

6. Labour Market

The number of employees increased the most in Q2 year-on-year since the end of year 2018. Losses of working entrepreneurs however continued.

Progressive loosening of strict counter pandemic measures accompanied by larger reduction of state support programmes (Antivirus, care benefits) at the turn of this year's Spring and Summer period brought the anticipated recovery to the domestic labour market. Total employment¹ went up in Q2 year-on-year (by 0.3%, for the first time in the last seven quarters) and strengthened by significant 0.7%² compared to the previous quarter. This positive development was however solely the result of the number of employees, whose levels expanded by 52 thousand year-on-year, the most since the end of year 2018. The number of entrepreneurs on the contrary dropped by nearly 5% (or 36 thousand, respectively) and their numbers also decreased compared to Q1 2021 (by 1.6%). Difficulties of entrepreneurs could have been associated with a more guarded realisation of the delayed consumption of the domestic households in some branches and could have been also amplified by the persisting restrictions in the arrival tourism. This was also mirrored in the number of hours worked³.

Higher employment was driven especially by the public services and information and communication year-on-year. Strong demand for workers manifested also in construction.

Economic revival was favourably reflected also in the number of workers in the vast majority of main branches in the second this year's quarter. Professional, scientific, technical and administrative activities (+12 thousand) and industry (+11 thousand) the most contributed to the quarter-on-quarter growth of employment. In both cases it represents a branch, whose relative employment declines were deeper in comparison to the whole economy last year. The branch public administration, education, health and social work (+30 thousand) helped the most the year-on-year growth of total employment in Q2 (similarly as throughout the whole pandemic period). However information and communication prospering in the long-term grew relatively the strongest (5.2%) and as one of few branches also recorded increased number of entrepreneurs. Construction, where the moderate last year's employment growth continued (+2.0%) also fared well. Long-term high demand for labour force was here to considerable extent saturated by recruitment from abroad. Number of foreigners working in the CR in the employment position despite still administratively demanding visa procedure grew in the last months. It attained record 682 thousand this year and it was by 13% higher year-on-year, for the overwhelming part due to the employees from Ukraine⁴.

Despite partial improvement, the group of activities trade, transportation, accommodation and food service still contributed the most to the decline of total employment.

In spite of partial improvement the group trade, transportation, accommodation and food service struggled with marked decreases of workers (–27 thousand)⁵ year-on-year in Q2 as well. The decrease occurred for both entrepreneurs (–11.6%) and employees (–0.7%). Industry was also still slightly losing workers (–0.5% and –8 thousand), strictly due to the decline of entrepreneurs. The situation differed in the individual industry divisions – manufacturers of motor vehicles (including tied fields of activity), energetics or metalworking fared better, e.g. machinery or structurally hit mining industry fared worse. Agriculture, forestry and fishing keeps stable employment in the latest years.

¹ Unless stated otherwise, data regarding employment are given in the national accounts' conception after adjustment for seasonal effects in this chapter.

² Compared to the so far record level of employment from Q2 2019 (5.45 mil person) it was still by nearly 2% less. Among the main branches, manufacturing (5.2%) and group trade, transportation, accommodation and restaurants (6.2%) held the deepest two year decrease. On the contrary, the number of workers in information of communication enlarged by more than one tenth compared to the pre pandemic level.

³ The average weekly number of hours worked in the main employment was similarly for both entrepreneurs and employees by 1% higher according to the data of the Labour Force Sample Survey this year in June, however compared to June 2019, entrepreneurs worked by 5% less, while for employees the time spent in the main employment remained practically unchanged.

⁴ Number of registered workers from Ukraine thus increased from 133.1 thousand to 191.6 thousand, mainly thanks to higher number of persons with the work permit (+43.7 thousand) and holders of the employee cards (+10.7 thousand). However, Slovaks remain the most significant employee group of foreigners in the CR (204.5 thousand), despite the fact, that their number expanded by only slightly over 5 thousand compared to last year's June.

