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4 June 2019

Development on the Czech Labour Market in Q1 2019

Indices of the Czech labour market have not been much changing recently. 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, have brought another summit in the employment rate at 75.0%. A high demand of businesses for the labour force still lasts. The growth in the average wages by 7.4% in Q1 2019 was comparable to that in the previous year. The increase in the real wages was subdued by inflation to reach 4.6%.

Employment, Unemployment, and Reported Job Vacancies

Results of the LFSS confirmed culminating total employment, which, on the contrary to the adverse season, surpassed 5.3 million persons. This way Q1 2019 brought a next record-breaking employment rate of 75.0% in the aged 15–64 years. Changes to the age distribution are significant and mean a decline in the number of young working persons up to 40 years of age, on one hand, and, on the other hand, an increase in the number of the employed of elder age, especially in the age group 45–49 years, yet also in the aged 55–59 years, and those aged 65+ years. Employment has been growing mostly in the group of employees, while numbers of own-account workers have been rather stagnating.

An increase in 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 at the end of April 2019 was close to the level of 340 thousand, 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 210 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 Q1 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 to 109.7 thousand persons. This way, the general unemployment rate reached 2.1% in the aged 15–64 years, the same value as in the previous quarter. The number of the long-term unemployed was also declined by 6.3 thousand persons to reach 34.9 thousand persons and therefore there were mere 31.8% 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 has been reduced year-on-year to reach 104.6 thousand persons and therefore it is almost comparable in size to the group of the unemployed.

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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 Q1 2019 there were by 32.9 thousand employees, converted to full-time employees (FTE), more than in the same period of the previous year, which is a relative growth by 0.8%. This way, their number reached the value of 4 075.1 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 slowly.

There are also emerging economic activities, which saw a drop in the number of employees, year-on-year. The one, in which this trend is no novelty, is 'mining and quarrying', which experienced a drop in the number of employees by 3.9%, i.e. by 0.9 thousand FTE employees in Q1 2019. A decline more important in terms of the number was in 'administrative and support service activities', which is dominated by labour agencies and saw a decline in the number of FTE employees by 5.5 thousand persons, which means by 2.7% because of the activities size. As the third in a row, it is necessary to mention 'financial and insurance activities', in which the number of employees fell by 1.2 thousand persons, that is by 1.6%, relatively. A minute decline by 0.4 thousand persons, i.e. by 0.2%, was detected in 'construction' which was otherwise doing well in terms of economy. A decline less than one percent, 0.6% i.e. by 1.5 thousand persons, was also found in the economic activities section of 'transportation and storage'.

The highest relative increase in the number of FTE employees by 6.4% was recorded in a smaller economic activities section of 'real estate activities'. 'Information and communication' have been showing a steady growth in the number of employees, this time by 4.6 thousand FTE employees, i.e. by 3.9% relatively. The 'wholesale and retail trade; repair of motor vehicles and motorcycles', which saw an increase by 9.9 thousand FTE employees, i.e. by 2.0%, thus showed the absolutely highest increase in number of FE employees for the second time in a row. 'Manufacturing', which is otherwise by far the largest employer in terms of the number of FTE employees, grew by 2.0 thousand persons, i.e. by 0.2%, relatively. Yet certain activities under 'manufacturing' experienced falling numbers of employees as textile industry, for instance. 'Professional, scientific and technical activities' gave employment by 5.9 thousand FTE employees more, which is a growth by 3.4%, relatively.

In economic activities dominated by government it was 'education', which reported the highest increase in the number of employees by 5.9 thousand FTE employees, followed by 'human health and social work activities' by 5.1 thousand FTE employees. The 'public administration and defence; compulsory social security' saw an increase in the number of employees by 1.3 thousand FTE employees.

