

6. Labour Market

Labour market in the CR benefited from renewed economic growth during year 2021, termination of the majority of support programmers did not have an adverse effect.

Labour market in the CR gradually returned to the state of the period of the pre pandemic expansion characterised by strong tension between the demand for labour on the part of businesses and substantially limited domestic sources of potential labour force. In continuity on last year's Spring loosening of counter pandemic measures, gradual termination of decisive part of the government supportive programmes aimed at employment stabilization as well as the overall financial situation of businesses took place. The consequences of cessation of this support were outweighed by the positive influences stemming from the launch of the economic growth saturated by higher private as well as public consumption and also the restoring investment activity. Revival on the labour market continued also in Q4 2021, since the deterioration of the epidemic situation intensified by the escalation of the supplier difficulties in industry did not notably show in the employment area (both real and from the view of short-term anticipations). This is to a considerable extent also valid for the area of average wages in the market branches. However, through the fault of the significant acceleration of consumer prices at the end of the year the average employee earnings dropped in real terms in the majority of branches year-on-year, in some even in total for the whole year 2021.

Number of employees already nearly evened up to the level from year 2019. Decrease of entrepreneurs on the contrary deepened.

Total employment¹ mildly grew quarter-on-quarter throughout the whole last year. In H2, the growth rate slightly weakened due to the situation in industry (down to +0.1% in the last quarter), the vast majority of main branches presented at least a mild growth. In Q4 thus there were in total 5.37 mil persons working in the domestic economy, by 1.3% more year-on-year (compared to the peak of the pre pandemic period however, the number of employees still lagged by nearly 80 thousand persons). Exclusively employees participated on the year-on-year growth, their levels expanded by 107 thousand in Q4 (2.3%) and they already nearly evened up the record size from year 2019. On the contrary the decrease of the number of entrepreneurs² deepened to 40 thousand (5.4%) and their number shrank also in comparison to Q3 2021 (by 0.2%). The year-on-year decrease occurred primarily due to the development in manufacturing, the number of self-employed however declined in nearly all main branches. It cannot be ruled out, that part of the decrease of self-employed persons was connected to their transfer into the employee position³.

Public services exerted a pro-growth effect on the total employment in Q4 2021 even during the whole pandemic period.

Movements in services were determining for the year-on-year growth of employment in the second half of the last year. 1.8% employees (58 thousand) were added in the whole tertiary sector in Q4. Even though the real estate activities recorded the highest dynamics (+4.3%), it was public services that contributed the most to the employment growth in the whole economy⁴ (+32 thousand persons), mainly thanks to the developing education also the health and social care, intensely strained during the pandemics. Contribution of division trade, transportation, accommodation and restaurants (14 thousand) was also significant, year-on-year employment increased for the first time here since the half of year 2019⁵. Slow after crisis revival was also apparent in branch other services activities⁶, including especially culture, amusement and recreational activities or personal services mainly for household. The trend of moderate decline of employment continued in connection to the development in digitalisation in financial and insurance activities, specifically already the fifth year in a row. On the contrary, information and

¹ Data regarding employment in this chapter stem from the national accounts conception. They are expressed in physical persons and adjusted for seasonal effects.

² The more detailed data from the Labour Force Sample Survey (LFSS) show, that next to the entrepreneurs without employees the number of entrepreneurs with employees and assisting family members also fell year-on-year in Q4 2021 (by 11 thousand and 8 thousand respectively). Both these categories are within the national accounts conception placed into the employee group.

³ Mild decrease of the number of self-employed manifested for example in the period of after crisis expansion of the domestic economy in years 2014 and 2015.

⁴ Branches with the predominance of the public services, containing apart from the above mentioned activities also public administration, education, health and social work, had a pro-growth effect on the total employment the most out of all branches also for the whole period of years 2020 and 2021.

⁵ It however remained by more than 5% (resp. 67 thousand persons) behind its pre-pandemic peak.

⁶ More than 35% of all workers in these branches consisted of self-employed persons in year 2021. They also had more than doubled representation compared to the whole economy in construction (33%), real estate activities (31%) and agriculture and forestry (29%).