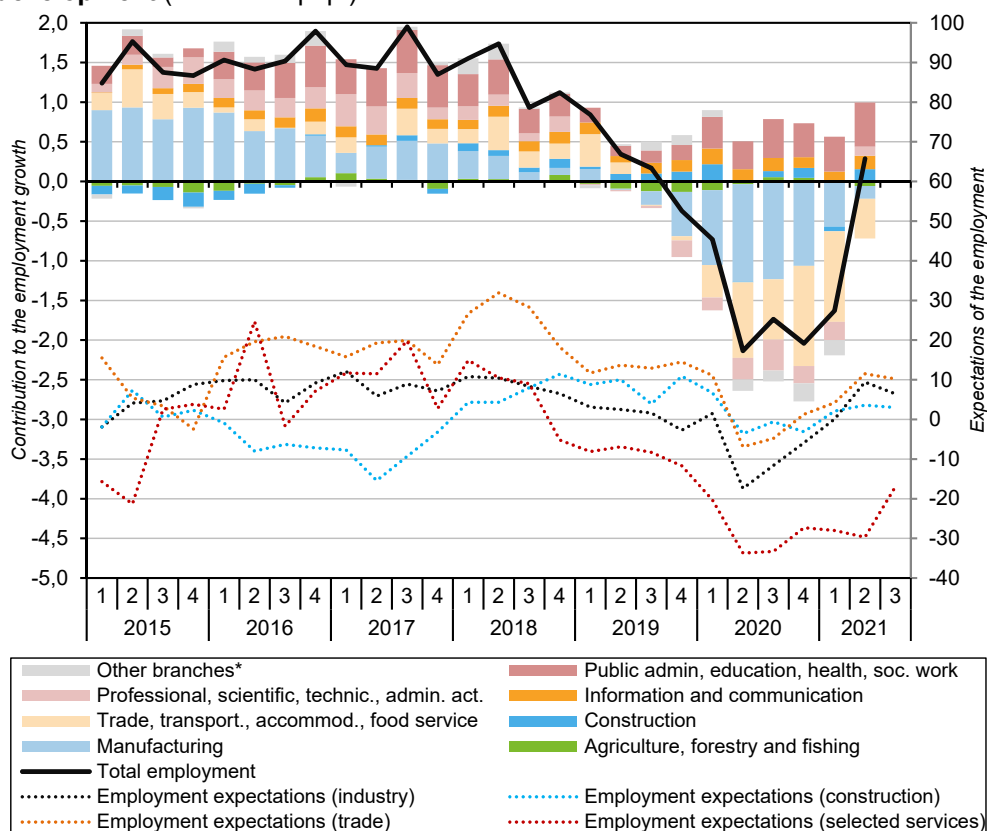
⁵ Mainly activities tightly associated with tourism pull the whole group down. On the contrary, the number of employees in trade itself increased by 1.5% based on the data of the business statistics compared to Q2 2020.

Proportion of businesses expecting increase of their number of employees was growing during H1.

Difficulty with recruitment of labour force troubled mainly construction, it was increasing also in industry in the last months.

The short term employment expectations (seen by businesses) climbed the highest based on the business cycle surveys in June 2021 since the beginning of pandemics. They were positive in the majority of branches apart from some areas of services – e.g. air transportation, publishing activities as well as financial activities. Similarly around 15% of respondents in industry, construction or trade planned the increase of number of employees for the Q3 period. The shortage of employees limits especially the businesses in construction, where it remains the most significant barrier to growth for the last three years. Since the beginning of this year, industry also faces larger difficulties with the recruitment of workers⁶. In contrast the number of branches still struggled mainly with the weaker demand for services in the tertiary sector. Thus only companies in administrative and support service activities, land transportation or courier activities experienced difficulties with the shortage of employees to a large extent – always with lower intensity than before the commencement of pandemics.

Chart 12 Total employment (year-on-year in %), contributions of branches to year-on-year change of employment (in p.p.) and expectations of employment development (balance in p. p.)



*Mining and energetics; Financial and insurance activities; Real estate activities; Arts, entertainment and recreation activities. Note: Balance of expectations expresses the difference in p.p. between categories growth vs. decrease of employment in the nearest three months. Data are seasonally adjusted and relate to the second month of the given quarter. Source: CZSO (LFSS, business cycle surveys)

Unemployment decreased with simultaneous reduction of government

General unemployment rate⁷ (aged 15 till 64 years of age) moderately increased at the beginning of the year and hit the nearly four year maximum (3.5%) this year in March. A positive turnaround occurred at economy reopening in Q2 and only 2.4% of economically active males and 3.5% females⁸ were out of work in June. Considerable reduction of

⁶ More than one quarter of industrial businesses mentioned the shortage of workers as one of the main limited factors at the beginning of July 2021. It was the most pressing in rubber industry, plastic industry, electrical engineering, machinery, manufacturing of transport equipment (excluding the motor vehicle industry), manufacturing of construction materials and also in some small activities with lower wage level (textile and leather working industry).

