

ANALYSIS

5 June 2023

Development of the Czech labour market in the Q1 2023

In the first quarter of 2023, the labour market had to cope with increased price levels. The average wage nominally increased by 8.6%, year-on-year (y-o-y); due to inflation, it decreased by 6.7% in real terms. The economic activity was not affected; mainly the female one was increasing. The male employment rate decreased by 0.3 percentage point (p. p.), the female employment rate increased by 1.6 p. p. The general unemployment rate increased by 0.4 p. p., while the development was regionally unbalanced.

Employment, unemployment, and economic inactivity

Results of the Labour Force Sample Survey (LFSS) brought for the Q1 2023 a year-on-year increase in the employment rate (in the age group of 15–64 years) by 0.6 p. p. to 75.6%. What is striking this time is the different development as for males and females. Females were catching up a high difference; male employment rate slightly decreased by 0.3 p. p. to 81.6% whereas female employment rate increased by 1.6 p. p. to 69.4%, which may be related to newly introduced tax advantage for part-time jobs.

An absolute number of the employed increased by 55.3 thousand, y-o-y, i.e. by 1.1%, to 5 198.0 thousand. It is a long-term trend that the number of employers diminishes (the current year-on-year decrease is by 4.4 thousand), which is in contradiction with an increase both in the number of the self-employed without employees (own-account workers) by 50.4 thousand and of employees (by 21.1 thousand).

In the breakdown by economic activity (sections of the CZ-NACE classification), we can rather speak about stagnation of employment in the secondary sector, whereas in the tertiary sector the employment increased, y-o-y, by 40.5 thousand (except for the section of 'wholesale and retail trade; repair of motor vehicles and motorcycles', in which the number decreased by 13.0 thousand).

The total number of the unemployed according to the LFSS (persons who seek a job in an active manner as defined by the International Labour Organisation (ILO)) reached 140.9 thousand persons; after seasonal adjustment, the figures show a considerable q-o-q increase by 30.1 thousand persons, in the y-o-y comparison, the unemployment increased by 21.8 thousand. The unemployment rate in the age group of 15–64 years thus increased to 2.7% (by 0.4 p. p. more, y-o-y).

A regional profile is still noticeable; however, it changed. The highest unemployment rates were currently in the *Moravskoslezský* Region and in the *Karlovarský* Region (both 4.5%), with a margin then in the *Liberecký* Region (3.9%). The unemployment rate decreased the most, year-on-year, in the *Olomoucký* Region (by 1 p. p. to 2.5%). The lowest unemployment rate within Czechia was in the *Pardubický* Region (1.4%).

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37.5 thousand (i.e. 26.6%) of all the unemployed were jobless for over a year; the number of the long-term unemployed thus increased by 0.8 thousand, year-on-year. While the number of long-term unemployed males increased, y-o-y, the number of long-term unemployed females decreased compared to the corresponding period of 2022.

The number of persons who cannot be classified as the unemployed and who are considered to be inactive, however, who are declaring that they are willing to work, increased by 7.0 thousand, y-o-y, to 74.0 thousand. This labour reserve indicator has increased for the first time after a longer period of time.

It has to be reminded that the LFSS only covers persons living in dwellings (flats), not those living in hostels and similar collective households, which has a negative influence on the capture of foreigners who often use such ways of housing. The LFSS methodology is also not much adjusted to external shocks such as arrivals of Ukrainian refugees to the Czech Republic and their following entry on the Czech labour market, which may affect numerical trends. Some methodological changes will be made soon that will ensure improvement; a weight scheme will be modified and new demographic data will be used, too.

Registered number of employees expressed as full-time equivalent employees

Preliminary data of the Czech Statistical Office's (CZSO's) business statistics confirmed a positive trend in the year-on-year increase in the number of employees. The registered number of employees expressed as full-time equivalent (FTE) employees increased, year-on-year, in the Q1 2023 by 42.8 thousand, which was a relative increase by 1.1%.

However, as for individual industries (economic activities), the trend was ambiguous. In six economic activities (sections of the CZ-NACE classification) the number of employees dropped, they decreased in number by 12.4 thousand. In the remaining thirteen sections, the number of employees increased by 55.1 thousand. Relative increments or decrements in individual sections of the CZ-NACE ranged from -1.4% to 9.4%.

Relatively the most important increase (by 9.4%) can be found in 'real estate activities', in which there was an increase by 4.1 thousand jobs to the total number of 47.4 thousand. Despite that, this section still remains to be the fourth smallest as for the number of employees. The second biggest relative – and the biggest absolute – increase was in 'administrative and support service activities,' in which the number of employees increased by 6.4%, i.e. by 10.8 thousand to 179.7 thousand. Agency workers belong there, too – this group responds the most markedly to economic fluctuations and therefore it is a good barometer of changes on the labour market. The number of employees was decreasing there in the Q1–Q3 2022.

