

ANALYSIS

5 September 2022

Development of the Czech labour market in the Q2 2022

The main topic of this year is all the time increasing inflation, which is reflected in remuneration. The average wage of employees decreased in real terms by 9.8%, y-o-y. The wage development in industries (economic activities) was diverse; however, a decrease in real earnings affected all of them. Nevertheless, employment was still considerably increasing and the reservoir of available labour force was being exhausted.

Employment, unemployment, and economic inactivity

Results of the Labour Force Sample Survey (LFSS) brought for the Q2 2022 a year-on-year increase of employment by 123.2 thousand. The number of the employed thus increased by 2.4%. In the quarter-on-quarter comparison, the employment increased by 14.8 thousand, after adjustment for seasonal effects. In the year-on-year increase of the number of working persons, an increase in the number of working females by 73.7 thousand was dominating; as for working groups, an increment by 87.1 thousand of those aged 45-64 years was standing out.

In entrepreneurs without employees – own-account workers – the number of the employed increased by 26.3 thousand, year-on-year, whereas in entrepreneurs with employees (the self-employed) there was a decrease by 5.9 thousand. The number of contributing family workers increased by 4.7 thousand. However, the most considerable was an increase in the biggest group of employees, by 98.1 thousand.

The employment rate in the age group of 15–64 years increased by 1.8 percentage point (p. p.), y-o-y, to 75.2%. The male employment rate increased by 1.5 p. p. to 82.1%; it increased more as for females, by 2.0 p. p. to 68.1%. This trend is also confirmed by mirror data on the number of the economically inactive. In the age group of 15+ years, the number of economically inactive persons decreased by 82.9 thousand, year-on-year, to the number of 3 549.2 thousand; the number of economically inactive females decreased by 56.4 thousand and that of economically inactive males by 26.5 thousand. The number of the economically inactive persons who do not comply with the condition to be included in the unemployed, yet they state they would like to work decreased to almost a half, year-on-year, and only amounted to 58.7 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 Organization (ILO)) reached 125.7 thousand persons, which was a year-on-year decrease by 28.7 thousand; however, after seasonal adjustment, the figures show a quarter-on-quarter increase by 1.5 thousand persons. A year-on-year decrease of the unemployed occurred more among males (by 16.1 thousand to 54.3 thousand), whereas among unemployed females the decrease was slightly lower (by 12.6 thousand to 71.4 thousand). The number of the unemployed decreased the most in the *Středočeský* Region (by 12.6 thousand) and in Prague (by 5.5 thousand).

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The unemployment rate in the age group of 15–64 years thus decreased to 2.4%, y-o-y (a decrease by 0.6 p. p.). 39.6% of the unemployed (49.8 thousand) were without work for over a year; the number of the long-term unemployed thus increased by 5.7 thousand.

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.

Registered number of employees expressed as full-time equivalent employees

A year-on-year increase in the registered number of employees by 49.9 thousand (1.3%) can seem to be low taking into account the massive inflow of refugees from the Ukraine to the Czech Republic. A possible explanation for that could be employing on various contracts for work (another relationship than under an employment contract). It also has to be taken into account that it applies to the full-time equivalent employees (FTE), while a large number of females with children was only able to work part time.

As for individual industries (economic activities), the situation was very heterogeneous. In six economic activities (sections of the CZ-NACE classification) the number of employees decreased and in the rest of them it increased; in total, it was in the range from -5.4% to 6.5%. The relatively highest increase can be found in a tiny little section of 'real estate activities'; it is an increase by just 2.8 thousand jobs when expressed as an absolute number. A 6.4% increase in the number of employees was in 'accommodation and food service activities,' where it was in absolute numbers already an increase by 6.5 thousand to 108.2 thousand in total.

The highest absolute increase by 14.3 thousand can be found in 'wholesale and retail trade; repair of motor vehicles and motorcycles'; this section is the second largest, it employs over half a million people (513.2 thousand jobs). Two more increases that are also significant can be found in 'education' (by 10.5 thousand) and in 'human health and social work activities' (by 8.6 thousand).

In the opposite direction, a high relative decrease (by 5.4%) in 'administrative and support service activities' was concurrently the one, which was the highest when expressed as an absolute number: in the year-on-year comparison, there was a decrease by 9.6 thousand to the value of 168.9 thousand. It also includes employment agencies (agency workers); this group responds the most markedly to economic fluctuations and therefore it is a good barometer of changes, in this case probably as a consequence of uncertainty due to the war in the Ukraine.

