

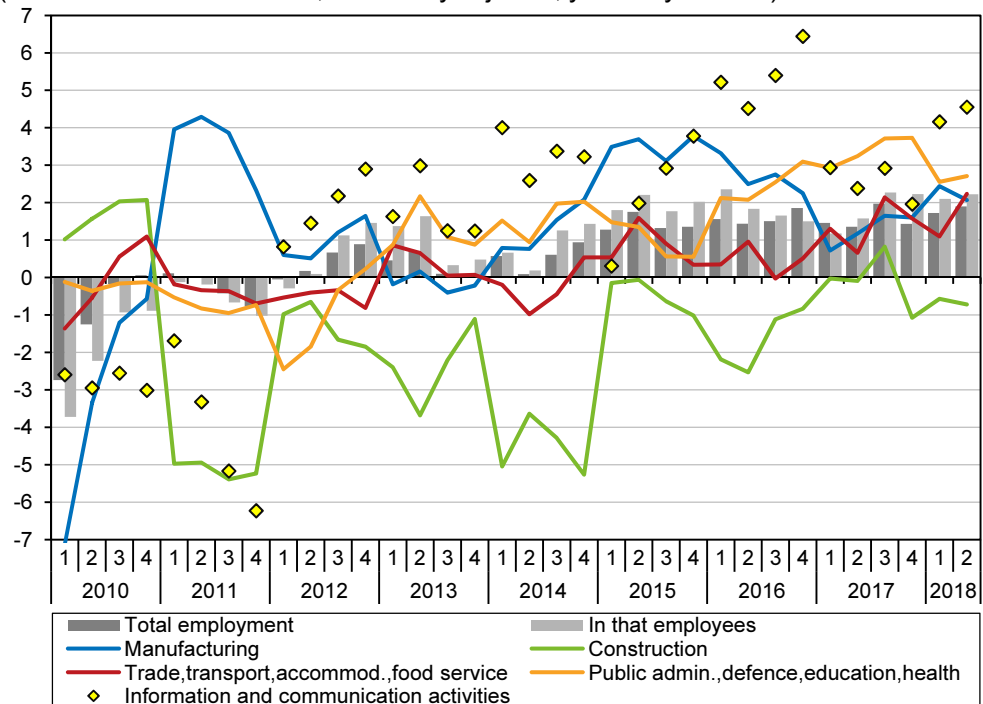
6. Labour Market

Excess robust demand for labour force is the main source of the rising tension on the labour market in the last quarters.

Despite shrinking reserves of potential labour force, the rate of growth of employment was not losing strength.

Labour market was characterised by a growing tension stemming from the unmet robust demand for labour force in the Czech Republic in the first half of year 2018. Proportion of businesses experiencing the current lack of available labour force as a barrier to their growth was expanding in all the main branches of the economy. In case of industry it represented the main growth barrier (already since the half of the last year), in other branches (e.g. construction) the situation was already strongly nearing this state at the beginning of the summer period. Despite shrinking reserves of the disposable labour force (primarily from the ranks of the unemployed), the rate of growth of employment was still not losing strength. Number of workers¹ grew by 0.6% quarter-on-quarter in Q2 and thus repeated the result of the first quarter of the year. Growth rate was in both cases slightly higher compared to the EU. Growth of employment neared the 2% boundary in the year-on-year comparison. Physical number of workers in this country set the new maximum in the history of the CR (5.44 mil). To a large extent, persons in one's declining years stood behind this phenomenon, whose employment activity was affected by the lengthening age limit for the retirement. Labour market also with the assistance of the heightened supply of part-time work contracts² absorbed also the numerically strong years of birth of economically inactive persons. The decrease of the unemployment still had a significant effect, even though the role of this factor weakened³. On the contrary, the significance of the labour force from abroad kept further growing⁴.

Chart 14 Number of employed in selected branches and total number of employees
(based on national accounts, seasonally adjusted, year-on-year in %)



Source: CZSO (national accounts)

¹ Unless stated otherwise, data on employment are given in the national accounts conception adjusted for seasonal effects in this chapter.

