

ANALYSIS

4 December 2019

Development on the Czech Labour Market in Q3 2019

Indices of the labour market in the Czech Republic have not been changing much this year. The unemployment rate remains at the lowest level in Europe of 2.2%. Q3 2019 has brought a maintained high employment rate at 75.2% as well. The growth in the nominal average wages by 6.9% in Q3 2019 was a compromise of financial strength of businesses and their still lasting high demand for labour force. Yet inflation swallowed two fifths of the increase in wages.

Employment, Unemployment, and Reported Job Vacancies

Results of the Labour Force Sample Survey (LFSS) indicate the country still remains at the peak of the economic cycle. Employment maintained above the level of 5.3 million persons, although seasonally adjusted figures show a minute decline quarter-on-quarter. This way Q3 2019 brought an employment rate of 75.2% in the aged 15–64 years. There are continuing significant changes to the age distribution, which mean a decline in the number of young working persons under 40 years of age and, on the contrary, a significant increase in the number of the employed of elder ages, namely in the age group 45–49 years, yet also in a significant manner in the age group 55–59 years, and in the eldest age group 65+ years.

An increase in business demand for the labour force has been still very strong. The Labour Office registers the number of job vacancies reported by the end of October 2019 of 337 thousand jobs, which is a minute drop compared to that in the previous month. The number of available registered job applicants aged 15–64 years was 177 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, fell to 2.6%.

In Q3 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, increased by 8.4 thousand persons, quarter-on-quarter, to reach 114.9 thousand persons, seasonally adjusted. The general unemployment rate reached a value of 2.2%. The number of the long-term unemployed declined by 5.7 thousand persons to fell to 30.7 thousand persons and therefore there were 26.7% 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 was reduced by 12.4 thousand persons, year-on-year, to reach 98.0 thousand persons, the lowest value recorded in the measurement history. An increasing economic activity is noticeable namely in females.

Registered Number of Employees Expressed as Full-Time Equivalent Employees

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Preliminary data of the CZSO business statistics have illustrated this year stagnation on the labour market in its indices, especially in the trend in the number of registered employees. In Q3 2019 there were by 5.4 thousand employees, converted to full-time employees (FTE), more than in the corresponding period of the previous year, which is a relative growth by 0.1%, year-on-year. Their number reached the value of 4 075.3 thousand persons. This indicator has been growing since 2014, values of its year-on-year increase have fluctuated, till the growth trend got almost halted currently.

Concerning respective economic sections trends are differentiated, declines are clearly concentrated in the primary sector and secondary one, that means into agriculture and industry. A decline in the number of employees in the section with dim prospects of 'mining and quarrying' is definitely not a novelty; it is, conversely, a long-term development in the section. The aforementioned section recently experienced a drop in the number of employees by 4.3%, i.e. by 1.0 thousand FTE employees. On the contrary, more significant from the point of view of the economic cycle and also the most important in terms of the number of employee of the section is the decline in the number of employees in manufacturing where the number of jobs was reduced by 16 thousand, i.e. by 1.4% relatively.

Related to the decline in manufacturing is a decrease in 'administrative and support service activities', by 6.5 thousand persons, which means by 3.3% relatively. The section is dominated by agency employees deployed mostly in jobs in manufacturing. The 'financial and insurance activities', in which the number of employees fell by 1.4 thousand persons, that is by 1.9%, relatively, markedly sticks out of the tertiary sector of services, in which the number of employees was growing in general.

'Agriculture, forestry and fishing' experienced a decrease in the number of employees by 1.9 thousand persons, that is by 2.0%, relatively. 'Construction', which, however, was otherwise in good economic shape, also recorded a minute decline by 0.5 thousand persons, that is by 0.2%, relatively. There was a smaller decline by 0.3 thousand persons, that is by 0.6%, relatively, in 'arts, entertainment and recreation'; the number of employees remained stagnant the section of 'transportation and storage'.

The highest relative increase in the number of FTE employees by 5.2% was recorded in a small economic activities section of 'real estate activities'. The number of employees in 'information and communication' has been growing permanently, currently by 2.4 thousand persons, that is by 2.0%, relatively. The 'wholesale and retail trade; repair of motor vehicles and motorcycles' saw an absolutely highest increase by 6.0 thousand FTE employees, i.e. by 1.2% relatively. 'Professional, scientific and technical activities' gave employment to by 4.2 thousand FTE employees more, which is a growth by 2.4%, relatively.

