

6. Labour Market

Properly anchored economic growth further improved the situation on the labour market, the year-on-year growth of employment was highest since the year 2008 last year.

Employment rate (77.0%), but also its differences between males and females in the CR (16.3 p.p.) belonged to the highest among the Union countries.

Manufacturing contributed the most to the year-on-year growth of the total employment already third year in a row, services however also helped noticeably in the last year.

Long term adverse development of employment persisted in construction and non-manufacturing industrial activities.

Growth of the hourly labour productivity from the years 2014 and 2015 was not repeated any more mainly due to the unfavourable development in construction but also some services last year.

Pace of decrease of the unemployment rate of males slowed down last year, for females it was comparable to the years 2014 and 2015.

Job applicants being without job for more than one year

Situation on the labour market was further improving in 2016 and it had in many respects similar features to the peak period of the past decade. Continuing economic growth generated new job positions. Total employment¹ was further strengthening in the quarter-on-quarter expression during the year (apart from temporary stagnation in Q3). More persons by 1.8% worked last year compared to the year 2015 (pace of the year-on-year growth increased for already third year in a row and was the highest since 2008). Even though the number of workers crossed the boundary of 5.3 mil for the first time in the history of the Czech Republic towards the end of the last year, the share of businesses, that considered the lack of labour force as an important barrier to their growth, also markedly rose at the same time. The businesses tried to cover the needed labour force by hiring foreign workers (mainly from the economically less developed EU countries), engaging growing number of prisoners or groups of economically inactive persons capable of work.

Employment rate (persons aged 20–64) was according to the LFSS 77.0% in the CR in Q3 2016 (it increased by 1.9 p.p. year-on-year, by nearly double pace compared to the EU). While the employment rate of males came to 85.0% (and was the highest among the Union states already eighth quarter in a row), for females it was “only” 68.7% (the Czech Republic was “pushed” out of the first ten of Union countries not only by the Nordic states, Germany, Austria, but also by the Baltic states).

Both employees (with the growth of 1.9%) and self-employed (whose levels expanded by 1% year-on-year, mainly due to the more favourable development in H2)² participated on the last year’s increase of number of workers in the economy for the first time since 2007 last year. From the view of branches, manufacturing added the most to the growth of total employment already third year in a row absorbed by 40 thousand workers more compared to the year 2015 (similarly to the preceding year). Among services, especially the professional, scientific, technical and administrative activities contributed (+19 thousand persons). Rate of growth of employment increased also in (the group dominant by weight) trade, transportation, accommodation and restaurants, as well as in information and communication (where the levels of workers expanded already a fifth year in a row – by 15% in total). Last year’s 0.7% growth was on the contrary the lowest after the year 2012 in branches with the state dominance – public administration, defence, education, health and social work. Adverse situation continued in construction, which lost nearly 65 thousand positions since the year 2010. The number of employees as well as the self-employed was decreasing in this branch in 2016. Employment dropped in total by more than 8 thousand persons in mining and energetics compared to the year 2008.

Only branches with higher value added did not create new job positions in 2016. It is thus not particularly surprising, that the more significant labour productivity growth from the years 2014 and 2015 was not repeated last year (GVA related to the hour worked lowered by 0.4% for the whole year). Both lower productivity in construction (by 4.7%) and e.g. also in branch trade, transportation, accommodation and restaurants played a role. Development was on the contrary more favourable in manufacturing (+1.6%), the productivity however grew the most in branch agriculture, forestry and fishing (+6.1%) last year (similarly to the years 2014 and 2015).

General unemployment rate (persons aged 15–64) kept further falling throughout the whole year and it arrived at 3.6³ in December 2016 (4.5% a year ago). While for males it hit its limits given by the structural influences (decreased “only” by 0.6 p.p. year-on-year to 3.1%), for females the reduction was more significant (by 1.3 p.p. similarly to the years 2014 and 2015). Persons that were without a job for more than one year majorly participated on the decrease of unemployment. The number of these persons fell by 35% year-on-year in Q4 and they formed 39% from the total number of

¹ Unless stated otherwise, all employment data are in the national accounts conception and seasonally adjusted in this chapter.

² Additional more detailed data of the Labour force sample survey suggest, that the numbers of entrepreneurs without employees were increasing (by 46 thousand year-on-year in Q4) in 2016, while the number of entrepreneurs with employees on the contrary shrank (by 10 thousand).

³ After adjustment for seasonal effects.

had a major effect on the unemployment decrease last year.

General unemployment rate fell in 90% of EU countries in 2016. Large differences between states however did not shrink.

Supply of job vacancies kept further expanding, professionals and qualified manual workers were the most in demand.

Good financial situation of businesses as well as the growing obstacles to find new workers pressed on the increase of wages. They rose by 4.2% last year, the most since the year 2008.

Vast majority of branches recorded a more favourable year-on-year rate of growth of the average wages than in 2015, with the exception of mining and quarrying, construction and also the real estate activities.

Wage median grew more dynamically than the average wage already sixth quarter in a row.

unemployed (the lowest share since Q1 2010). Consequently, this was reflected also in the accelerated fall of the unemployment rate of job applicants with primary education (from 22.8% to 18.7%). The Czech Republic maintains the most favourable position with respect to the total unemployment among the EU states (thanks to the very low unemployment of males or persons with the secondary education). General unemployment rate dropped in 90% of the Union states during the year 2016 (the most in Croatia, Spain and Portugal), large regional differences however persisted. High unemployment in some states strongly hit by the recession in the past decade stagnated (Italy, France), it even grew by 1 p.p. in Cyprus and by contrast it even markedly fell further in many countries with low unemployment rate, e.g. in Hungary (to 4.3%), Poland and Romania (to 5.5%).

