

6. Labour Market

Partial cooling manifested on the labour market, the imbalance between supply and demand narrowed. Situation however significantly differed in the individual segments of the economy.

Despite ongoing stagnation of the performance of the domestic economy, the cooling of the previously strongly overheated labour market has been only partially evident in the CR this year so far. This can be next to the traditional lag of the labour market in relation to the business cycle also explained by the markedly differentiated impact of the preceding shocks (pandemic restrictions, energy crisis) on the various segments of the economy. Cooling of the labour market was more notable in subjective stances of the employers (ascertained with the business cycle surveys). Thus the short-term anticipations of businesses in the area of employment were further deteriorating in the course of H1 and at the same time the number of businesses stating shortage of labour force as a barrier to their growth diminished during H1. Still the employment considerably grew in the economy, even though not at all across the board, and also under specific circumstance (gradual integration of the refugees from Ukraine). The number of job vacancies slightly shrank while accompanied simultaneously by negligible increase of unemployment in the economy. Advantageous position of the employees on the labour market accompanied by persisting strong growth of the cost of living of households heightened the pressure on the wage growth. Despite disinflationary tendencies the year-on-year loss of the purchasing power of wages still remains significant in the economy.

Total employment climbed up to record level. It was also aided by the revival of small business, which manifested across all main branches.

Total employment¹ was considerably expanding this year. It was by 0.8%, i.e. by 45 thousand persons, higher year-on-year in Q2 and quarter-on-quarter it strengthened even by 1%. Number of workers reached a record level (5.51 mil), it was by 68 thousand higher compared to year 2019. The revival of the entrepreneurial activity significantly contributed to the year-on-year growth of employment. Quantity of self-employed² widened by 2.4%, mainly thanks to construction (+7 thousand), information and communication (+10%) and financial activities (+6%) then experienced the relatively highest growth. At least a mild increase of the number of small businesses occurred in all main branches. Still the number of self-employed remained considerably below the level from year 2019 (-4%, 30 thousand persons)³ in Q2 this year.

Number of employees grew solely thanks to services, where they increased across all main branches.

Growth of total employment was however driven mainly by employees also this year. Their quantity however increased only by 28 thousand (+0.6%, the least since the peak of the pandemics at the beginning of year 2021) year-on-year in Q2. In spite of the previous period however, the increase of the job positions occurred only in the tertiary sector in Q2 this year (where it however had for the vast part an across the board character). The more than 2% strengthening of employment in public services was clearly evident there, when new positions in the areas typically linked with high participation of females (education, health and social care) were created for the reasons of heightened society-wide demand⁴. New employee positions were also created, even less intensively, also in the traditionally dynamic information and communication. Branch professional, scientific, technical and administrative activities, providing services for businesses also signalled a more stable growth of demand for workers. By contrast the traditional branches of production due to the effect of strong growth of production costs as well as sluggish foreign demand struggled with growing difficulties. Thus the growth of the number of employees halted in manufacturing in Q2 for the first time in two years

On the contrary, the number of employees shrank in manufacturing for the first time after two years.

¹ Data regarding employment stem from the national accounts conception. They are expressed in physical persons and adjusted for seasonal effects. Contrary to the data from the business statistics or the labour force sample survey (LFSS), they take into account e.g. the estimation of the impact of grey economy.

² It follows from the more detail data of the LFSS, that the number of employers (entrepreneurs with employees) only stagnated year-on-year in Q2 (after preceding four years of decreases). This group of businesses is in the methodology of the national accounts classed into the category of employees.

³ Their quantity was in the most weight significant segments of the economy – manufacturing or group trade, transportation, accommodation and restaurants – lower by 11% and 7%, respectively, this year compared to the beginning of year 2019. In contrast, self-employed mainly in information and communication (+12%) and in construction (+3%) stayed above their pre-crisis numbers.

⁴ For instance the number of students in school year 2022/2023 expanded unusually on all stages of education simultaneously year-on-year (the most at primary schools – by 4.5%).

