development of the registered number of employees described above. In the Q4 2019, compared to the corresponding period of the previous year, there was an increase by 11.6 thousand employees converted to full-time employees (FTE), which is a relative growth by 0.3%, year-on-year. Their number reached the value of 4 109.2 thousand persons. This indicator has been growing since 2014; however, values of its year-on-year increase have gradually decreased, till the growth trend got almost halted currently. Therefore, more and more economic activities (industries) have emerged, in which the number of employees decreased, year-on-year, because the development is differentiated. Currently, there is a decrease in seven CZ-NACE sections and an increase in the remaining twelve.

The most marked fall was, as usually, in 'mining and quarrying', in which there was by 3.4%, i.e. by 0.8 thousand FTE persons less, year-on-year. 'Transportation and storage' saw a decrease by the same number of FTE persons; however, the relative decrease was only by 0.3%, because it is a much bigger economic activity. Further, there was a 1.7% drop in 'financial and insurance activities', which is in the number of employees a drop by 1.3 thousand persons. A much bigger decrease was in 'administrative and support service activities' by 6.5 thousand persons, which means by 3.2% relatively. It is caused by the fact that employment through employment agencies is losing its attractiveness. In 'agriculture, forestry and fishing' the drop is by 1.2%; in 'arts, entertainment and recreation' it is insignificant 0.1%. A significant decrease of the number of employees is in 'manufacturing', in which since the Q1 2019 the development changed to a decrease. Currently, there were by 18.6 thousand less employees, year-on-year, which is 1.6%.

Conversely, the highest relative increase in the number of FTE employees was again in a small CZ-NACE section of 'real estate activities' (5.8%; 2.5 thousand). This time, an absolutely highest increase was in 'education', in which there were by 10.8 thousand (3.6%) more FTE employees and in 'human health and social work activities' (1.7%), in which the number of FTE employees increased by 5.1 thousand, i.e. in economic activities dominated by the government. Naturally, it also comprises 'public administration and defence; compulsory social security' with an increase by 1.7 thousand persons (0.6%).

In 'wholesale and retail trade; repair of motor vehicles and motorcycles' there were by 5.5 thousand FTE employees more (1.1%, relatively). Also in 'professional, scientific and technical activities' there were by 4.7 thousand FTE employees more (2.6%, relatively). In

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'accommodation and food service activities' the number of FTE employees increased by 3.2%, i.e. by 3.9 thousand.

Two remaining economic activities of industry also increased the number of their employees. It was 'electricity, gas, steam and air conditioning supply' with 0.5 thousand more FTE employees (1.5%) and 'water supply; sewerage, waste management and remediation activities' with 0.4 thousand more FTE employees (0.7%). What is steady is an increase in the number of FTE employees in 'information and communication,' this time by 3.1 thousand (2.5%).

Average gross monthly wages

As for wages, they were growing fast during the last years being driven by low unemployment, demand for labour force, and pressure by trade unions. Currently, their y-o-y growth was 6.7%, which was, however, the weakest value of the year 2019. The average wage thus reached in the Q4 2019 CZK 36 144. However, almost two thirds of employees do not earn that average. It is an amount employees would earn in case that all of them would earn the same amount from the total volume.

Nevertheless, employees cannot purchase for their earnings by the same amount more as the y-o-y nominal increase would indicate. It is because the inflation (consumer price index) increased to reach 3.0%. Therefore, in real terms, the wage increase was much lower, wages increased currently only by 3.6%, while during the whole year 2018 it was by 5.3% and even in the Q1 2019 it was by 4.7%.

Similarly as the development in the number of employees, also the wage growth was differentiated in respective economic activities in the Q4 2019. However in all of them but one, there was a year-on-year nominal growth by over three percent. 'Mining and quarrying' was the exception, in which wages dropped by 0.4%, y-o-y, due to a decrease in extraordinary bonuses in the end of the year.