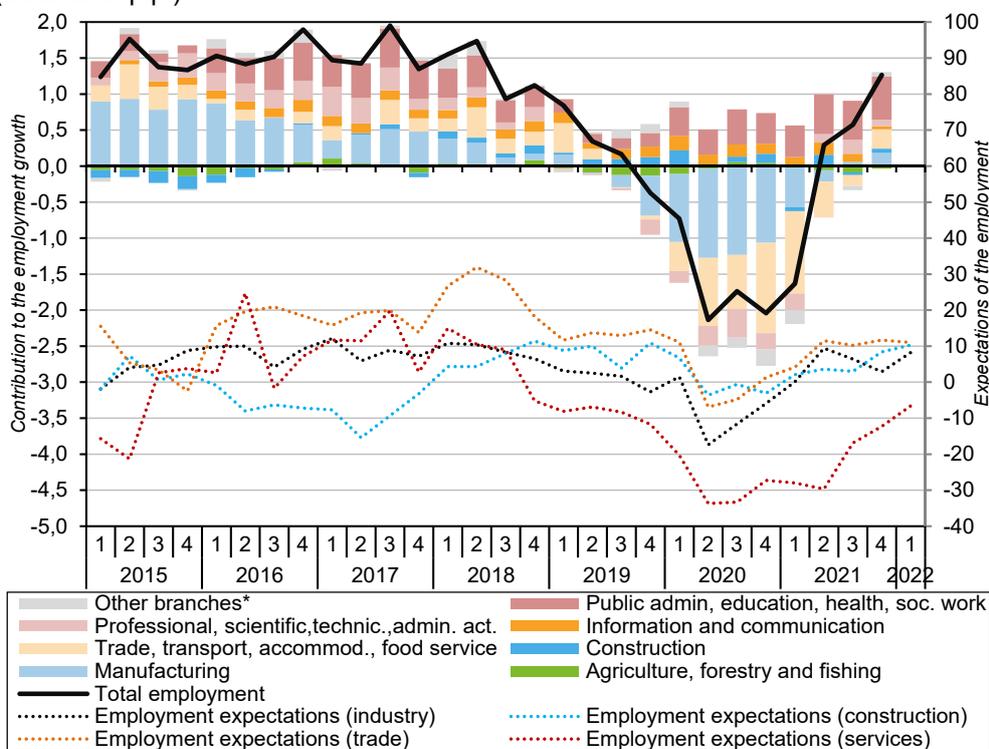


communication maintained long term growth, the dynamics of total employment however weakened due to the decrease of entrepreneurs here during the year 2021. The year-on-year growth of employment in industry, similarly to construction, did not exceed 1% last year in Q4. Number of employee positions grew swifter, which was also connected to the recruitment of persons from abroad⁷.

The employment in total for year 2021 stagnated. Number of hours worked increased by 2.9% after the preceding slump.

The total employment stagnated in total for year 2021. The continuing decline of number of employees in the division trade, transportation, accommodation and restaurants (-1.7%) and in industry (-0.5%) was offset by their increase in information and communication (+3.4%) and in public services (+2.8%, the most in the history of individual CR). Number of hours worked in the whole economy increased by 2.9% (following the record slump of 6.3% in year 2020). Except for agriculture and forestry it increased in all main branches, it however surpassed the pre pandemic level only in public services, in ICT area and in real estate activities and in construction. On the contrary, it substantially fell behind in the division of trade, accommodation and restaurants (by 10%) and in branch other services activities (14%).

Chart 14 Total employment (year-on-year in %), contributions of branches to year-on-year employment change (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 (national accounts, business cycle surveys).

The employment rate of persons aged 16 to 64 years hiked up to record level.