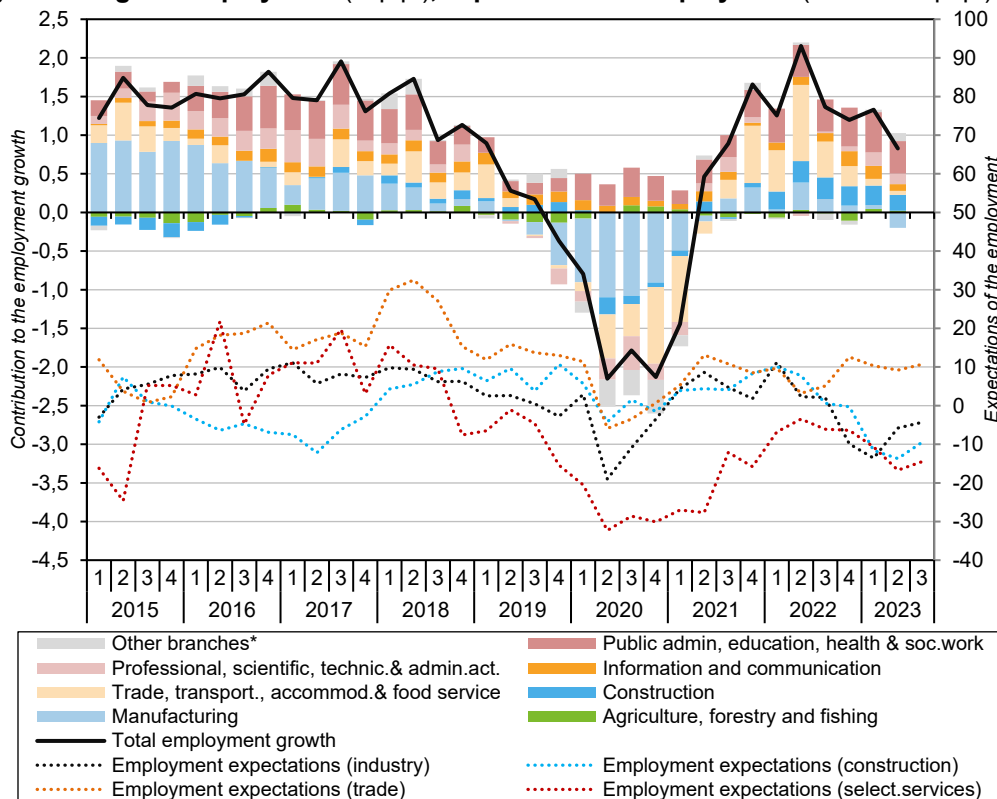


(-0.9%)⁵, mild growth continued in the primary sector of the economy, even though at a slower pace than last year.

More frequent use of part-time job contracts prevented faster growth of hours worked in services.

Total number of hours worked increased by 0.9% in the economy year-on-year in Q2 and similarly to the beginning of this year it grew comparably to the total employment (although the hours worked were significantly ahead of the rate of growth of the employment for the whole last year). Expansion of the part-time job contracts (connected with the growing employment of females supported by the refugee wave as well as newly introduced tax relief to support part-time jobs) prevented swifter growth of the hours worked this year. Growth of the hours worked more notably overtook the employment dynamics only in industry.

Chart 13 Total employment (year-on-year in %), contributions of branches to year-on-year change of employment (in p.p.), expectations of employment (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), Eurostat (business cycle surveys).

Number of foreigners in the employee position crossed 800 thousand in the CR. Its growth was traditionally driven by citizens of Ukraine.