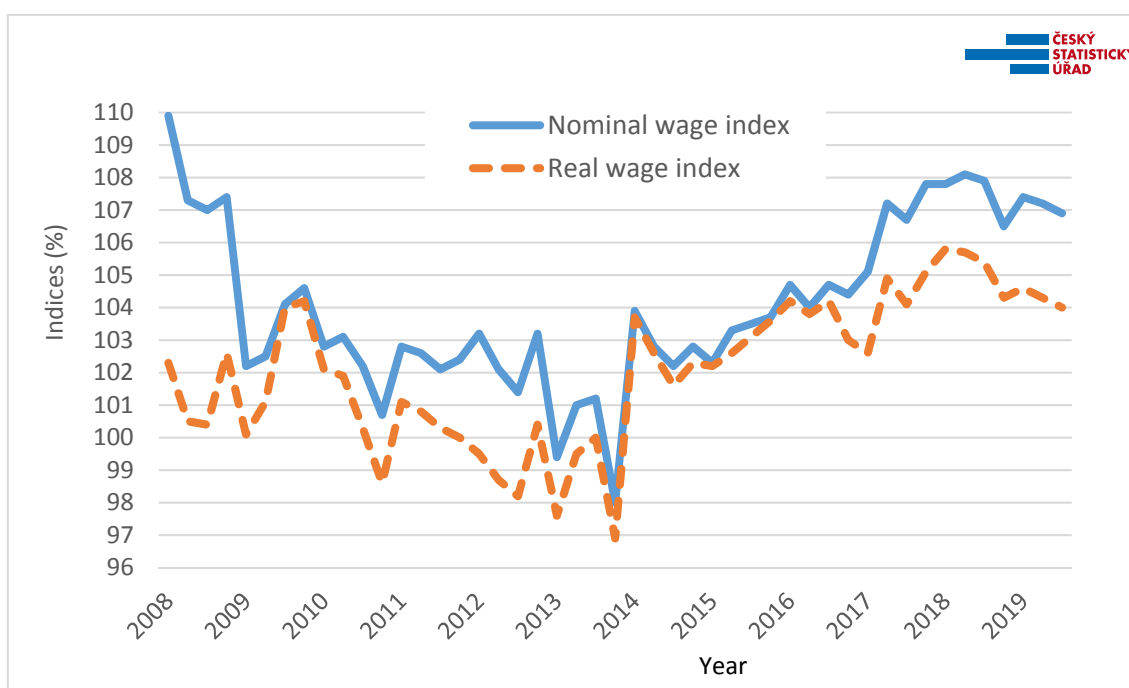
In economic activities dominated by government it was 'education', which reported the highest increase in the number of employees by 8.3 thousand FTE employees, followed by 'human health and social work activities', which grew by 5.5 thousand FTE employees. The 'public administration and defence; compulsory social security' saw an increase in the number of employees by 0.9 thousand FTE employees.

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Average Gross Monthly Wages

Concerning wages this year features a growth getting sluggish, which is also below the level of the last year growth. Data for Q3 2019 follow to the economic development, the average wage reached CZK 33 697, which means it increased nominally by 6.9% compared to the same period of 2018.

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



Expressed in real terms the wage increase was significantly weaker. In Q3 2019 wages grew by 4.0%, while in the whole 2018 they increased by 5.3% and in 2017 they grew by 4.2%. The reason is a higher inflation rate, i.e. the consumer price index, which is depicted as the space in between the two curves in the graph and which reached a value of 2.8%, that is by 0.7 percentage point more than the value for the last year.

The wage growth was much less differentiated in respective economic activities than the trend in the number of employees in Q3 2019. Except for one, all economic activities experienced a year-on-year nominal increase in wages by more than 5.0%. The aforementioned exemption was 'public administration and defence; compulsory social security' with the wage increase by 4.9%. Conversely, 'education' recorded the highest growth of all economic sections with the wage increase by 11.1%.

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The highest average wage of CZK 57 785 can be found in 'information and communication', it grew by 5.5%. The second rank was occupied by 'financial and insurance activities', in which the average wage grew by 8.8% to reach CZK 56 191. The third rank was occupied by 'electricity, gas, steam and air conditioning supply' with the average wage of CZK 46 376 and the current growth by 7.1%.

In the section 'accommodation and food service activities' experiences an increase in the average wage by 6.9% yet the wage still sits at the lowest level of CZK 20 214 of all economic sections. The second lowest average wage was in the section of 'administrative and support service activities', in which the average wage increased by 7.9% to reach CZK 22 639.

In 'wholesale and retail trade; repair of motor vehicles and motorcycles' the average wage increased by 6.8% to yield CZK 31 702. Industrial-type activities recorded an overall weaker wage growth of 6.2%. The dominating 'manufacturing' showed an increase of 6.1% and the average wage in these economic activities reached CZK 32 917. In 'agriculture, forestry and fishing' the wages increased by 7.4% to reach the average wage of CZK 27 961.