⁷ Unless stated otherwise, all data regarding the unemployment rates are sourced from the LFSS and are adjusted for seasonal effects.

⁸ It ranked the CR to the forefront of the EU states with the lowest unemployment. It was lower than in the CR only for females in Germany and the Netherlands (similarly 3.3%, in wider age group 15 to 74 years). The unemployment rate was 7.5% for females, 6.7% for males

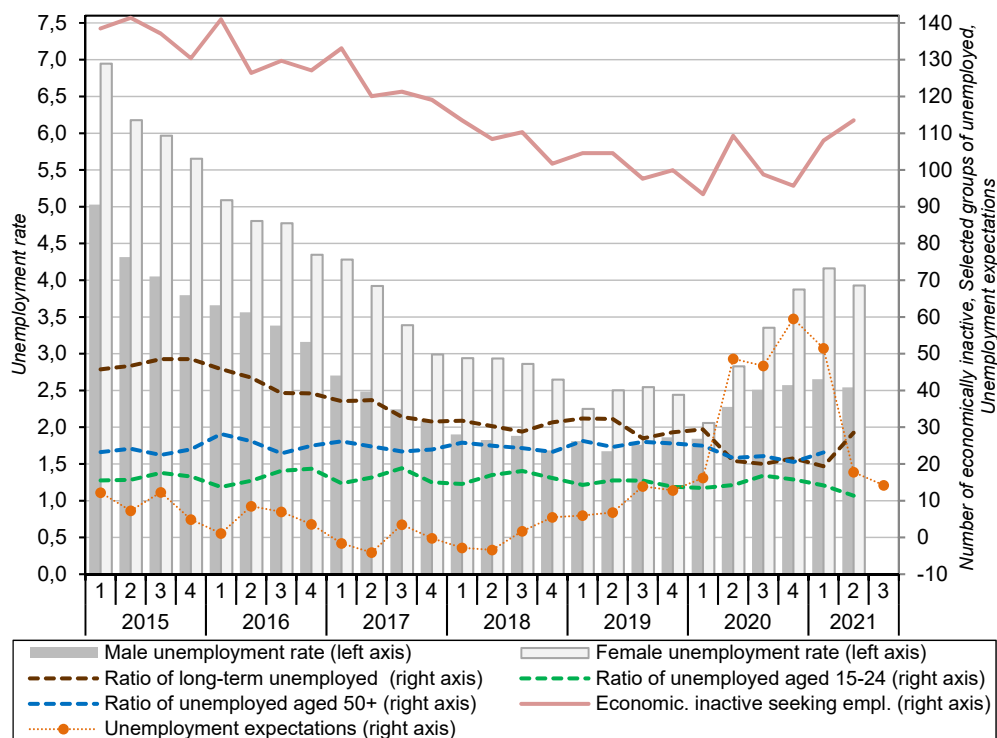


stabilisation programmes in Q2.

Number as well as proportion of long-term unemployed however increased.

government stabilisation programmes⁹ thus was not negatively reflected in the unemployment area in this time period. The position of females (+1.6 p.p.) worsened more than position of males (+0.6 p.p.) compared to the level immediately before the pandemics (from February 2020). Position of females is complicated by the fact, that number of branches strongly hit by the demand slump during the pandemics recovers slowly and does not plan to recruit new workers for now. The supply of part time job positions also likely has not reached to level from year 2019 so far¹⁰. Unemployment rate among young up to 25 years of age nevertheless dropped to 7.0% (similarly for both males and females) and it was thus the lowest since last year's April. Number of long-term unemployed however went up year-on-year, their share in the total unemployment approached 30% in Q2, i.e. common values from the boom year 2019. Among regions, the unemployment troubled the most the Karlovy Vary region (5.6%), which was valid throughout the whole pandemic period.