With respect to the greatly limited source of available labour force in the CR as well as the strong pressure on the optimisation of the production, the domestic employers further intensively demanded new workers from abroad. Legislative amendments lowering the administrative demands in this area helped to ease the employment of foreigners. Following the temporary slowdown of the inflow of foreign workers into the CR at the beginning of this year, the number of registrations again increased more in Q2. Record 803 thousand of foreigners worked in the employee position in the CR at the end of July this year (based on the records of labour offices), by 105 thousand more compared to January 2022 (for Ukrainians the number increased from 198 thousand to 273 thousand, driven from nearly

⁵ More detailed data of the business statistics show that the year-on-year decrease of the registered number of employees occurred in all more weight significant industrial branches (manufacturing of motor vehicles was no exception) in Q2.

80% by females⁶). Increase of other groups of foreigners was of a lower order for the same time period⁷.

Anticipations of businesses in the area of employment deteriorated in H1. Trade kept mild optimism.

Short-term anticipations of businesses in the whole economy in the area of employment further weakened in H1 2023 and reached the lowest level since the peak of pandemics (March 2021) in May. Signs of stabilisation however occurred during this year's summer months since the pessimism of businesses in this area did not deepen further in any of the main branches. Based on the data from August 2023, 12% of business in industry, 18% in construction and 25% in services planned to reduce the numbers of employees in the nearest three months, but only 6% in trade (where the businesses keep positive outlook even despite the falling household consumption). Situation at the level of sub-branches differed within both industry and services⁸. Resulting from the deterioration of the total economic outlooks as well as the strong inflow of persons from Ukraine on the domestic labour market, the proportion of businesses, which consider the shortage of labour force to be one of the significant growth barriers was falling in the majority of main branches – it was the most apparent in construction (where the difficulty with human resources did not represent a main barrier this year in August after more than two years).

General unemployment rate as well as the number of long-term unemployed grew only slightly. Larger movement occurred for the working reserve; its size is however still low.

General unemployment rate⁹, which stagnated near historical minimum for a major part of the last year, has started to slightly grow since the beginning of this year. Thus there were 2.3% of economically active males (aged 15 till 64 years) and 3.4% females¹⁰ without a job in July. The year-on-year increase was only small in both cases (0.3 to 0.4 p. p.). Figures regarding the job applicants registered at labour offices (LO) also correspond to this development, their course agreed with the common seasonal effects¹¹. The long-term unemployment has not risen much either and persons, who were without a job for more than one year, still comprised only slightly over one quarter of all unemployed. The size of the potential working reserve however considerably increased for the second quarter in a row – the number of economically inactive not seeking work but stating willingness to work was the highest in the last two years (87 thousand)¹². Quantity of job vacancies in the offer of LO was mildly lower year-on-year in all months this year, but already only by 28 thousand in July (just below one tenth). Mainly the low qualification positions stood behind the decrease –

⁶ From the citizens of Ukraine registered at labour offices females already comprised 52%. The absolute majority of females among the more numerous groups of foreigners existed already for the citizens of Russia, Kazakhstan and Thailand. Already nearly three quarters of the registered workers from Ukraine in the CR did not need a special work permit (e.g. the employee card). This way they differ from the majority of other employees from the so called "third countries".

⁷ For the citizens of Slovakia it arrived at 7.5 thousand, the Philippines (+3.0 thousand), Poland (+2.4 thousand), Russia and Vietnam (+1.9 thousand), India (+1.8 thousand), Hungary and Turkey (similarly +1.2%), Kazakhstan (+1.0 thousand). From the more significant groups of foreigners in the CR, only the number of employees from Belarus (-0.3 thousand) and Bulgaria (-0.1 thousand) fell in the last 1.5 years.

⁸ Businesses in the vast majority of industrial branches anticipated the reduction of the number of employees (according to the survey from July 2023) – both energy intensive (metallurgy, metalworking industry, manufacturing of construction materials, chemical industry or food industry) and sub-supplier fields for the manufacturing of motor vehicles (electrical engineering, manufacturing of rubber and plastic products) or in the number of smaller branches (beverage, textiles, wearing apparel, wood and paper industry). On the contrary, mildly positive outlooks prevailed in manufacturing of motor vehicles, computers, electronic and optical appliances, among smaller branches then in the pharmaceuticals, printing activities, manufacturing of footwear or repairs and installation of machinery and equipment.