Concerning the hours worked statistics, Q3 2019 was characterised by a higher number of hours worked registered. The average employee worked by almost four hours more per month than in the corresponding period of 2018. On the contrary, the number of reimbursed hours out of work declined.

Regional Development

Results broken down by region have not brought any surprise to those who have been monitoring development in recent years. The average wage growth span was quite narrow from 5.9% to 7.7%. The highest growth in average wages by 7.7% was recorded in the Středočeský Region, which has the highest wage level of CZK 34 058, second to the Capital City of Prague, and then in the Královéhradecký Region by 7.6% having a rather common wage level of CZK 31 310. Conversely, the lowest increase in the average wage by 5.9% was in the Capital City of Prague, where it has been a long-term development moving conditions in the Capital City close to those in other regions. Nevertheless, there is still a marked margin here because the Capital City still boasts the wage level of CZK 41 720. The second lowest increase was recorded in the Jihočeský Region with 6.3%, in which the current wage level is CZK 30 704.

The Karlovarský Region still remains the region having the lowest level of average wages of CZK 29 941 which has not surpassed the level of CZK 30 000, although it recorded a year-on-year increase in the average wage by 7.0%.

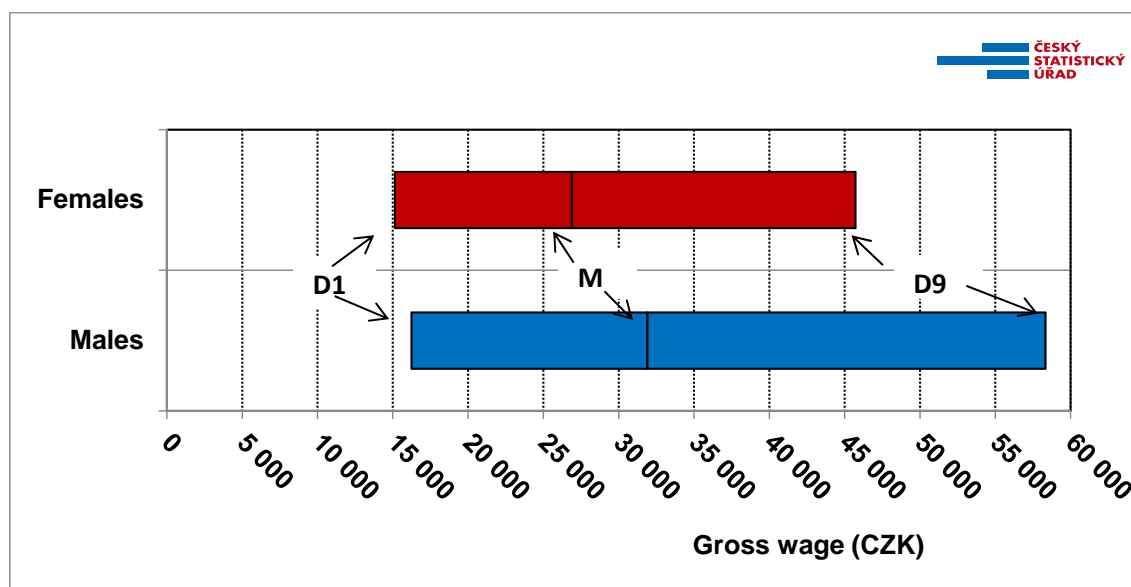
In the Capital City of Prague the trend of a fast growing number of employees has been still maintained; in Q3 2019 there were by 2.3% year-on-year more employees there. A rather significant growth in the number of employees was recorded also in the Královéhradecký Region by 1.1%. There was a smaller decline in the number of employees in majority of regions, the deepest decline by 2.0% was recorded in the Karlovarský Region.

Median Wages and Decile Distribution of Wages

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The News Release of the Czech Statistical Office for Q3 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 Q3 2019 the median wage was CZK 29 549, which is by CZK 1 863, i.e. by 6.7% relatively, 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 15 680 (bottom decile D1), and the opposite tenth having highest wages, on the contrary, earned above CZK 52 531 (top decile, D9). Low wages were growing a bit faster than the higher ones. The bottom decile increased by 8.5%, year-on-year, the top decile grew by 7.0% year-on-year. Wages in the area of the first quartile showed the slowest growth of 6.3%

Decile Wage Distribution by Sex



Although wages in females grew more significantly year-on-year over the whole wage distribution, the male wage level is still significantly higher than the female one. In Q3 2019 the median wage in females was CZK 26 887, while in males it was CZK 31 909, which is by about CZK 5 000 more, or 19%, relatively. At the same time, it holds that wages in males were 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 females was CZK 45 728 while in males it was CZK 58 338, that is by 28% higher. In low pays the difference is smaller, the bottom decile in females was CZK 15 139, in males it was CZK 16 234, that means higher by 7%.

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