The second biggest increase in absolute numbers was in 'education', in which there was an increase by 10.6 thousand, which is in relative terms 3.2%. In 'other service activities', there was a high relative increase by 5.6%; however, since the industry is relatively small, it was only an increase by 1.9 thousand in absolute terms.

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'Wholesale and retail trade; repair of motor vehicles and motorcycles' reported a small increase by 0.3% (i.e. by 1.7 thousand); this economic activity is the second most important as for the number of employees with over half a million employees (504.7 thousand). In 'information and communication,' we can find an increase by 2.4%; to put it in absolute numbers it was by 3.2 thousand to 135.9 thousand. What was also worth recording was an increase by 5.3 thousand to 174.0 thousand in 'professional, scientific and technical activities', in relative terms it was by 3.2%. Higher increases also persisted in 'human health and social work activities' by 8.4 thousand (2.5%), in 'accommodation and food service activities' by 2.3 thousand (2.2%), and in 'arts, entertainment and recreation' by 1.1 thousand (2.2%).

All in all, decreases are rather in the primary and in the secondary sector, whereas in services numbers were increasing. Exceptions are as follows: 'financial and insurance activities', in which there were laying offs (a decrease by 0.6% or 0.4 thousand), 'transportation and storage,' in which figures decreased by 0.3% or 0.9 thousand, and, finally, 'public administration and defence; compulsory social security,' in which there were by 0.8 thousand employees less, year-on-year, which is a relative decrease by 0.3%.

On the other side, the number of employees increased as an exception in 'water supply; sewerage, waste management and remediation activities' by 1.9% and in 'electricity, gas, steam and air conditioning supply' by 0.3%. However, those are very small economic activities (CZ-NACE sections). A more considerable increase was in 'construction' by 2.2% because in absolute numbers it was by 4.6 thousand.

The biggest decrease by 1.4% or by 1.3 thousand to 89.0 thousand can be found in 'agriculture, forestry and fishing'. After a surprising increase of the number of employees in 'mining and quarrying' in the third and the fourth quarter of 2022, the economic activity returned to its usual descending trajectory; the number currently decreased there by 1.1%, which was by 0.2 thousand in absolute terms. This economic activity has been continually decreasing for a long-term since the beginning of the century; currently, it only employs 18.1 thousand employees, which represents the smallest CZ-NACE section as for the number of employees.

'Manufacturing' still was the biggest section while employing 1 083.9 thousand employees; however, their number decreased, year-on-year, by 8.8 thousand (by 0.8% in relative terms). Table 1 from the News Release on average wages also includes CZ-NACE divisions of this section, which are the biggest as for the number of employees. In those divisions, we can find a decrease in the number of employees mainly in 'manufacture of rubber and plastic products' (2.2 thousand; 2.7%) and in 'manufacture of other non-metallic mineral products' (1.2 thousand; 2.5%). On the other hand, 'manufacture of electrical equipment' strengthened (0.6 thousand; 0.7%).

Average gross monthly wages

The average wage (CZK 41 265) increased nominally by CZK 3 265 in the Q1 2023, compared to the corresponding period of 2022, i.e. by 8.6%. It is an average of a very diverse development on the level of individual economic activities, enterprises, or organisations.

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Expressed in real terms, it was a wage decrease by 6.7%; employees thus could buy for the average wage less goods or services than a year before. Real wage growth is related to the inflation, i.e. the growth of consumer prices. The growth reached 16.4% in the Q1 2023, which was the second highest value in this century (the record-high one was 17.6% in the Q3 2022). For the sake of completeness let us summarise that in the preceding year 2022, the real wage decreased by 8.5%; in 2021, the average wage increased in real terms by 1.9% and in 2020 by 1.4%.

The wage development was highly differentiated by economic activity. Only in one CZ-NACE section the wage growth exceeded the value of the consumer price increase (16.4%). In other sections, average wages considerably decreased in real terms.

The exceptional economic activity was the energy sector (the section of 'electricity, gas, steam and air conditioning supply'), in which the average wage nominally increased by 23.1%, in real terms it therefore increased by 5.8% to the level of CZK 79 221, by which it overcame all the remaining economic activities. This development was related to a disbursement of extraordinarily high extraordinary bonuses.

On the other hand, the biggest year-on-year real decrease can be found in 'education,' in which purchase power decreased by more than a tenth (10.7%). Over a ten-percent real decrease (10.6%) was also in 'other service activities'; precisely by 10% the average wage decreased in real terms in 'financial and insurance activities'. In 'human health and social work activities,' the real average wage decreased by 9.0%, year-on-year. In other sections, the decreases were lower.

Following the 'electricity, gas, steam and air conditioning supply', the second highest average nominal wage can be found in 'information and communication' on the level of CZK 78 503; 'financial and insurance activities' ranked third with the average wage of CZK 75 539.