In services, the negative anticipations were the most obvious in the land transport, in financial activities, in telecommunications, in publishing activities, at travel offices and agencies, repairs of computers and products for personal need for household or in administrative, office or other support service activities for businesses. In contrast, for a number of other business services (legal and accounting activities, architectural and engineering activities, services of employment agencies) or in insurance activities, programming, courier activities, restaurants and warehousing, the businesses assumed rather higher employment.

⁹ Unless stated otherwise, all data regarding the unemployment rates are sourced from the LFSS (based on the ILO methodology) and are adjusted for seasonal effects.

¹⁰ The CR still occupied a significant position among the EU states. Only Malta (2.5%) recorded lower total unemployment (of persons aged 15–74 years) than this country. Among the central European countries, Poland as well as Germany maintained the unemployment below 3%, it was higher in Slovakia (5.8%) and Austria (5.6%). Traditionally, Spain (11.6%) and Greece (10.8%) faced the biggest difficulties in the whole EU. The unemployment stayed on very low values both in the EU (5.9%) and the euro area (6.4%). It stagnated compared to this year's June and it was by more than 1 p. p. lower in comparison to the boom year 2008.

¹¹ Based on the LFSS data, the seasonally unadjusted proportion of the reachable job applicants aged 15 to 64 years of the population of the same age arrived at 3.6% last year in January, 3.3% in July and 3.7% in December. It climbed to 3.9% in January (the highest since May 2021), it fell to 3.5% in July.

¹² Only a fraction of this quantity is however able to join the workforce immediately, since a significant part of working reserves consists of students and females on the parental leave.



Concerns of people about the growth of unemployment weakened, still they remained above the long-term average.

nevertheless they still form the core of the supply of jobs. Number of registered positions is still higher than the number of registered applicants in the CR (more distinct excess of job applicants over the job positions prevails only in the structurally affected regions – the Ustecky and Moravia-Silesian regions). Concerns of people regarding the growth of unemployment were gradually falling since the beginning of this year. For households, negative outlooks of the total economic situation of the CR were falling simultaneously and pessimism was also subsiding on the anticipated own financial condition. Still the number of persons expecting growth of unemployment in the upcoming twelve months is considerably higher than in the whole boom period at the end of the last decade

Chart 14 General unemployment rate (in %, age 15 to 64 years), economically inactive willing to work* (in thousand persons), job vacancies (in thousand), unemployment expectations of households*** (in p. p.)**



Note: Figures regarding the unemployment rate as well as economic activity are seasonally adjusted. Job vacancies express balance at the end of quarter.
 *Persons not in employment, not seeking work, but expressing the willingness to work.
 **Vacancies for lower qualifications include jobs for people with secondary education with apprenticeship certificate and for those with secondary education without A-level examination. Vacancies for higher qualifications comprise jobs for people with secondary education with A-level examination, graduates from higher professional schools or from universities.
 ***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 relates to the middle month of the given quarter.
 Source: CZSO (LFSS, business cycle survey), MLSA (job vacancies registered at labour offices in the CR)

Both year-on-year and quarter-on-quarter growth of wages slackened in Q2.

The average gross wage (per employee, reflecting the type of job contract) strengthened by nominal 7.7% year-on-year in Q2 this year. Compared to the pace from the beginning of the year (+8.7%), the growth slightly slowed down. It was also apparent on the quarter-on-quarter dynamics of the seasonally adjusted wages this year (+2.2% in Q1, +1.5% in Q2). Even in spite of the disinflationary tendencies in the economy, the year-on-year decrease of the purchasing power of the average wage still remains significant, when it amounted to 3.1%¹³ in Q2. Decline of the purchasing power of the employee earnings thus continued for the seventh quarter in a row, which was the longest in the history of the independent CR and at the same time the total depth of the decrease for the whole period was unprecedented. The size of the real wage (after seasonal adjustment) in this year’s Q2 thus corresponded to the level from Q3 2017, the same can also be said about the analogical comparison of the