² The number of employed working part time increased by 20 thousand year-on-year in Q2 2018. The persons aged 65 and more and also persons in the group aged 25-29 comprised the overwhelming majority of those who contributed. Still the CR belonged among one quarter of states with the lowest proportion of persons in the productive age working part time within the EU.

³ According to the newest so far not seasonally adjusted data from the Labour Force Sample Survey (LFSS) related to the flows on the labour market, 31 thousand persons transferred from unemployed into employed between Q4 2017 and Q1 2018 (nearly 40 thousand the year ago). On the contrary, 44 thousand persons headed from the economically inactive group to employed (similarly to the beginning of year 2017).

⁴ Based on the preliminary data of the demographic statistics, the number of immigrated into the CR increased by more than one third in H1 2018. Positive balance of international migration (17.7 thousand) was highest in the last nine years in this period of the year.



Employment rate of those aged 15 to 64 years was already nearing the 75% boundary.

Given the fact, that the frequency of population aged 15 to 64 years continuously falls in the CR after year 2008, the growing number of employed was driven by the effect of the strengthening participation. Employment rate of aged 15 to 64 years increased by 1.4 p.p. year-on-year and it already aimed at the 75% boundary in Q2, which brought the CR closer to the first five EU countries with the highest employment rate. Swifter growth of employment of females rather than males continued⁵. Employment rate increased year-on-year in all age groups (apart from persons up to 25 years of age).

Solely only employees contributed to the year-on-year growth of employment this year.

In contrast to the first half of the last year, this year's growth of employment in the economy was driven nearly solely by persons with the employment status. Number of self-employed stagnated⁶, since their moderate growth in manufacturing, real estate activities or a grouping trade, transportation, accommodation and food service activities was offset by the year-on-year decrease in other branches of services, in construction and in the primary sector.

Services secured more than two thirds of the addition from all branches.

From the view of branches, the tertiary sector contributed the most (+67 thousand) to the growth of the total employment (+96 thousand year-on-year) in H1 2018, i.e. similarly to the two preceding years. All branches of services were expanding their levels of workers, only financial and insurance activities stagnated (employment in this branch mildly oscillated already six years in a row). Information and communication were the most successful (+4.4%) and real estate activities (+3.3%). Weight significant branch trade, transportation, accommodation and food service activities was also hiring workers (+1.7%). Branches with the dominance of the public institutions added the most to the growth of the services sector (+2.6%), employment was strengthening here in education as well as activities connected to the state security.

Despite obstacles with hiring of workers, employment grew in manufacturing. Job positions kept dwindling in construction as well as mining industry.

Outside the area of services, strong demand for labour sources prevailed also in manufacturing. Despite the difficulties with filling the vacant job positions, the employment grew by 2.3% here. Reduction of employment in non-manufacturing industrial fields halted this year. Slower reduction of job position in mining and quarrying with the simultaneous growth of employment in energetics as well as the area of water and waste management contributed to this result. On the contrary, number of employees slightly lowered in branch agriculture, forestry and fishing similarly to construction. Given the minimal changes in the employee segment, the lower number of self-employed was decisive factor in both cases.

