

ANALYSIS

3 September 2019

Development on the Czech Labour Market in Q2 2019

Employment in the Czech Republic has remained at record high values yet did not show any increase quarter-on-quarter in Q2 2019. The demand of businesses for the labour force still keeps a high level. The growth in the average wages by 7.2% in Q2 2019 was a bit weaker than that in the previous quarter. The increase in the real wages, inflation adjusted, was 4.3%.

Employment, Unemployment, and Reported Job Vacancies

Results of the Labour Force Sample Survey (LFSS) confirmed record high total employment, which reached almost 5.3 million persons. This way Q2 2019 brought an employment rate of 75.0% in the aged 15–64 years. A significant trend is changes to the age distribution, which mean a decline in the number of young working persons and a significant increase in the number of the employed aged 45+ years, including an increment to the eldest age group 65+ years. The whole increment to employment happened in the group of employees, while the number of the self-employed saw a slight decline year-on-year.

Business demand for the labour force has been still very strong as shown by registers of the labour offices – the number of job vacancies reported by the end of 2019 surpassed 346 thousand jobs, which is a new maximum for the time of the register existence. However, a vast majority of these jobs is flagged with an attribute ‘for foreign workers’, according to the Ministry of Labour and Social Affairs, and simultaneously these are jobs for non-qualified or low qualified workers. The number of available registered job applicants aged 15–64 years was 205 thousand persons. The share of the unemployed, ratio of the number of the unemployed kept in the register of labour offices to the total population, was 2.7%.

In Q2 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, fell by 15.8 thousand persons to reach 102.4 thousand persons. This way, the general unemployment rate reached a record low value of 1.9% yet the descending trend is exhausted and the indicator got stabilised. The number of the long-term unemployed was also declining to fell to 33.0 thousand persons and therefore there were 32.2% unemployed persons without having a job for over one year.

In the Czech Republic there is also, 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 reached 104.6 thousand persons and therefore it is 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 growing trend in the number of registered employees. In Q2 2019 there were by 20.7 thousand

ANALYSIS

employees, converted to full-time employees (FTE), more than in the corresponding period of the previous year, which is a relative growth by 0.5%, year-on-year. Their number reached the value of 4 095.2 thousand persons. This indicator has been growing since 2014, nevertheless, values of its year-on-year increase have been slowly declining and the growth trend weakens, and what is more important is the growth is not extensive in all economic activities anymore as it used to be last year. There are more and more emerging economic activities, which saw a drop in the number of employees, year-on-year. Nowadays, we can find seven sections of economic activities of the NACE showing a decline and twelve of them indicating a growth.

The most marked decline was in 'mining and quarrying', which experienced a drop in the number of employees by 4.0%, i.e. by 1.0 thousand FTE employees in Q2 2019. 'Agriculture, forestry and fishing' experienced the same decrease in the number of employees, which however, because of the larger economic activities section size means a decline by mere 1.1%. Next decline was recorded in 'financial and insurance activities' by 2.5%, which is by 1.9 thousand persons. A great decline there was also in 'administrative and support service activities', by 4.9 thousand persons, which means by 2.4% relatively. What is significant is a drop in the number of employees in 'manufacturing', which has been experiencing an increase in the number of employees so far, yet recently there was a decrease by 7.3 thousand persons, which is by 0.6%.

The highest relative increase in the number of FTE employees by 6.7%, which is by 2.9 thousand persons, was recorded in a small economic activities section of 'real estate activities'. The 'wholesale and retail trade; repair of motor vehicles and motorcycles' saw an increase by 10.4 thousand FTE employees, i.e. by 4.9% and thus showed the absolutely highest increase in the number of FE employees. A remarkable trend is also in 'professional, scientific and technical activities' in which there were by 4.9 thousand FTE employees more, which is a growth by 2.8%. 'Electricity, gas, steam and air conditioning supply' gave employment by 1.0 thousand persons more, i.e. by 2.8% relatively. 'Information and communication' have been showing a steady growth in the number of employees, this time by 2.9 thousand FTE employees, i.e. by 2.5% relatively. Even higher there was a growth in 'education', in which there was by 6.5 thousand FTE employees more, i.e. by 2.5%, and in 'human health and social work activities' in which there were by 5.8 thousand FTE employees more, i.e. by 1.9% relatively.

Average Gross Monthly Wages

Concerning wages the recent years featured a strong growth, the current annual increase was 7.2%, which is by three tenths of percentage point lower value than that for Q1 2019 and also lower than that for the last year. The average wage reached CZK 34 105 in Q2 2019 yet this average wage is not the wage earned by almost two thirds of employees.

Expressed in real terms the wage increase was significantly weaker. In Q2 2019 wages grew by 4.3%, while in 2018 they increased by 5.3%. The reason is the inflation rate, which reached a value of 2.8%.

ANALYSIS

Similarly to the trend in the number of employees the wage growth was differentiated in respective economic activities in Q2 2019. Except for one, all economic activities experienced a year-on-year nominal increase in wages of at least 5.5%. The aforementioned exemption was 'mining and quarrying', in which the average wage reached CZK 38 149, which represented a year-on-year increase by mere 4.2%.