Already 75.4 persons out of one hundred persons aged 15 till 64 years worked in Q4. The employment rate thus overtook the so far record value from the end of year 2019 for the first time. For males it was 82.1% (with year-on-year growth of 0.8 p.p.), for females 68.3% (+1.3 p.p.). More favourable development for females is the result of swift recovery of demand for work in some branches of services strongly hit by pandemics. The faster

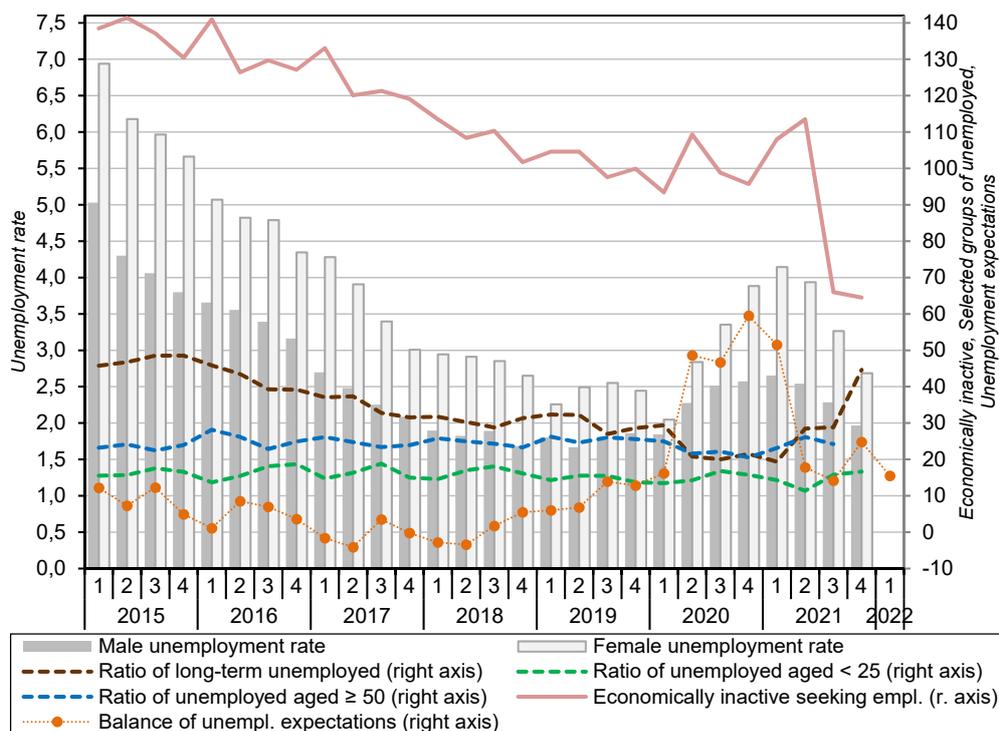
⁷ Number of all foreigners working in the CR in the employee position strongly grew for a major part of the last year. In September the labour offices registered record 720 thousand of them. Their number mildly fell just at the end of the year (to 702 thousand), still it was by nearly one tenth higher year-on-year. This increase was from nearly two thirds the result of the strong inflow of workers from Ukraine, whose number (195 thousand) approached the long-term dominant group of workers from Slovakia (209 thousand). Nearly one half of all registered employees from Ukraine did not need a work permit in the CR, the most often due to granted permanent residency. 37% of Ukrainians had at their disposal the residency permit, thanks to the employee cards further 70 thousand were working here. 58% of all employees from Ukraine were males, slightly less than for all foreign employees in the CR (62%).

increase of the pension age for females compared to males is also having an effect in the long term. Based on the up to date data from Q3 2021, the employment rate for males was 74.3% and females 64.3%⁸ in the EU.

Apart from industry, expectations of businesses in the area of employment strengthened for a major part of the last year. Mild pessimism lingered only in some areas of services at the beginning of year 2022.

According to the business cycle surveys, the short term positive expectations of businesses in the area of employment climbed up the highest in September 2021 since the Autumn 2019. Mild cool down manifested as a result of difficulties in manufacturing during Q4, the optimism however again strengthened at the beginning of year 2022. The expectations were positive mainly in trade and construction, but also in industry. Businesses planning job terminations still slightly outweighed in services, this was nevertheless valid also in the period immediately before the onset of pandemics. Negative expectations endured e.g. in the air transport and in the financial sector. At the same time however, the proportion of businesses, which considered the shortage of labour one of the growth barriers, increased – it was already 45% in construction in February 2022 (here it was the most significant growth barrier already the fourth year in a row), in industry as well as in services approximately by 20%⁹. With the exception of industry, the difficulties with the labour force already climbed up to the level from year 2019 and thus prove the strong tension on the labour market.