Opportunities of unemployed to find job on the labour market kept further widening. Supply of job positions increased via the labour offices (LO) by nearly one third year-on-year, there were 132.5 thousand positions available in December 2016. The ratio was 2.9 applicants per one vacancy (the most favourable December relation since the year 2007). This relation improved in all regions during the year 2016, the most visibly in the Ústecký Region (still there was 5.8 job applicants for one vacancy at the end of the year, together with the Moravskoslezský Region the most in the CR). Less than two applicants per vacancy were assigned in Prague, the Plzeňský and the Pardubický Region. The highest demand from the view of the qualification levels was thus for specialists or professionals (1.8), craft and related trades workers (1.7) and plant machine operators, incl. assemblers (1.2%). The situation of assisting and unskilled workers in elementary occupations also improved year-on-year, despite their share on the total job applicants increasing to nearly 30%.

Continuing growth of the economy, lasting positive outlook in key branches, loose budget policy of the state and last but not least, the growing lack of labour (due to the low and still falling unemployment) pushed the growth of the earnings up. The average gross wage (reflecting the length of employee job contracts) increased by 4.2% last year compared to the year 2015 (nominal growth of wage stayed closely below the 3% in the years 2014 and 2015 at the same time). Year-on-year rates of growth of wages however did not signal an upward trend anymore within the last year (the growth arrived at 4.2% in the Q4 itself). High growth of the number of employees (1.8%) prevented the acceleration of the average wages, with a significant part being concentrated into the branches with the below average level of wages (trade, transportation and storage, real estate activities, administrative and support service activities).

Average wage increased in all branches except for the mining and quarrying (-0.5%) last year, where it was in addition accompanied by a considerable reduction of the number of employees (by 6%). The strongest growth of wages occurred in accommodation and food service activities (+7.2%) pulled for the most part by the growth of the minimal wage (by 1100 crowns). In the absolute expression, the wages of employees in information and communication improved the most (by 1687 crowns), the average wage here crossed the 50 thousand boundary similarly to the financial and insurance activities. In the weight significant manufacturing the growth of wages copied (similarly to the year 2015) the rates of growth in the whole economy, this branch however still intensively hired new workers. Average wages in the branches with a dominant share of the state grew swiftly, however they did not create (apart from the health and social care) new job positions to any significant extent. Higher earnings of the members of the armed forces also contributed to the wage growth (+5.6%) in the public administration, defence and social security. Wages in education displayed weaker dynamics throughout the whole year (+4.1%), the growth however accelerated due to the increase of the wage tariffs to 7.4% in the Q4 itself. More favourable development of the average earnings in the branches with the dominant share of state was reflected in the high growth of the wage median (by 6.0% in Q4, by 6.7% for females). It exceeded the dynamics of the average wages already six quarters in a row, both direct and indirect impacts of the repeated increases of the minimal wages had an effect here. Average real wage grew by 3.5% last year (the most since 2007), it slowed down to 2.8% due to a growing inflation in Q4.



Chart 15 Total number of employed persons and employees (national accounts data, seasonally adj., y/y in %)

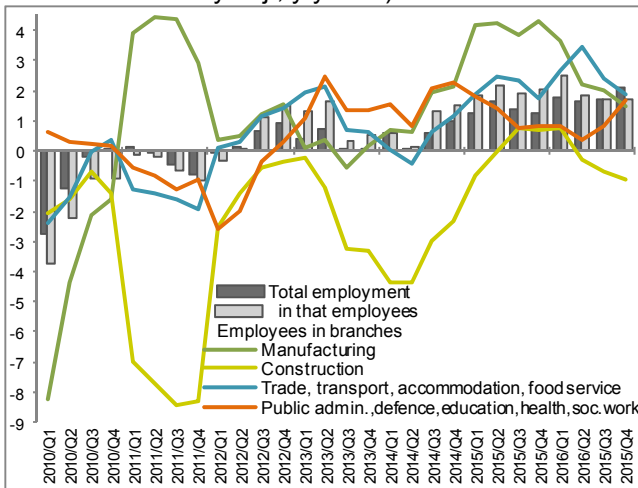
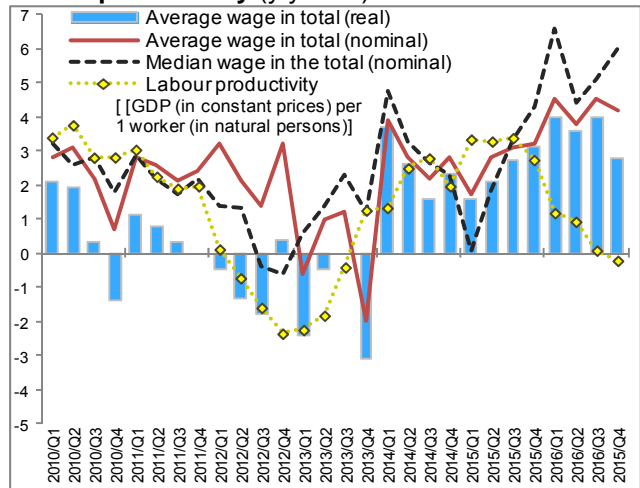


Chart 16 Gross monthly wage of employees (in full-time equivalent, y/y in %) and labour productivity (y/y in %)



Source: CZSO