Chart 13 General unemployment rate (in %), ratio of long-term unemployed and persons up to 25 and above 50 years of age among unemployed (in %), economically inactive willing to work (in thousand)* and unemployment expectations of households (in p. p.)**



Note.: Figures regarding the unemployment rate are seasonally adjusted, other data are not.
 *Persons not in employment, not seeking work, but expressing the willingness to work.
 **Seasonally adjusted balance of expectations of unemployment in the next 12 months (difference between percentage frequency of answers of households "growth" and "decrease" expressed in percentage points). Data relate to the middle month of the given quarter.
 Source: CZSO (LFSS, business cycle surveys)

Concerns of people regarding the growth of unemployment declined to the level observed in the

Concerns of households regarding unemployment growth (in the nearest twelve months) sharply retreated during Q2 and returned to the low level from the second half of year 2019. This year's Summer period only confirmed this status. Rising number of job vacancies also proves the recovery on the labour market. The job offices in the CR offered 385 thousand

in the whole Union. During May and June in connection to the gradual loosening of the counter pandemic measures and general revival of economic activity, the unemployment decreased in the majority of the Union states month-on-month.

⁹ E.g. the programme Antivirus was practically ended towards the end of May 2021. The programme was finishing in a limited regime in June, when the contribution to employers on the compensation of the wage costs was provided only for the reasons of mandatory employee quarantine or isolation. Also the drawing of care benefits (on the childcare for the reason of extraordinary closure of schools) had a declining tendency during Q2.

¹⁰ While in Q1 2019, 12.3% of females aged 15 and more worked on part time contracts, only 10.8% two years later. Among females in the age group 15 to 29 years, the decrease was even more pronounced in this time period (from 15.0 to 11.0%).

<p>period before the pandemics in Q2.</p> <p>Larger excess of job applicants over job vacancies was reported usually only by regions affected by the winding down of coal mining.</p>	<p>vacancies at the end of July 2021, by 24 thousand more year-on-year (or by 12 thousand¹¹ more compared to the same month of year 2019). Even though the number of job positions vacant in the long term stays high, their share on the total supply of jobs was the lowest in the last eleven quarters¹². The proportion of vacancies with minimum qualification demands kept further rising, primary education was thus adequate to applicants already for 74% of offered job vacancies¹³. It was connected with the fast post crisis revival in industry¹⁴. Compared to the last year's July, the offer for applicants with school leaving certificate and higher education (+2.5 thousand positions) also however slightly expanded. The excess of offered vacancies over the number of registered job applicants prevailed in the majority of regions. On the contrary, the position of unemployed was worsened mainly in the Moravian-Silesian and Ustecky regions, especially in areas with coal mining winding down¹⁵.</p>
<p>Strong last year's growth of the number of economically inactive halted this year.</p>	<p>Growth of the number of economically inactive persons halted after the strong last year's surge¹⁶. Their number stagnated year-on-year in both Q1 and Q2. Larger offer of more flexible forms of job contracts would assist the return to the precrisis level aimed especially on the potential workers in both outer age spectra of the productive age. Number of all inactive not seeking employment, but willing to work arrived at 114 thousand persons¹⁷ in Q2 and it moderately increased for the second time in a row year-on-year.</p>
<p>Year-on-year growth of the average wage due to extraordinary factors accelerated in Q2.</p>	<p>Wage growth was variable in the economy during the pandemic period, mainly due to the differing number of hours worked. While in Q1 2021, the average wage increased in nominal terms by 3.3% in comparison to still standard last year's basis, its pace fastened to 11.3% in Q2. The gross monthly average wage thus reached 38 275 CZK. Even when taking into consideration the brisk growth of the consumer prices the wage hiked up in real terms by record 8.2%. Registered number of employees increased at the same time (by 0.7%, i.e. 29 thousand), for the first time since the beginning of year 2019. Largely uneven impact of the pandemic crisis, varying speed of subsequent economic revival, as well as the form of remuneration in the budgetary sphere resulted in that the wage differential between branches and likely also inside many of them widened.</p>
<p>Quarter-on-quarter growth of the average wage slightly increased.</p>	<p>The average wage adjusted for seasonal effects increased by 1.2% against Q1 2021, i.e. slightly more than in the preceding two quarters (0.9%, 1.1%). The effect of receding pandemics and return of majority of shops as well as other services to regular regime partially manifested. Number of hours worked for employees however still lagged behind the precrisis level (from Q2 2019) by 3.5%¹⁸ in Q2. It was especially apparent in the branch closely tied to tourism – in trade, transportation, food service and accommodation (10%), further in the so called other services (e.g. hairdressing, repairs of products for households (18%) and to a lesser extent in financial services or manufacturing.</p>
<p>Pace of wages was influenced by a mix of opposing factors.</p>	<p>The tension on the labour market associated with low unemployment and high number of long-term job vacancies had a pro-growth effect on the size of wages. Shortage of employees thus limited production in the number of significant branches. Lowering of</p>