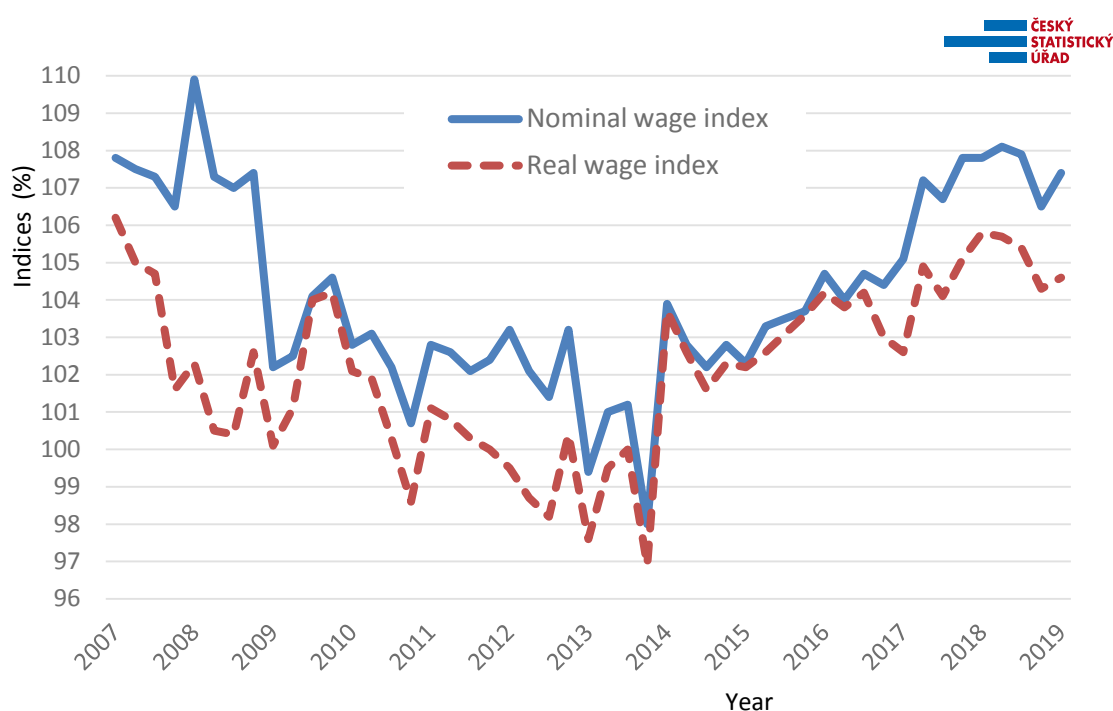
Average Gross Monthly Wages

Concerning wages the last year featured a strong growth, which slightly weakened in the last quarter so the annual increase was 7.5%. Data for Q1 2019 continuously followed the trend, the average wage (CZK 32 466) increased nominally by 7.4% in Q1 2019, compared to same period of 2018.

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Expressed in real terms the wage increase was, however, somewhat weaker. In Q1 2019 wages grew by 4.6%, while in 2018 they increased by 5.3%. The reason for is the inflation rate, expressed as the consumer price index, which reached a value of 2.7%, i.e. by 0.6 percentage point higher than the last year value, 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 Q1 2019. Except for one, all economic activities experienced a year-on-year nominal increase in wages of at least 5.0%. The aforementioned exemption was 'information and communication', in which the average wage reached CZK 59 364, which represented a year-on-year increase by CZK 2 471, that is by 4.3%.

The increase in pays in economic activities dominated by government, in which there was a differentiated increase in salary tariffs starting from 1 January 2019, was expected. A wage increase in 'public administration and defence; compulsory social security' was a rather under-average 7.2%, 'human health and social work activities' were doing better with a wage increase of 8.5%, and 'education' attained a better growth by 9.9%, which was the second highest wage growth among all economic activities sections. Nevertheless, 'education' with the average wage level at CZK 31 249 remains below the overall average wage in the Czech Republic.