Chart 15 General unemployment rate (in %), ratio of long-term unemployed and persons aged up to 25 and above 50 years among unemployed (in %), economically inactive willing to work (in thousand)* household expectations for unemployment development (in points)**



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)

⁸ Employment rate for males in the productive age was in the CR the third highest among the Union members – after Netherlands (84.8%) and Malta (83%). For females thirteen countries reached higher rate – next to the Netherlands (78.3%) also for example all Baltic states, Hungary or Slovenia. The majority of states of the South Europe traditionally presented low employment – mainly Italy (males 68.5%, females 49.9%). The total employment rate of persons aged 55 till 64 years in the CR (70.8%) was within the EU states the sixth highest, it was placed above the level of the Union also for persons aged 65 till 74 years, on the contrary for young people up to 25 years (25.8%) it considerably lagged behind the level of the EU (34.5%).

⁹ In industry this difficulty was especially pressing in the manufacturing of construction materials and also in many smaller manufacturing activities. In services analogically mainly in the land transport, warehousing, postal and courier services, architectural and engineering activities and activities associated with buildings and landscape activities.



The general unemployment rate was shrinking for a major part of the last year, primarily due to females.

The General unemployment rate¹⁰ (persons aged 15 to 64 years) culminated during the pandemic period last year in March, when it reached the four-year maximum (3.4%). Favourable development in the remaining part of the year was completed in December 2021, when the unemployment closely approached 2%, i.e. the level for the last phase of expansion. The effect of significant last year's reduction of government stabilization programs (Antivirus, care benefits) was compensated by the positive impacts connected to the full „opening“ of the economy. The unemployment of females was falling faster (to 2.5%), still the level from the turn of years 2019 and 2020 slightly exceeded. The supply of part-time jobs, which would „pull“ even higher number of women on the labour market, apparently has not reached the level from year 2019 so far¹¹. The position of job applicants younger 25 years, again mainly females, improved last year – drop of the unemployment rate from 15.6% (January) to 6.6% (December). On the other hand, the number of long term unemployed expanded year-on-year in the second part of year 2021. These formed already 45% of all unemployed in Q4. Regional range of total unemployment rates (not seasonally adjusted) were relatively narrow last year in Q4 (from 1.1% in the Jihocesky region till even 4 % in the Moravskoslezsky region). Prague (by 1.8 p.p.) and Karlovarsky region (2.4 p.p.) recorded the highest year-on-year drop of unemployment. It represents the regions the most specialised on tourism in the CR (and specifically on the foreign customer base).

Number of long-term unemployed expanded in the second part of the year, however.

Concerns of households from unemployment abated, number of job vacancies was growing.

Household concerns regarding the unemployment growth (in the nearest twelve months) sharply weakened during Q2 and returned to the lower level from the second half of year 2019¹². Number of job vacancies in the supply of labour offices arrived at 343 thousand in December last year¹³. It was thus comparable with the end of year 2019. There were 0.8 job applicants per one job vacancy. Approximately 60% of municipalities¹⁴ as well as regions in the CR signalled the excess of number of job vacancies over the registered applicants. Nearly two thirds from the total year-on-year increase represented the positions with very low qualification requirements. Supply for applicants with at least school leaving certificate however also mildly increased. Total supply of vacancies in the CR expanded mainly in Prague and Plzensky region last year.

The average gross monthly wage broke the 40 CZK thousand boundary in Q4.