The second highest decrease in the number of employees was in 'public administration and defence; compulsory social security,' in which the number of jobs dropped by 4.0 thousand, which is a decrease by 1.3%. Other decreases were below one thousand and they were also smaller in relative expression – except for 'mining and quarrying' (by 3.4%), which, however, was by 0.6 thousand when expressed as an absolute number. This economic activity is in doldrums for a long-term, only a fraction of employees remains there (18.3 thousand); they often move to work for entities that are classified to another economic activity. The following were in a slight decrease: 'financial and insurance activities' (0.8 thousand; 1.1%), 'electricity, gas, steam and air

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conditioning supply' (0.4 thousand; 1.2%), and, finally, 'agriculture, forestry and fishing' (0.6 thousand; 0.7%).

'Information and communication' recorded 6.8 thousand jobs in addition, which was a relative increase by 5.3%; by that, they reached the value of 134.8 thousand jobs. 'Professional, scientific and technical activities' considerably increased their number of employees by 5.7 thousand (3.4%), by which they attained 172.3 thousand. 'Construction' added 2.8 thousand, which is by 1.3% more, year-on-year, to 213.0 thousand jobs.

The biggest section is still 'manufacturing,' which currently employs 1 097.5 thousand employees; their number increased by 5.0 thousand, y-o-y (0.5% in relative terms). Table 1 in the News Release on average wages also includes the biggest CZ-NACE divisions of this section as for the number of employees. A considerable increment in the number of employees can be found in 'manufacture of electrical equipment' (1.7 thousand; 1.7%). On the other hand, a considerable decrease was in 'manufacture of motor vehicles, trailers and semi-trailers' (-4.8 thousand; -2.8%).

Average gross monthly wages

The average wage (CZK 40 086) increased nominally by CZK 1 696 in the Q2 2022, compared to the corresponding period of the previous year, i.e. by 4.4%. It is an average of a very diverse development on the level of individual branches (economic activities), enterprises, or organisations.

Expressed in real terms, it is necessary to speak about a decrease of wages in the Q2 2022, namely by almost a tenth. It is because the average wage, after adjustment for the effect of inflation, decreased by a record-breaking 9.8%. In this century, no value was even close to such a figure. The real wage growth depends on the growth of consumer prices – that considerably increased to 15.8%.

For the sake of completeness it should be mentioned that in the Q1 2022 the average wage decreased in real terms by 3.5%, a nominal increase was higher (7.3%), and inflation reached 11.2%. The real average wage also decreased in the Q4 2021 by 3.0%, when, however, wages nominally increased just by 2.9%. Those periods were still affected in various extent by the coronavirus crisis.

The wage development was highly differentiated by economic activity (branch). The same as in the previous first quarter, three big branches with a dominant influence of the state were standing out, which acted as a break for wage growth. The most significant (in terms of the number of employees) was 'education,' in which wages increased by 2.6% or by (Scheherazade number) CZK 1 001. In 'public administration and defence; compulsory social security' they increased by 3.8%. A special case is 'human health and social work activities,' in which the average wage decreased by 20.7% due to a very high comparison basis of the previous year when extra bonuses were paid (so-called covid bonuses).

On the other hand, a wage increase was rapidly pulled upwards by the following two absolutely disparate economic activities – the one with the lowest level and the one with the highest level.

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In 'accommodation and food service activities,' a recovery occurred, which was reflected in an increase of the wage level by 11.3% (CZK 2 393), by which it attained CZK 23 586. In 'information and communication,' the average wage increased by 11.0% (CZK 6 931), which resulted in CZK 69 854. Presumably, large dismissals are behind an increase of the average by 10.3% in 'administrative and support service activities'; the wage level thus reached there CZK 28 475. One more economic activity got close to the ten percent mark (9.7%), namely 'arts, entertainment and recreation' (to CZK 35 342).

In the remaining CZ-NACE sections (economic activities) the range of nominal growth of wages moved from 3.4% in 'other service activities' to 8.8% in 'wholesale and retail trade; repair of motor vehicles and motorcycles'.

The second highest average wage following that in ICT ('information and communication') can be found in 'financial and insurance activities,' in which the average wage increased by 7.7% to CZK 69 721. 'Electricity, gas, steam and air conditioning supply' ranks third with CZK 54 942; the average wage increased there by 6.2%, year-on-year.

In 'manufacturing,' which is the biggest section of the CZ-NACE (as for the number of employees), wages increased by 8.0% to CZK 39 488. A slightly weaker growth (7.8%) can be found in 'construction,' in which wages increased to CZK 34 534. In 'transportation and storage' by 8.7% to CZK 35 727.

As for statistics of working hours, it was typical for the Q2 2022 that there was a lower number of paid unworked hours compared to the corresponding period of the previous year. In the Q2 2022, bonuses usually form a significant part of earnings.