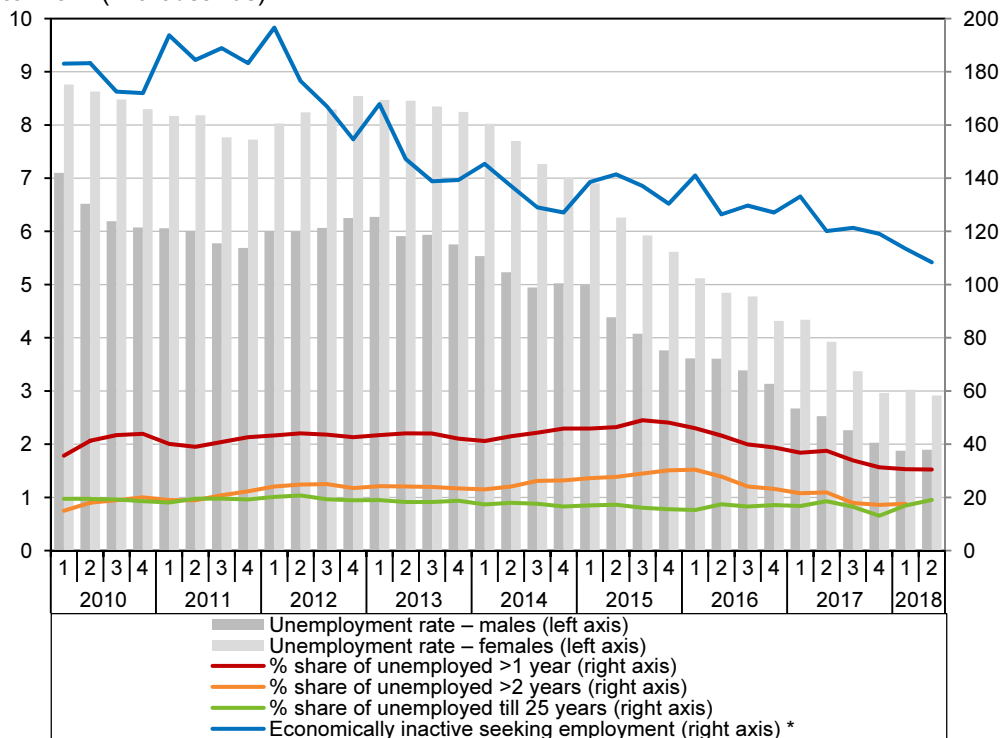
General unemployment rate fell only negligibly during the first half of the year. The number of long-term unemployed however kept shrinking.

LFSS data suggest that the general unemployment rate (the lowest in the history of the independent CR) moved already close to its bottom in the 1st half of 2018. Based on the seasonally adjusted data, the number of unemployed decreased only by 3 thousand between Q1 and 2 (similar result was also achieved in the first three months of the year). 2.9% of economically active females, resp. 2.0% of males aged 15 to 64 years were without a job in June. Year-on-year the unemployment rate was falling for females twice as fast as for males (where there is the potential of further reduction of unemployment apparently already very limited). Lower number of unemployed was from the vast extent the result of lower frequency of persons, who were out of job for more than one year (it lowered by 24 thousand to 36 thousand) in Q2. Their share in the total number of unemployed fell to 30% (the lowest since year 2009) and it was nearly by one third weaker than in the whole EU.

⁵ Based on the LFSS data, the employment rate for males was 81.8% (by 1.1 p.p. higher year-on-year), for females 67.6% (by 0.7 p.p.) in Q2 2018.

⁶ LFSS data suggest that the number of entrepreneurs with employees as well as the numerically larger group of entrepreneurs without employees stagnated this year.

Chart 15 General unemployment rate of males and females, share of selected groups of persons on all unemployed (in %) and economically inactive wanting to work (in thousands) *



Note: all data related to unemployment are seasonally adjusted.
 *Persons who are not part of the labour force, are not actively seeking employment (and thus do not meet the conditions of ILO for unemployed), however state that they would like to work.
 Source: CZSO (LFSS – Labour Force Sample Survey)

Number of economically inactive seeking job reached its minimum for the whole period of monitoring.

This development however also leads to the situation in the CR, that still more often persons with minimal or obsolete work experience break through among the long-term unemployed⁷. Strong absorption capability of the labour market is also evident from the drop of the number of economically inactive persons, who are not part of the labour force, do not actively seek employment, however they state, that they would like to work. Their number was 108 thousand in Q2, the least in the history of monitoring. Only just below one third of them was however able to quickly enter the employment, often these are persons who have specific demands on the job contracts.

Supply of vacancies on the LO set the new records from the view of both the size and dynamics.

Supply of vacant job positions via the labour offices (LO) overtook for the first time in history of their functioning the 300 thousand boundary during June. Month-on-month addition also accomplished a record (18.3 thousand), it was partially also affected by the favourable weather. Despite seasonal factors, the month-on-month supply of vacancies expands continuously since the end of year 2016. The addition to vacancies was however from the view of demands on qualification as well as region considerably varied⁸. The disproportion between the structure of the supplied vacancies and registered job applicants thus deepened. From the macro view however a positive development prevailed, since starting this year's April the total number of vacancies already exceeded the frequency of job applicants. Nearly two thirds of districts of the CR were in a similar situation at the end of June⁹. Manual workers had the highest chance of

Mostly positions with low demands on qualification accrued. Disproportion between vacancies and job applicants thus deepened.