Similarly as in certain previous periods, trends were disturbed by a government resolution on a differentiated increase in wage tariffs since 1 January 2019. First of all, there was an abrupt increase of tariff wages in 'education' and the average wage in this economic activities section reached CZK 33 639, which was an annual increase by 11.4% although the average wage in the section still remains below the nation average wage. In 'public administration and defence; compulsory social security' the change was substantially less marked and the wage increase was by under average 6.7%. Employees in 'human health and social work activities' were doing somewhat better with a wage increase of 8.7%.

In the commercial sphere we can find a the fastest growth pace in 'administrative and support service activities', in which the average wage increased by 8.8% yet still remains at the last but one lowest absolute level of CZK 22 654. The section is dominated by labour agencies and security agencies.

In 'financial and insurance activities' the series of under average increases was terminated with a growth of 8.5% and thus the average wage reached CZK 63 852, which means by a vast margin the maximum wage level of all economic activities sections. The second rank was occupied by 'information and communication', in which the average wage grew by 6.1% to reach CZK 57 795.

The section 'accommodation and food service activities' still sits at the lowest level of the average wage with CZK 19 947 and wages in the section increased by 7.1% year-on-year.

In 'wholesale and retail trade; repair of motor vehicles and motorcycles' the average wage increased by a weak 5.8% to yield CZK 31 341. Industrial-type activities recorded a wage growth of 6.4%, while it was the 'water supply, sewerage, waste management and remediation activities', which were doing the best with the average wage increased by 7.4% to reach CZK 30 664. The dominating 'manufacturing' showed a weaker increase of 6.5% and the average wage in these economic activities reached CZK 34 364. In 'agriculture, forestry and fishing' the wages increased by 6.1% to reach the average wage of CZK 26 285.

In Q2 2019 there was a lower number of hours worked registered than in the corresponding period of 2018. The number of overtime work hours was significantly reduced and the number of reimbursed hours out of work substantially declined, which all affects the wage indicators comparison. In both Q2 2018 and Q2 2019 extraordinary bonuses to employees formed a certain portion of the earnings, their importance remained almost unchanged year-on-year.

Regional Development

ANALYSIS

Results broken down by region have not brought any surprise. The highest growth in average wages by 7.8% was recorded in the Moravskoslezský Region, which however has a rather under average level of the average wage of CZK 30 818. There was a significant growth in the average wage by 7.6% also in the Královéhradecký Region having a higher average wage level of CZK 32 587. Conversely, the lowest increase in the average wage by 6.3% was in the Capital City of Prague, where it has been already traditional, yet the Capital City still boasts by a large margin the highest wage level of CZK 42 297. The Karlovarský Region still remains the region having the lowest level of average wages of CZK 29 691, although it recorded an increase in the average wage by 7.1%.

There was a decline in the number of employees in eight regions yet, on the contrary, in the Capital City of Prague the trend of a fast growing number of employees has been still maintained. Therefore every fifth employee in the country works in the Capital City of Prague.

Results for the First Half of 2019

The first half of 2019 brought turning points in many areas. In the course of winter there was an unprecedented drop in unemployment to a minimum level. On the other hand, the number of employed persons rose to reach its historical summit. The record-breaking low unemployment mirrored in an increase in the number of vacant jobs. Because domestic supply was not able to saturate the business demand for the labour force, the number of working foreigners in the Czech Republic abruptly increased and they originated mostly from countries with higher unemployment and the cheap labour force, especially from the Ukraine.

These unbalanced conditions were reflected also in employees' pressure to get increased earnings, which was, however, from the other side damped by economic performance of businesses. From the standpoint of cumulated data from businesses, there was a growth in the overall average wage by 7.3% to reach CZK 33 297, which is by 4.4%, y-o-y in real terms because of an elevated inflation rate of 2.8%. Simultaneously, the number of employees, converted to full-time equivalent employees, increased just moderately by 0.6%, i.e. by 26.0 thousand persons. The turning point in the trend of the number of employees in 'manufacturing' seems to be characteristic because the number of the employees became to descend moderately by 0.4%.

Median Wages and Social Stratification

The News Release of the Czech Statistical Office for Q2 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 Q2 2019 the median wage was CZK 29 127, which is by CZK 1 869, i.e. by 6.9% relatively, higher compared to that in the corresponding period of the previous year. Despite a substantial narrowing, the wage interval remained still broad. Ten percent of employees earning the lowest wages got earnings below CZK 14 955 (bottom decile), and the opposite tenth having highest wages, on the contrary, earned above CZK 55 259 (top decile).

ANALYSIS

The male wage level is significantly higher than the female one. In Q2 2019 the median wage in females was CZK 26 375, while in males it was CZK 31 764, which is by about twenty percent higher than the female median wage. At the same time, it holds that wages in males are distributed over a substantially wider interval than in females and especially the area of high earnings is considerably higher in males than in females. The top decile in males was CZK 62 779, in females CZK 47 161. In low pays the difference is smaller, the bottom decile in males was CZK 15 650, in females it was CZK 14 351.