In terms of real wages, all increments mentioned here were lower than the inflation and therefore they were decreases. It can thus be assumed that, except for small personal exceptions, a year-on-year decrease of the purchase power of earnings occurred as for all Czech employees.

Development in Regions

Regional results bring a picture, which does not show such considerable differences as for branches (economic activities). In terms of the number of employees, only in two Regions, there was a small year-on-year decrease in the Q2 2022; it was in the *Ústecký* Region by 0.3% and by 0.1% in the *Liberecký* Region. On the other hand, the number of employees considerably increased in Prague (by 3.3%), which follows the trend that was obvious in the pre-covid period. A high increase was also in the *Středočeský* Region (1.6%) and in the *Jihomoravský* Region (1.5%). In the *Pardubický* Region and in the *Plzeňský* Region, the numbers of employees increased the same by 1.2%. In other Regions, the numbers increased by up to one percent.

It is difficult to find some unifying rule for the development of average wages. The weakest nominal increase (1.6%) was in the *Ústecký* Region, namely with a margin (gap). It was rather weak in the *Plzeňský* Region (2.8%) and in the *Olomoucký* Region (2.9%), too. Conversely, a high wage increase was recorded in Prague (5.7%) and in the *Zlínský* Region (5.6%) followed by the *Středočeský* Region (5.3%). Other Regions were within this range.

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According to the absolute level of earnings, the Capital City of Prague continues to remain the richest among the Regions of the Czech Republic. The average wage in Prague was CZK 49 221. The *Středočeský* Region maintained its second position with CZK 41 825. On the other hand, the *Karlovarský* Region remained to be the Region with the lowest wage level (CZK 34 725), with a margin followed by the *Pardubický* Region, in which the average wage reached CZK 35 385. In the *Moravskoslezský* Region, wages increased by 3.5% to CZK 36 211 and in the *Jihomoravský* Region by 4.4% to CZK 39 041.

Cumulative results for the first half-year of 2022

For the first half-year of 2022, the registered number of employees increased by 1.1%. The average wage nominally increased by 5.8%; in real terms, it decreased by 6.8%, because the inflation reached 13.5%.

Year-on-year indices for half-year data show a picture that does not differ much from the quarterly ones. It can be more interesting to compare the development in branches/industries (economic activities) with the period before the start of anti-covid measures, i.e. for the three-year period since the first half-year of 2019. The cumulative data are more stabilised in this sense and therefore more comparable than the quarterly ones.

In total, the average wage for the three-year period increased nominally by 15.6%. In two economic activities wages only increased by less than 10% whereas in three of them the increase was at least 20%. Let us start with those three first: a 24.3% increase of the average wage was in 'administrative and support service activities' to CZK 28 197. 'Electricity, gas, steam and air conditioning supply' ranked second with an increase by 21.2%, where the wage level (CZK 59 634) was by a half higher than the total average wage (CZK 39 033). 'Information and communication' with the average wage of CZK 70 935, i.e. the second highest, ranked third with an increase by 20.0%.

On the other hand, the lowest increase by 8.7% can be found in 'public administration and defence; compulsory social security' (to CZK 40 874), and the second weakest in 'arts, entertainment and recreation,' in which wages increased by 9.3% to CZK 33 751.

In 'accommodation and food service activities,' the average wage increased by 11.6% to CZK 22 918, which is constantly the lowest piece of data. On the other hand, 'financial and insurance activities' was an economic activity with the highest average wage for the first half-year of 2022 (CZK 70 966) and there was a three-year increase (14.8%).

The registered number of employees decreased in total by 1.2% for this three-year period. The largest slump – by almost a quarter of the previous state – was in 'mining and quarrying' (-23.1%). Other considerable decreases were in 'administrative and support service activities' (-15.6%) and in 'accommodation and food service activities' (-12.9%). Conversely, considerable increases were in 'education' (8.9%), 'real estate activities' (8.7%), 'human health and social work activities' (7.1%), and in 'information and communication' (6.4%). 'Public administration and defence; compulsory social security,' discussed often in the media, virtually stagnated (-0.2%).

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Median wages and decile intervals of wages by sex

The News Release of the CZSO on wages also contains a piece of 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, i.e. a common wage level. Extreme deciles have been calculated concurrently, too. In the Q2 2022, the median wage achieved CZK 34 111, which is by CZK 1 718 (i.e. by 5.3%) more than in the corresponding period of the previous year.

The wage interval decreased in the Q2 2022 compared to the previous year. Ten percent of employees with the lowest wages were receiving a gross wage below CZK 17 854 (the bottom decile increased by 8.5%, y-o-y), whereas the opposite tenth having highest wages earned over CZK 65 383 (the top decile increased by 2.6%). The decile ratio thus decreased by 0.21 point, year-on-year. Females played the main role in this development; as for males, their wage interval remained unchanged and an increase of their wages occurred almost everywhere.