The average gross monthly nominal wage (per employee considering the time of the job) rose by even 4% year-on-year last year in Q4 and for the first time in history, it crossed the boundary of 40 CZK thousand. Wage after adjustment for seasonal effects (e.g. also the paid out regular bonuses) increased by 0.9% quarter-on-quarter, i.e. at slightly lower pace compared to Q2 and Q3 2021. The heighten tension on the labour market connected both to the low employment and high and further growing number of job vacancies exerted a pro-growth influence on the size of wage for a major part of the last year. The shortage of employees limited the output in the majority of significant branches. The government measures also had some, even though opposite effect. While the continuing increase of the minimum wage (and derived system of guaranteed wages) had a stimulating effect mainly in branches with lower level of earnings, the decrease of the effective taxation of workers, which enabled to firms to maintain high employment with lower pressure on the increase of labour costs, likely had an opposite effect. Proportion of employers especially in market branches thus took into consideration the fact,

Pace of wages was affected by mixture of contradictory factors.

¹⁰ Unless stated otherwise, all date regarding the unemployment rate stem from the LFSS (based on the ILO methodology) and are adjusted for seasonal effects.

¹¹ While 12.3% of females aged 15 and over worked part-time in Q1 2019, only 10.7% in Q3 2021. The situation of females aged 15 to 29 years improved during the last year's Summer, the proportion of part-time jobs reached 14.1% here (the level closed to years 2018 and 2019). It also led to the increase of the employment rate of young women during the year 2021. By contrast the employment rate for both males and females aged 65 till 74 years stagnated year-on-year and the percentage share of part-time jobs among the employed was decreasing.

¹² However they again increased in connection with the dynamic worsening of the epidemic situation for a short time in November, they were however far from reaching the level from the beginning of the year.

¹³ Significant part of the positions however remains vacant in the long-term, they cannot be actively considered. Among the job vacancies offered on the internet website of the labour office in January 2022, only approximate one half was active (offers, where last change occurred after 1st July 2021 and the starting date was 1st October 2021 or later).

¹⁴ It generally concerned the districts of the Central, South and West CR. The largest number of job applicants per one job vacancy was reported from the Karviná district (10), Bruntál, Ústí nad Labem and Most (similarly 5).

that people's earnings will rise even without the increase of gross wages. In addition, many businesses in branches strongly hit by the pandemics faced financial difficulties despite the government stabilization programmes, which limited their options to improve their appraisal of both new and current workers.

The wage growth was below average in manufacturing as well as construction during the whole year.

The average wages increased by 3.9% in the weight most significant branch of manufacturing in Q4 2021 (the below average wage was recorded for the twelve quarter in a row). In motor vehicle itself, the wages only stagnated, which could have been connected to the lower number of hours worked due to the unplanned production shutdown in October (the wage growth mildly lagged behind the whole industry here last year also in the yearly view). In non-manufacturing industrial branches, the earnings grew by a faster pace. In case of mining and quarrying (+9.1%) it was however accompanied by unprecedented deep drop of employment. Wages rose only by 3.7% in construction in Q4 (similarly to the rate for the whole year 2021), despite strong demand for work accompanied by difficulties when searching for new employees.

Wage growth was further noticeably differentiated in the public services.

In the whole services sector, the average wage grew by a similar pace to manufacturing with its value (41.6 CZK thousand monthly) in Q4 2021, however it exceeded this branch by nearly one tenth. The development was extraordinarily varied among services and oscillated considerably during the year. The segment of services with a significant role of state illustrates this well. If the wage growth was 6.2% in education thanks to the increase of the wage tariffs and paid out bonuses, in health and social care the average wages due to the high basis from the end of the year before the last¹⁵ dropped by 8.1% (they however increased by 12.2% for the whole last year, mainly thanks to the extraordinary Spring bonuses). The wages rose by 1.4% in public administration, education, health and social work, the least in the last eight years.

Wages significantly strengthened after the decrease in the first year of the pandemics in trade, accommodation, food service and restaurants last year.

Real estate activities stood out among the services branches in Q4 (and also during the whole last year) and their year-on-year growth of sales attained double digit values¹⁶. Swift wage growth in the key branch of trade (+8.9%) was associated with the lowered basis from year 2020 as a result of considerable limitation of sale due to the government restrictions. The effect of the post crisis revival was even more visible in accommodation, food service and restaurants (+9.7%), the level of average wages was the lower from all branches here, when it reached only one third of earnings of branch information and communication (where it was 66 CZK thousand monthly). Wages in financial and insurance activities remained tightly below 60 CZK thousand. It is apparent especially from the annual view, that both by the level of earnings and especially creation of new job positions, this branch rather lags behind the dynamically developing ICT area. Wages of employees in administrative and support services activities improved on average by 8.5% year-on-year, the size of their earnings however reached only two thirds of the level of the national economy.