Indices high above the average were in 'education' during the whole year 2019; currently, the average wage increased by 16.2%. In 'public administration and defence; compulsory social security,' there was an increase by 7.2%, y-o-y. A bit better off were employees in 'human health and social work activities,' where the increase was 8.6%.

Above-standard growth rates can be found also in 'arts, entertainment and recreation' (9.1%), 'agriculture, forestry and fishing' (8.0%), and 'financial and insurance activities' (7.4%).

The same relative growth by 7.0% was in 'administrative and support service activities' and in 'information and communication;' however, in absolute numbers it was by CZK 1 520 and CZK 3 919, because the former section has the second lowest wage level, while the latter (ICT) has the highest level of all.

'Accommodation and food service activities' remains to be the poorest economic activity as for wages; the average wage there increased by below-average 5.3%. A very low growth was in 'professional, scientific and technical activities' (3.2%).

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From industrial economic activities, 'water supply; sewerage, waste management and remediation activities' grew faster (by 6.7%) as well as 'electricity, gas, steam and air conditioning supply' (6.2%). The biggest 'manufacturing' was weaker as for growth (5.0%). In construction, wages increased by 5.1% and in 'wholesale and retail trade; repair of motor vehicles and motorcycles' growth of wages halted at 4.7%.

In the Q4 2019, a lower number of hours worked was reported again compared to the corresponding period of 2018. There was also much less overtime work and the volume of paid unworked time has markedly increased, which has an influence on the comparison of wage indicators. In both the Q4 of 2019 and the Q4 of 2018, a certain part of earnings consisted of extraordinary bonuses for employees; their importance slightly decreased, year-on-year.

Regional development

Results broken down by region have not brought any surprise. However, increases in the average wage were also slightly differentiated. They were most marked in three regions, in which they were over 7.5%; they are: the *Jihočeský* Region (7.8%), the *Středočeský* Region (7.7%), and the *Olomoucký* Region (7.6%). On the contrary, the lowest increment was in the Capital City of Prague (5.4%), where weak increments are usual; however, there is still the highest wage level (with a big margin) of CZK 44 237. Also the *Moravskoslezský* Region got below six percent (5.9%); it is rather below average with its wage level of CZK 32 664 Kč. The *Karlovarský* Region still remains the region having the lowest level of average wages of CZK 31 811; the average wage increased there by 6.8%, y-o-y.

In most of the regions, numbers of employees decreased, while in the Capital City of Prague the trend of a fast growing number of employees has been maintained (2.6%). Therefore, already 21% of employees from the whole country work in the Capital City. An increase in the number of employees can be found also in the *Královéhradecký* Region (1.3%) and a smaller one also in the *Jihomoravský* Region (0.1%); in the *Středočeský* Region the number of employees stagnated (0.0%).

Results for the whole year 2019 and situation on the labour market

The year 2019 was an extraordinary one as for many aspects. In its beginning, there was historically the lowest unemployment level, which the Czech economy had for the last time before it became a market economy, i.e. in the 1990's. On the other hand, also the number of employed persons increased to a record-breaking level. The number of job vacancies reached enormously high numbers (on the contrary to the historically low unemployment). Since the domestic offer was unable to satisfy the business demand for labour force, there was a significant increase in the number of foreigners working in the Czech Republic; they were from countries with higher unemployment and cheap labour force, mainly from the Ukraine, but also from the Balkans and other countries.

This difficult situation was reflected also in a strong pressure of employees to increase earnings, which was, however, decelerated on the other side by economic results of businesses. There was a big fluctuation and transfers of employees between sectors.