⁷ Nearly 30% of all long-term unemployed were without a job for more than four years in Q1 2018.
⁸ 81% of the total increase of vacancies between this year's and last year's June (118 thousand) belonged to positions, where the maximum primary education was adequate, on the contrary only 2.5% positions required tertiary education. Total supply of vacancies expanded the most in regions with the below average unemployment – only Prague, Central Bohemia region, Plzen and Pardubice regions created in sum two thirds of the vacancy increase in the whole republic.
⁹ LO registered more than 2.5 applicant per 1 vacancy already in only four districts at the end of this year's June - Karvina (5.8), Most (4.1), Ústí nad Labem (4.0) and Jeseník (3.4).



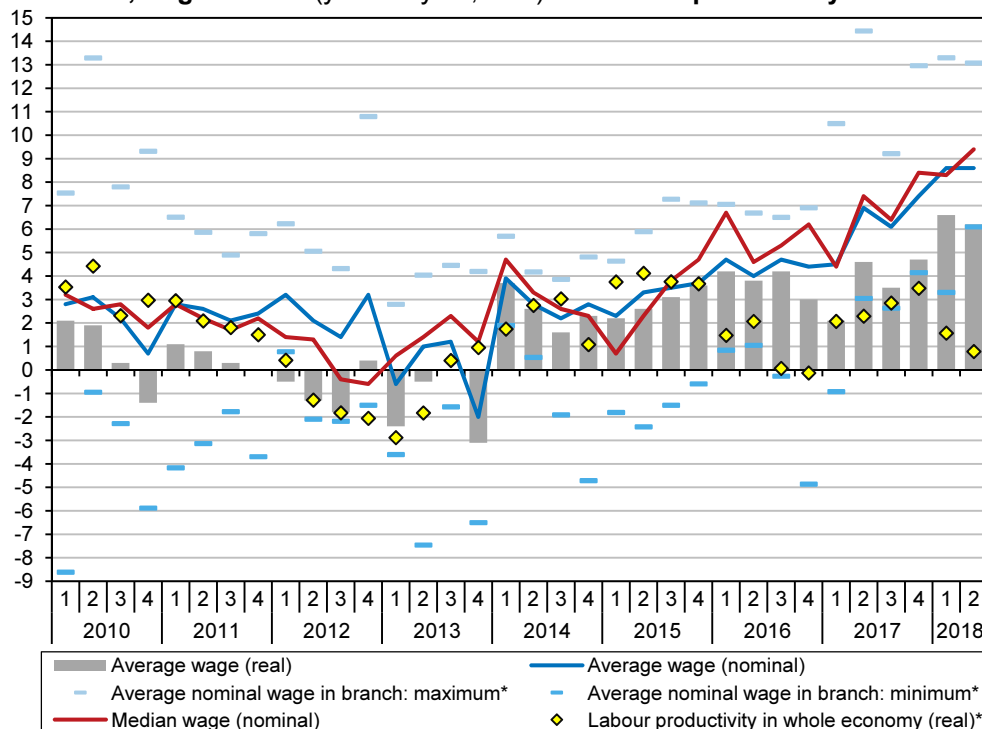
securing employment regardless of their qualification (machine operators, craftsmen and repairmen or supporting staff), resp. persons with primary education and apprentices. On the contrary for persons with secondary education with the school leaving certificate and university degree registered at LO, the levels of unemployed still exceeded the vacant positions supplied to them.

The CR further kept its special position among the EU states with respect to the unemployment rate as well as the number of job vacancies.

Unemployment fell year-on-year in all states of the Union, many of them however keep experiencing structural issues.