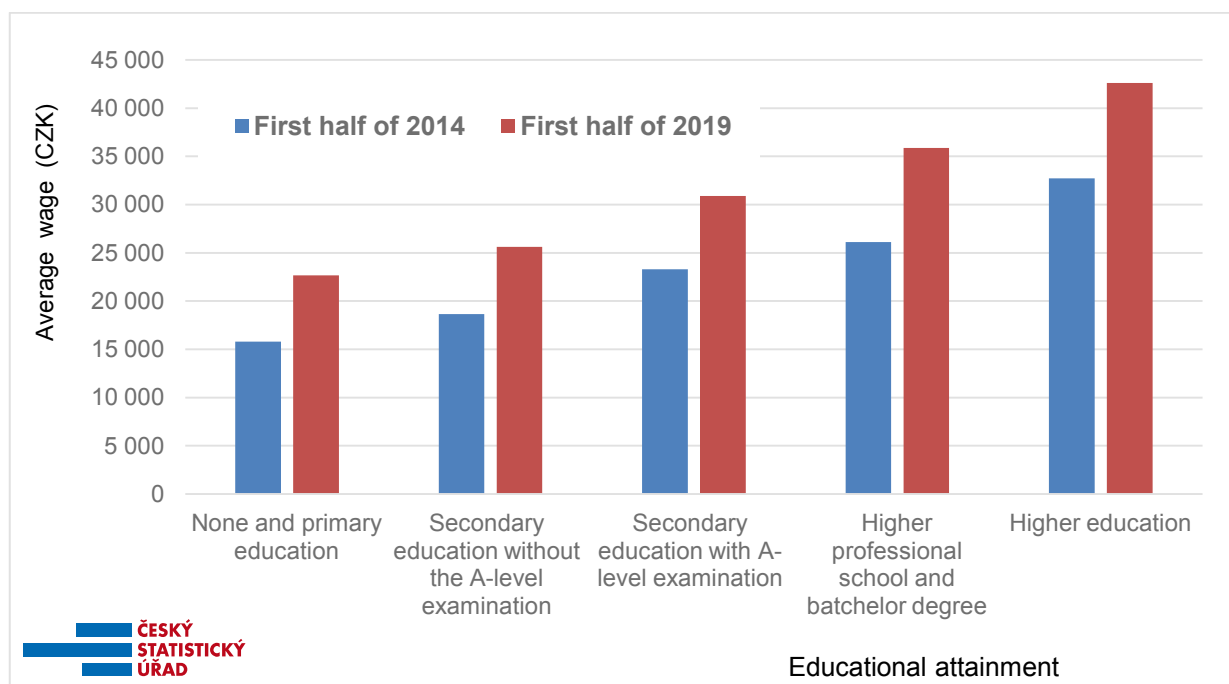
The preliminary results of the **Average Earnings Information System (ISPV)** for the first half of 2019 bring a more detailed view of wage distributions and social stratification. The ISPV, however, applies a different methodology for the calculation of personal earnings of employees. It especially 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 were the group with highest earnings having the median wage of CZK 53 891, the second highest wage level can be found in professionals with the median wage of CZK 41 012, and the third rank is occupied by technicians and associate professionals with the median wage of CZK 35 077. Clerical support workers had the median wage of CZK 26 681. A rather significant year-on-year growth of the median wage by 8.8% was found in the large group of service and sales workers, of which, however, a great number belong to low-income employees, with the decile range from CZK 14 684 to CZK 36 687 and their median wage was CZK 21 721. Craft and related trades workers and plant and machine operators and assemblers have their median wages CZK 28 592 and CZK 27 927, respectively, yet wages in plant and machine operators and assemblers were growing at a slower pace. The lowest wage level can be found, in general, at elementary occupations with the median wage of CZK 18 920 and the decile range from CZK 13 752 to CZK 30 242.

If viewed by **age group** the lowest median wage was earned by employees aged up to 20 years of CZK 21 995, while in the age group 20–29 years the median wage was already CZK 28 047, and the age group 30–39 years made the highest median wage of CZK 31 516.

ANALYSIS

Median wages by educational attainment in the first half of 2014 and the first half of 2019



Wages are also markedly structured by **educational attainment** of employees when in the first half of 2019 employees with higher education earned the highest earnings, their median wage was CZK 42 615, yet with the lowest long-term growth of 30.0% in five years. On the contrary, employees with none and/or or primary education had the lowest wages (median wage of CZK 22 663), yet their wages have been growing at the fastest pace by 44.0%. Employees having secondary education with A-level examination earned much more (CZK 30 907) than employees having secondary education without the A-level examination (CZK 25 624), yet less than employees with completed higher professional school and/or with bachelor degree (CZK 35 873).

Author: Dalibor Holý

Labour Market and Equal Opportunities Statistics Department of the CZSO

Tel.: +(420) 274 052 694

E-mail: dalibor.holy@czso.cz