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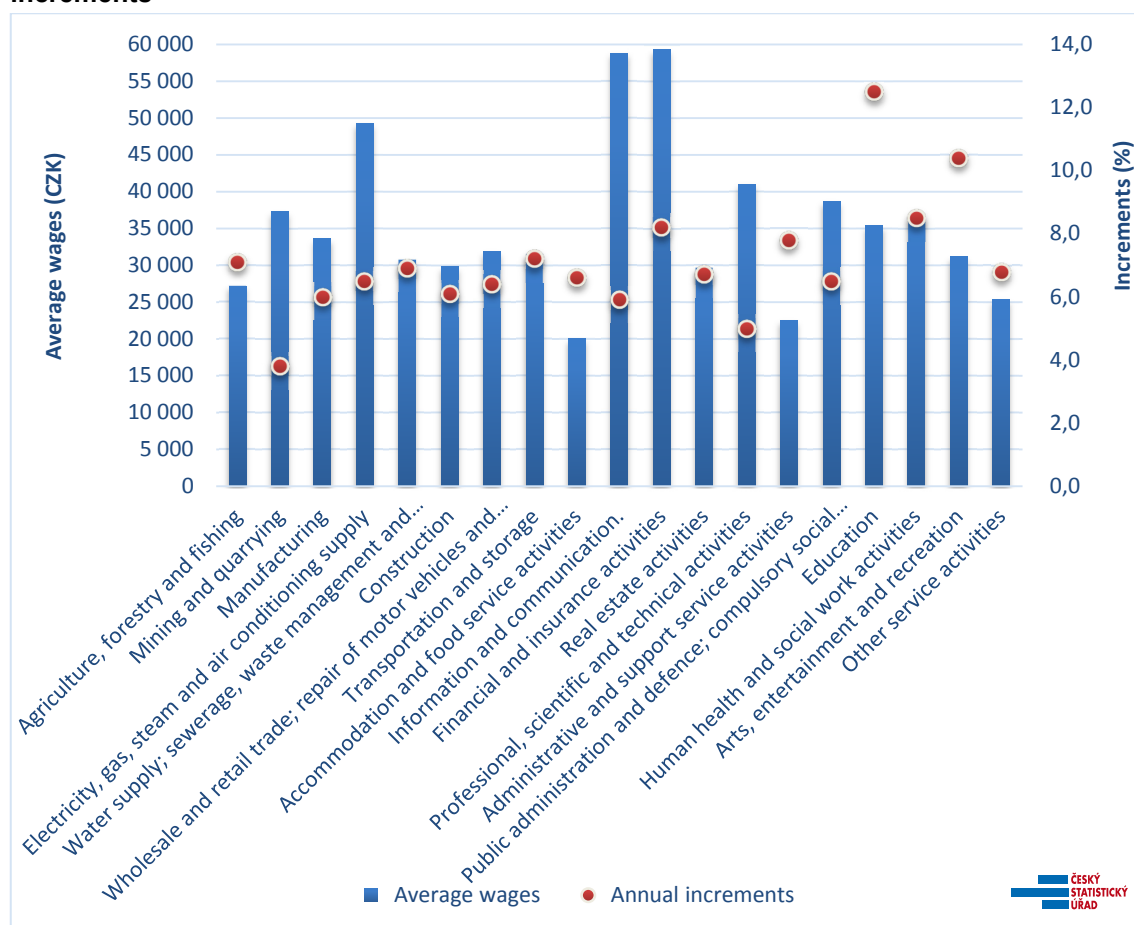
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From the point of view of cumulative data, there was an increase in the total average wage to CZK 34 125, i.e. by 7.1 %, which was 4.2%, y-o-y, in real terms with regard to the increasing inflation (2.8%). At the same time, the number of FTE employees increased only slightly by 0.4%, y-o-y, i.e. by 14.6 thousand. In 'manufacturing,' the number of employees was decreasing (and, concurrently, it weakened the growth of earnings), which is a trend that seems to be characteristic for this phase of the economic cycle. Basically in all commercial economic activities, deceleration of wage growth can be clearly observed.

Average wages by economic activity (CZ-NACE section), year 2019, and their y-o-y increments



The highest wage levels were (with a margin) in 'financial and insurance activities' (CZK 59 296) and in 'information and communication' (CZK 58 799), which were alternating in the mentioned period as for which one was ranking first depending on which components of earnings were paid right at that time.