Rate of job vacancies increased year-on-year by one half and it equalled 5.4 %¹⁰ in Q2. The Czech Republic was with a significant lead (ahead of Belgium and Germany) dominating all EU countries¹¹. The CR holds a front position also in relation to the unemployment rate – and in addition for nearly three years already. Unemployment was reducing across all Union countries. Compared to Q2 2017, it fell the most in Cyprus (by 3.3 p.p. year-on-year) and Croatia (2.4 p.p.), which are nevertheless still the most hit economies (within the framework of states, that acceded to the EU after year 2000). Among the larger states, Spain recorded a bigger shift (from 17.2% to 15.3%), in the opposite direction unemployment in Italy and France fell only a little (by 0.4 p.p.). From the largest economies, both Germany (3.5%) and Great Britain (4.0%) kept the favourable position. Unemployment rate in the whole EU was (similarly to the CR) by 0.8 p.p. lower year-on-year and amounted to 6.8%. For the first time it equalled its minimum from year 2008. In countries of the current euro area, it still remained by whole 1 p.p. above the minimum from the previous expansion period (7.2%). In some countries with a positive situation or development of the total unemployment structural difficulties persist, for example with long-term unemployment (Slovakia, Bulgaria, Belgium) or participation of young people in the labour market (Croatia, Portugal).

Chart 16 Average gross monthly wage, span of its rate of growth across branches*, wage median (year-on-year, in %) and labour productivity**



*Branches with relatively highest, resp. lowest year-on-year rate of growth of the average wage. Branches energetics as well as financial and insurance activities were not included in the whole period (2010-2018) due to the non-standard development at the turn of years 2012 and 2013, resp. 2013 and 2014.

** Share of seasonally non-adjusted GDP and employment (in the national accounts conception)

Source: CZSO

¹⁰ It is the proportion of vacancies on the total number of positions (both vacant and occupied). Branch Agriculture, forestry and fishing is not included.

¹¹ Comparison does not include Denmark, France, Italy and Malta, where the data are not available in the long term.

Rate of growth of the average nominal wages kept expanding further and hit the ten-year maximum.

Rate of growth of the average nominal wage was further increasing. It was similarly 8.6% in both Q1 and 2 according to the business statistics and it was the highest in the last ten years¹². Factors standing behind the wage dynamization remain the same in the last quarters (good economic results of businesses, prevailing positive expectations in key branches of the economy, strengthening lack of available employees and from this springing competitive pressure, regular increases of the minimal wage impacting also the size of the guaranteed wage). While in the previous three years, the strong growth of the average earnings in branches with very low wage level represented the typical feature of the development, this year the strong wage dynamics in branches with the predominant public sector presence showed of paramount importance.

Wage growth accelerated in all branches with the predominant public sector. In contrast it grew only slightly faster in manufacturing compared to last year.

Arts, entertainment and recreational activities (with the wage growth of 13.2% in H1) prove, that both above mentioned tendencies partially intersect. Rate of growth of wages accelerated the most in education (12.4%, 4.9% a year ago). Outside the public services other branches of services followed with a larger margin, where the relatively weaker growth of average earnings (typically between 6 and 8%) was usually accompanied by a swift growth of employment. Growth of average wages fastened only mildly in manufacturing (to 7.8% from last year's 6.5%), the volume of paid out wages lagged behind the pace in the whole economy for the first time in the last six years. On the contrary in the smallest branch division – mining and quarrying – it increased for the first time in five years (thanks to the high rate of growth of the average wages 9.4%). Even though the growth of earnings in financial and insurance activities lagged behind the pace in the whole economy already the fourth year in a row, still it represented the branch with the highest level of average gross monthly wages (57 thousand, 3.1 times more than in accommodation, food service and restaurants). Wage differentiation between branches or regions mildly shrank. Median wage increased by 9.6% year-on-year in Q2 (for females even by 10.1%). Lead of the growth of the median wage before the pace of the average wage prevails with small fluctuations already three years. As a positive fact, the purchasing power of wages strongly increased. It was by 6.4% higher year-on-year for the whole half-year and achieved the best result in the last 15 years.

Relative wage differences between branches or regions mildly shrank.

¹² Volume of paid out wages (also reflecting the development of the number of employees) was by 10.8% higher this year compared to H1 2017. Within first half of the year, it was the highest nominal growth in the whole comparable time series (starting year 2000).