The male median wage was still considerably higher than the female median wage. In the Q2 2022, the female median wage was CZK 31 170, whereas the male median wage was CZK 36 925. The gap between the median wages thus amounted to 15.6%.

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, which was even contributed to by the recent development. In the top decile, female earnings currently decreased by 3%, whereas the male ones increased by 7.7%. The top decile for females thus was CZK 56 422 and for males it was CZK 73 583, by which the gap as for high earnings was 23.3%. As for low earnings, the difference is smaller, as usual; the bottom decile for females currently increased by 9.3% to CZK 16 903 and for males it was by 7.9% to CZK 18 863, which results in a gap of 10.4%.

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The preliminary results of the **Information System on Average Earnings (ISAE)** for the **first half-year** of 2022 bring a more detailed view of wage structures, distributions, and socio-economic breakdowns. The ISAE, however, applies a different methodology for the calculation of personal earnings of employees (mainly, it excludes all absence at work) and therefore these data are comparable neither to the aforementioned amounts 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 70 839; it increased by 7.2%, year-on-year. Their wages are the most differentiated ones; a tenth of the best-paid earned over CZK 172 446, while the opposite tenth got less than CZK 36 260. The second highest wage level can be found in professionals with the median wage of CZK 49 804 and the third rank is occupied by technicians and associate professionals with the median wage of CZK 40 951. Clerical support workers had the median wage of CZK 31 261. As for those three major groups, earnings were growing slower, with a five percent growth rate. Similarly (by 5.5%), the median wage increased,

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year-on-year, in the group of service and sales workers who, however, often belong to low-income employees¹ – they had the decile interval from CZK 18 907 to CZK 43 680 and the median wage CZK 27 183. Craft and related trades workers had their median wage CZK 33 628 (an increase by 6.9%) and plant and machine operators and assemblers CZK 32 081 (an increase by 5.8%). The lowest wage level is in elementary occupations, where the median wage currently increased by 4.9% to CZK 22 360. Among them, the share of low-income employees is over a half; their decile interval was between CZK 16 684 and CZK 34 922.

By **age group**, the lowest median wage was earned by employees aged up to 20 years (CZK 25 572). Concurrently, their number in the sample increased by a fifth by which a similar decrease in the last year was compensated. In the age group of 20–29 years, the median wage was already considerably higher (CZK 32 827) and for the age group of 30–39 years, the median wage was the highest (CZK 37 763). In other age groups, wages are decreasing: to CZK 36 792 for the most numerous group of the 40–49 years old, CZK 35 220 for the 50–59 years old, and, finally, CZK 35 227 for the 60+ years old. Year-on-year increases of medians did not differ much; they were around five percent.

Wages are also highly structured by the **educational attainment** of an employee; again, employees with higher education (tertiary) had the highest earnings, their median wage was CZK 50 399. Conversely, wages of employees with primary education or with incomplete (primary) education remained to be the lowest ones (CZK 27 401). Employees with secondary education with A-level examination earned much more (CZK 36 513) than those without A-level examination (CZK 30 262), but less than employees with post-secondary non-tertiary and bachelor's education (CZK 41 762). The fastest growing wages were on one side among those with the higher education (the median wage increased by 5.9%) and on the other, there was a considerable year-on-year increase of the lowest wages among the less educated employees; the highest increase (by 7.6%) was in the first decile of employees with primary education or with incomplete (primary) education. Conversely, the lowest increase was in post-secondary non-tertiary and bachelor's education (the median increased by 3.1%), where we can even talk about stagnation at the highest earnings.

The Information System on Average Earnings also half-yearly monitors earnings by **citizenship**. As for big groups of foreigners, median wages in Czechia were above standard among Slovaks (CZK 39 811); they were by 11% higher than wages of employees with Czech citizenship (CZK 35 978) and they increased the most, year-on-year (by 5.5%). Conversely, by 23% lower than the ones of Czechs were median wages of Ukrainians (CZK 27 731), which increased by 4.0%, y-o-y. Considerably lower than the Czech ones were also wage levels of other three smaller groups, i.e. Bulgarians (by 16% lower), Romanians (by 10%), and Poles (by 7%). Whereas the number of records of Romanians and, most of all, of Bulgarians in the ISAE database decreased, year-on-year, the number of Ukrainians increased by 41% from 61.9 thousand to 87.1 thousand and thus it considerably outnumbered the number of Slovaks (73.8 thousand).

¹ In general, such an employee is considered to be a low-income (low-wage) employee who earns less than 2/3 of the total median wage; according to preliminary results of the ISAE for the 1st half-year of 2022, the threshold was CZK 23 854.

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