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The increase in the average wage by 16.8% in 'arts, entertainment and recreation' is undoubtedly a specific figure. In this case it is just an effect of extreme bonuses in one of commercial entities, which affects this small economic activities section in the calculation by means of the arithmetic mean method. The increase in wages of other employees in this economic section was around the average.

The payment of extraordinary bonuses from economic results also substantially affected 'financial and insurance activities', in which the average wage rose by 8.3% to reach CZK 59 869, which means the maximum wage level of all economic activities sections.

In 'accommodation and food service activities' the average wage increased by 7.0% and still sits at the lowest level of CZK 19 121.

In 'wholesale and retail trade; repair of motor vehicles and motorcycles' the average wage increased by 8.0% to yield CZK 30 973. Industrial-type activities recorded a weaker wage growth of 6.5%, while the dominating 'manufacturing' showed an increase of 6.4% and the average wage in these economic activities reached CZK 31 798. The economic activities section of 'electricity, gas, steam and air conditioning supply' has the third highest wage level of CZK 51 338 and experienced a wage growth by 7.2%.

In 'agriculture, forestry and fishing' the wages increased somewhat less by 6.1% to reach the average wage of CZK 23 986.

If viewed from the number of hours worked Q1 2019 was roughly comparable to the previous year. The number of overtime work hours was slightly reduced and the number of reimbursed hours out of work slightly declined as well. In certain economic activities extraordinary bonuses to employees formed a substantial portion of the earnings, their importance almost remained unchanged year-on-year.

Regional Development

Results broken down by region have not brought any marked surprise. The span of the average wage growth was quite narrow from 6.5% to 7.9%. The highest growth in average wages by 7.9% was recorded in the Středočeský Region, which boasts the second highest wage level of CZK 32 464 to that of the Capital City of Prague. The Olomoucký Region showed the same increase in the average wage yet its wage level of CZK 28 989 is rather among the lower ones. On the contrary, the lowest wage growth of 6.5% was noticed in the Vysočina Region, which is about in the middle of the wage distribution with the average wage of CZK 29 570. The Karlovarský Region still remains the region having the lowest level of average wages of CZK 28 385 although it recorded an increase in wages by the average 7.4%. In the Capital City of Prague the growth in average wages was under average at 7.0%, as usual, nevertheless, the average wage of CZK 41 450 in the Capital City remained by far the highest.

Prague still boasts a fast growth in the number of employees. In Q1 2019 the increment in the number of employees was 2.8%, y-o-y, in Prague. There was a decline in the number of employees in the Karlovarský Region by 1.4%. The Plzeňský Region and Ústecký Region

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recorded identically a decline by 0.4%, the Vysočina Region also experienced a drop by 0.2%, and the Moravskoslezský Region showed a fall by 0.1%. Conversely, the highest growth in the number of employees, but that in Prague, was recorded in the Královéhradecký Region and Jihomoravský Region, identically by 1.1%.

Median Wages and Decile Intervals of Wages

The News Release of the CZSO for Q1 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 Q1 2019 the median wage was CZK 27 582, which is by CZK 1 892, i.e. by 7.4% relatively, higher compared to the same period of the previous year. The wage interval remained still very broad. Ten percent of employees earning the lowest wages got earnings below CZK 14 566 (bottom decile), and the opposite tenth having highest wages, on the contrary, earned above CZK 51 420 (top decile). Low wages, however, were growing substantially faster than the high ones; the bottom decile wages increased by 20%, year-on-year, the top decile wages grew by mere 6.6%, year-on-year.

The male wage level is significantly higher although wages in females grew in a more significant manner. In Q1 2019 the median wage in females was CZK 24 982, while in males it was CZK 29 936, which is by almost CZK 5 000, i.e. 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 57 576, in females CZK 44 343, which means the male one was by roughly thirty percent higher. In low earnings the difference is smaller, the bottom decile in males was CZK 15 190, in females it was CZK 14 024, which means the males' one was by about eight percent higher.

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