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Also on the other side of the spectrum the situation remains unchanged. ‘Accommodation and food service activities’ remains on the lowest average level (CZK 19 990) followed by ‘administrative and support service activities’ (CZK 22 481), in which employment agencies and security agencies are prevailing.

For the labour market, decisive economic activities are ‘manufacturing’ (in which 28.0% of the total number of employees are employed) and ‘wholesale and retail trade; repair of motor vehicles and motorcycles’ (in which every eighth one is employed). In ‘wholesale and retail trade; repair of motor vehicles and motorcycles’ the average wage increased by 6.4% to CZK 31 879 in 2019. In ‘manufacturing’ it increased by 6.0% to CZK 33 561.

The only really significant change from the point of view of economic activities occurred in 2019 for ‘education.’ It is a special economic activity, in which every thirteenth employee works; women markedly prevail over men and demands for educational attainment there are highly above standard. In ‘education’, the average wage increased by 12.5%, y-o-y, to CZK 35 323 by which it got above the total average wage. Let’s remind that in 2017 earnings in ‘education’ were still by 4% below the total average.

Median wages and social distribution

The News Release of the Czech Statistical Office for the Q4 2019 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 the Q4 2019, the median wage was CZK 31 202, which is by CZK 1 919 (i.e. by 6.6%) higher compared to that in the corresponding period of the previous year. The wage interval remained still broad. Ten percent of employees earning the lowest wages got earnings below CZK 15 365 (bottom decile) and the opposite tenth having highest wages, on the contrary, earned over CZK 58 398 (top decile).

Males have much higher wage level, although wages of females increased more in the year-on-year comparison. In the Q4 2019, female median wage was CZK 28 481 and male median wage was CZK 33 814, i.e. by 19% higher. Concurrently, wages of males were distributed over a substantially wider interval than wages of females, especially the area of high earnings is considerably higher for males than for females. The top decile for females was CZK 51 761, while for males it was CZK 64 812. As for low earnings, the difference was smaller; the bottom decile for females was CZK 14 635 and for males it was CZK 16 066.

Preliminary results from the **Information System on Average Earnings (ISAE)** for the whole year 2019 bring a more detailed view of wage distribution and social breakdown. However, the ISPV uses a different methodology of calculation of personal earnings of an employee (first of all, it excludes all absences) and therefore the data are incomparable with the aforementioned values of wages nor are they comparable with figures in tables annexed to the News Release of the CZSO.

The total annual median wage was CZK 31 458 and it increased by 7.1%, y-o-y. According to the valid International Standard Classification of **Occupations (CZ-ISCO)**, managers with the

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median wage of CZK 60 649 had the highest earnings followed by professionals with CZK 43 410 and in those two categories wages increased the most (over ten percent). Technicians and associate professionals ranked third with CZK 36 232 and clerical support workers had the median wage of CZK 27 771. An above-average growth of the median wage occurred also at a group of service and sales workers; however, they often belong to low-earning employees. Their decile range was from CZK 15 443 to CZK 38 060 and the median was CZK 23 152. The median of craft and related trades workers was CZK 29 964; the median of plant and machine operators, and assemblers was CZK 28 752; their wages were growing slower (5.6%). In elementary occupations, there was the lowest wage level with the decile range from CZK 13 648 to CZK 30 628 and their median wage was CZK 19 012.

By **age category**, employees up to 20 years of age earned the lowest median wages (CZK 21 763), while in the age group of 20–29 years it was already CZK 29 330, and those aged 30–39 years had the highest median of CZK 33 052. Wages are also highly structured by the **educational attainment** of an employee; in 2019, university graduates had the highest earnings, their median wage was CZK 44 907 and they increased the most (by 9.2%). On the contrary, the lowest median wage belonged to employees with primary education or with incomplete primary education; it was CZK 23 483. Graduates of secondary schools with an A-level examination earned much more (CZK 32 271) than those without the A-level examination (CZK 26 894), but less than employees with higher professional education or graduates from bachelor study programmes (CZK 36 884).

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