¹¹ The addition was driven especially by Prague (+22 thousand) and the Central Bohemia (+9 thousand), on the contrary Plzensky and Pardubicky regions were losing the positions the most (both similarly by 6 thousand) for the last two years and also the majority of Moravian regions to a lesser extent.

¹² 43% of all offered job positions in the CR were vacant for more than six months (the most in the Central Bohemia and Kralovehradecky region, the least in Prague) at the end of Q2 2021. It was even nearly one half of vacancies at the turn of years 2019 and 2020.

¹³ Only Moravskoslezsky and Olomoucky region (similarly 54%) and also Karlovarsky region (63%) reported notably lower representation of these positions.

¹⁴ The job offer increased the most in the category of servicing machinery and equipment, assemblers (+14.5 thousand, to 115.2 thousand) year-on-year, compared to July 2019 then for craftsmen and repairmen (by 5.2 thousand, to 75.0 thousand).

¹⁵ More than 10 applicants accounted for 1 vacancy in the Karvina district this year. Higher excess pressure was here last time in the first half of year 2017.

¹⁶ The number of inactive expanded by 1.7% for the whole year 2020 (by similar pace for both males and females), which was the most in the last twelve years.

¹⁷ However only less than one half was able to join employment no later than within two weeks.

¹⁸ Lower given figures regarding the hours worked stem from the national accounts and are adjusted for seasonal and calendar effects.



effective taxes for workers, which enabled companies to maintain high employment with lower pressures on cost of labour growth, had likely the opposite effect. Part of employers especially in the market branches thus allowed for the fact, that the net earnings of people will rise even without increasing the gross wages. In addition the wage level was still influenced by the loss of wage for employees receiving care benefits or wage substitution during the quarantine.

Unprecedented wage growth in health and social care was connected with the pay out of extraordinary bonuses.

The low comparative basis of wages manifested in the year-on-year comparison in Q2, specifically because of last year's closure of part of economy and slump of the total number of hours worked of employees – by even 10% year-on-year. This year's pay out of exceptional bonuses to medical staff is also closely tied to the pandemics and led to the unprecedented growth of the average nominal wage in the branch health and social care by 43.8%. Without this branch the wages would strengthen „only“ by 8.5% in the remaining part of the economy year-on-year in Q2.

Outside of health care the average wages grew the most in branches, which were strongly hit by impacts of the first pandemic wave last year.

Outside of healthcare, the average wages grew the most mainly in branches, which were the most hit by the onsetting pandemics last year – accommodation, food service and restaurants (+17.3%), other activities (+19.2%), administrative and support service activities (+12.3%) and manufacturing (+11.3%) year-on-year this year in Q2. Cultural, amusement and recreation activities, where the below average wage pace endured, comprised an exception. The situation in the majority of branches interconnected with tourism is however still difficult, as reflected in the continuing decrease of the number of employees as well as cut down increase of wages compared to the pre-pandemics level¹⁹. The attained wage level is also still considerably below the level of the whole economy in these branches and it is only at one third level e.g. in accommodation, food service and restaurants compared to financial activities.

Thanks to brisk pace of the wage growth their level slightly overtook the level of the whole economy in education.

The growth of wage tariffs from the last years continued in education. The average wage rose by one tenth here year-on-year and tightly exceeded the level of earnings in the whole economy. On the contrary, the wage growth practically ceased in public administration, education, health and social work. While the economic revival was reflected in the wage area (+9.4%) as well as employment (+1.5%) in trade in Q2, only average wages increased in transportation and warehousing (+7.6%). Financial and insurance activities on the other hand recorded small decrease in both areas, still it with the size of the average monthly wages (63.5 CZK thousand) overtook all main branches of the economy. Information and communication followed in short distance (62.7 CZK thousand), being among the busiest branches during the pandemics, which is also reflected in the ceaseless employment growth. Neither construction suffers from inadequate demand. The growth of average wages was however rather mild for the whole pandemic period here, similarly to industry, transportation as well as storage.