On the other hand, the lowest wage level persisted in 'accommodation and food service activities' (CZK 24 446); it is hardly a third of the wage level in the energy sector. The second lowest average wage was – also as usually – in 'administrative and support service activities' with the value of CZK 29 648.

In trade ('wholesale and retail trade; repair of motor vehicles and motorcycles'), the average wage reached CZK 39 863, which is somewhat lower than in industrial economic activities (CZK 40 768). In the dominant 'manufacturing,' the average wage reached CZK 39 739, in 'mining and quarrying' the wage was CZK 43 836. In 'construction,' we can find a piece of data of CZK 34 363 and in 'transportation and storage' CZK 36 703. Considerably below the level of the total average wage (CZK 41 265) are wages in 'agriculture, forestry and fishing' (CZK 30 541) and in 'other service activities' (CZK 30 725).

As for the working hours statistics, the Q1 2023 was characteristic for its considerably lower number of hours not worked in comparison with the corresponding period of the previous year due to a lower sickness rate.

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Development in Regions

Regional results also show an ambiguous development. As for the number of employees, there was a year-on-year decrease in several Regions in the Q1 2023: by 0.7% in the *Zlínský* Region, by 0.4% in the *Pardubický* Region and in the *Ústecký* Region, by 0.2% in the *Vysočina* Region, and by 0.1% in the *Jihočeský* Region. On the other hand, the number of employees very significantly increased in Prague again (by 4.6%), high increases were also in the *Plzeňský* Region (1.5%) and further in the *Středočeský* Region and in the *Královéhradecký* Region (both by 0.5%). In the *Jihomoravský* Region, the registered number of employees increased by 0.4%, the same as in the *Karlovarský* Region; in the *Liberecký* Region it was by 0.1%; in the *Moravskoslezský* Region and in the *Olomoucký* Region the numbers were stagnating.

Concerning the development of average wages, the span is substantially smaller compared to the breakdown by economic activity. It holds true that the real purchase power was falling, year-on-year, in all Regions, namely in the range from 5.6% to 7.9%. The most successful as for the regional comparison was the *Jihočeský* Region, in which the real wage decreased right by 5.6% thanks to a higher nominal increase in the average wage, which reached there almost ten percent (9.9%). The Capital City of Prague, on the other hand, recorded the highest slump of the real wage by 7.9% followed by the *Královéhradecký* Region and the *Karlovarský* Region (both by 7.2%) and further by the *Středočeský* Region (7.1%).

However, according to the absolute level of earnings, the Capital City of Prague still remained to be the richest among the Regions of the Czech Republic. The average wage in Prague was CZK 52 814. The *Středočeský* Region maintained its second position with CZK 40 768 and the *Jihomoravský* Region, which just overcame the forty-thousand level (CZK 40 146) ranked third. On the other hand, the *Karlovarský* Region remained to be the Region with the lowest wage level (CZK 35 010). It was followed by the *Pardubický* Region with a gap (CZK 36 255), by the *Olomoucký* Region (CZK 36 506), and the *Zlínský* Region, in which the average wage reached CZK 36 653. In the *Moravskoslezský* Region, which is (following Prague, the *Jihomoravský* Region, and the *Středočeský* Region) a region with the highest number of employees, the average wage reached CZK 37 094.

Median wages and decile intervals of wages by sex

The News Release of the CZSO for the Q1 2023 also contains a piece of data on the median wage, which is calculated from a mathematical model of the distribution. The model shows the wage of a middle employee, i.e. a common wage level. Extreme deciles were calculated concurrently, too. In the Q1 2023, the median wage increased to CZK 34 741, which is by CZK 2 837 (i.e. by 8.9%) more than in the corresponding period of the previous year.

The wage distribution did not change much in the Q1 2023 in comparison with the previous year. Ten percent of employees with the lowest wages were receiving a gross wage below CZK 18 601 (the bottom decile increased by 8.4%, y-o-y), whereas the opposite tenth having highest wages earned over CZK 65 512 (the top decile increased by 8.9%). The decile ratio increased by 0.02 point, year-on-year.

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Male median wages were higher than female median wages; in the Q1 2023, the female median wage was CZK 31 856 (it increased by 8.6%, year-on-year), whereas the male median wage was CZK 37 696 (it increased by 9.7%). The gap between median earnings of both sexes thus increased by 0.8 p. p., y-o-y, to 15.5%.

Concurrently, wages of males were distributed over a substantially wider interval, especially the area of high earnings is considerably higher for males than for females. The top decile for females was CZK 56 696 and for males it was CZK 73 625, by which the gap for high earnings was 23.0%. Contrarily, as for low earnings, the difference was smaller: the bottom decile for females was CZK 17 955 and for males it was CZK 19 375, which is a gap of 7.3%.

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