The real wage decreased in the majority of significant branches in Q4.

The average nominal wage increased by 6.1% in total for the last year (doubled pace in comparison to the first year of pandemics), which was sufficient to its return to real growth. Nevertheless due to the accelerating consumer inflation the last year's real growth was the lowest after year 2013. The purchasing power of average employee earnings however decreased by even 2% year-on-year in Q4 2021 itself. Among the more significant branches¹⁷ thus only employees in trade, transportation and warehousing and also in education had at their disposal higher purchasing power.

Wage median grew faster than the average wage in Q4.

Wage median attained 36.8 CZK thousand for males, 31.7 CZK thousand for females in Q4. In contrast to the previous part of the last year it increased more for males year-on-year (5.4%)

¹⁵ Reason was the payment of extraordinary bonuses for the first pandemic wave (from the Spring 2020).

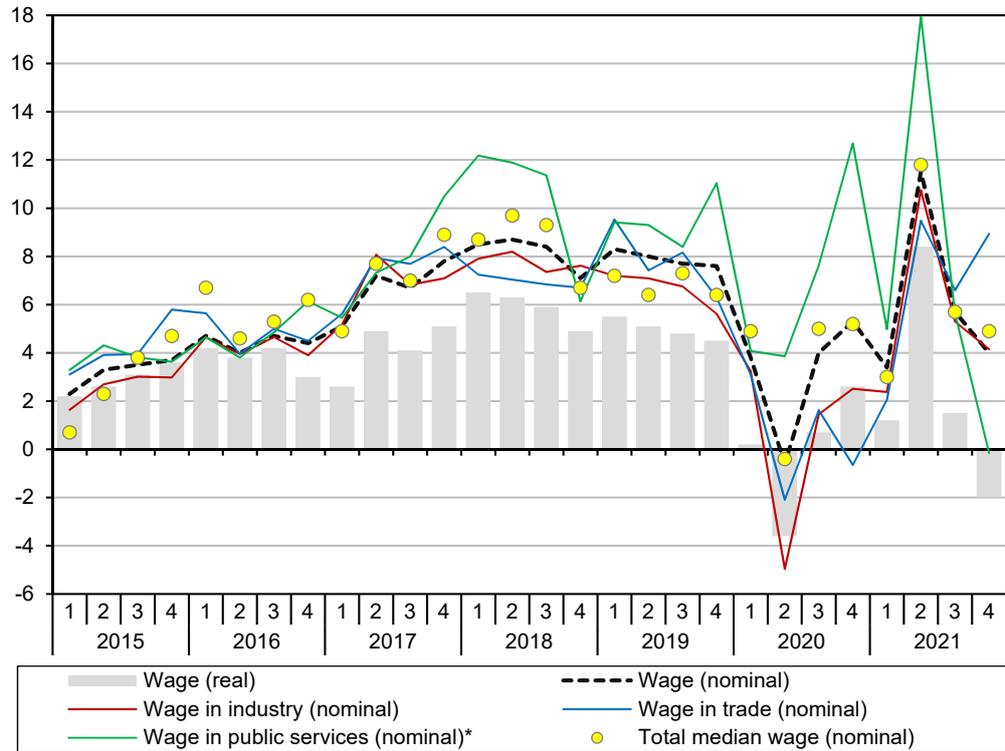
¹⁶ In this small branch, the development of both wages and employment is usually volatile. The size of earnings was affected (mainly in Q4) by the swift growth of the number of hours worked.

¹⁷ With more than 200 thousand employees.



than females (4.6%). Moderate widening of the wage differentiation signal in the preceding part of the year thus presumably halted.

Chart 16 Average nominal and real wage and wage median (year-on-year, in %)



* Includes branches with significant state role: Public administration, defence, social security; Education; Human health and social work activities; Cultural, entertainment and recreational activities.

Source: CZSO