Growth of average wages in industry, construction, transportation and warehousing was moderate in total for the last two years.

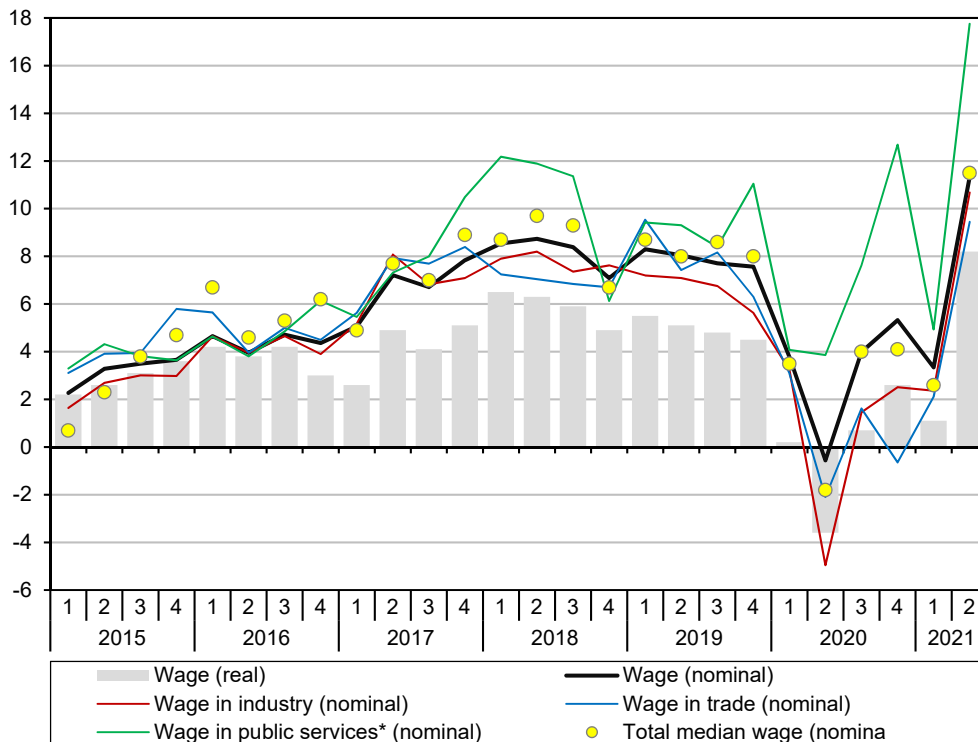
Prague labour market still features lower percentage growth of average wages in combination with higher creation of new job positions.

The average wages grew the most in Karlovarsky, Liberecky and Kralovehradecky regions (always slightly above 14%), the least then in Prague (8.0%) and central Bohemia (9.6%) year-on-year in Q2, i.e. in regions, which simultaneously experienced the relative highest increase of employees for the same time period. Lower relative wage growth in Prague offset by higher creation of job positions was also typical in the boom period before the pandemics. Larger regional inequalities in the wage rates of growth could have been affected by the layout of the health facilities (payment of extraordinary bonuses) this year, variations in the employment dynamics and then by the representation of mining industry and associated fields of activity as well, which is

¹⁹ Compared to Q2 2019, the growth of average wages in accommodation, food service and restaurants was only 0.9%. Not even one half of the pace against the whole economy (10.7%) was reported by manufacturing or transportation and storage.

signalled by the fact, that the number of employees decreased compared to Q2 2020 only in Karlovarsky, Ustecky and Moravian-Silesian regions.

Chart 14 Average nominal and real wage and wage median (year-on-year, in %)



** Includes branches with a significant state involvement: Public administration, defence, social security; Education Human health and social work activities; Cultural, amusement and recreational activities (NACE O, P, Q, ,R)
Source: CZSO

Wages of females continued rising faster than wages of males.

Wage median comprised of 34.5 CZK thousand for males, 30.0 CZK thousand for females in Q2. Earnings of females were strengthening more year-on-year (13.2%) than earnings of males (10.1%), mainly due to the fast growth in the area of education, health and social care. Earnings of high income employees grew relatively faster than incomes of low income employees similarly to the preceding two quarters. Total wage differentiation thus somewhat further deepened.