The decrease of the real wage was unique due to both its depth and length. The size of real wage

¹³ Current decrease was however the weakest in a row since the beginning of last year.

corresponded to the level from Q3 2017.

real labour productivity (when expressed per employed person). The year-on-year decrease of the real wage afflicted nearly all branch sections (apart from the energetics) as well as the main industrial branches (apart from the electrical engineering and the motor vehicle manufacturing) this year in Q2 and set in across all the regions of the CR. The wage development thus likely still represented the key factor in the lowering of the total purchasing power of the domestic households in Q2 2023¹⁴.

Pressures on the wage growth in the business sphere remained relatively strong.

Relatively high demand of business for labour force as well as the heightened pressure of employees (often springing from tight familial budgets resulting from the sharp hike of prices of basic items of the consumer basket) still works in the direction of growth of the nominal wage. Room for further swift increase of wages exists in the market sphere also thanks to the high and in the last quarters still growing rate of profit of the non-financial businesses. The growing need for savings in the budgetary sphere¹⁵, more austere increase of the minimal wages¹⁶ as well as the rising number of foreign workers from “third countries”¹⁷ on the contrary dampened the wage growth in the whole economy.

Wages were rising by above average pace in the secondary sector of the economy. Different economic results of the sub-branches were evident within manufacturing.

The wage rose on average the most between the main branches in the small and ambitious on qualification requirements field of energetics¹⁸ (+18.7%) for H1 2023. The record wage pace especially reflected the extraordinary bonuses paid out at the beginning of the year. The average monthly size of earnings surpassed 71 CZK thousand here and approached the level of the best paid branches of the economy (financial activities and ICT areas). Favourable economic results of year 2022 are still being mirrored in the brisk wage pace in mining and quarrying (+11%). Earnings in manufacturing were raised by slightly above average pace this year, similarly to the majority of the last year. However the situation was rather differentiated in the sub-branches depending on the economic shape of businesses here (the wage rate of growth in the electrical engineering or manufacturing of motor vehicles was nearly double in comparison to the manufacturing of construction materials).

Among the market branches of services the wages rose relatively the most in the real estate area and in accommodation, food services and restaurants activities.

Within the market branches of services, the half-yearly average wages increased the most in the weight small branch of real estate activities this year (+10.7% year-on-year¹⁹) and their size approached the 40 CZK thousand boundary. On the contrary, it did not reach even 25 CZK thousand in accommodation, food services and restaurants even despite faster wage rate of growth (+9.8%) also reflecting the continuing recovery of the arrival tourism. The wage dynamics in the significant branches of trades or transportation and warehousing copied the situation in the whole economy, at the same time it was one of the few areas of services, where the number of employees did not grow (the interconnectedness to the weakening manufacturing had an effect). On the contrary the branch of administrative and support service activities hired new employees (mostly the agency workers for the positions of lower

¹⁴ The Gross disposable income (GDI) of households in real expression lowered by 3.4% year-on-year in Q1 2023, in that the volume of wages and salaries in the national accounts conception slumped by 3.8% in real terms for the same time period (according to the preliminary data, this volume also fell in Q2, specifically by 1.9%). Wages and salaries also reflect (unlike the business statistics) other factors, e.g. the grey economy, possible increase of economic activity of population, for instance in the form of second employments or work agreements. GDI includes next to wages and salaries also income flowing from running a business or ownership of capital and also social transfers from state, incl. the until recently fully adjusted retirement pensions (effect of the amendment of the adjustment scheme for the reason of saving measures occurred for the first time in June 2023).

¹⁵ The branch public administration and social work was an exception. As of 1st September 2022, 10% raise of the pay tariffs for employees falling under the Act on civil service was put in place. The pay tariffs of armed forces and public security forces were also raised (by 10%) as of January 2023.

¹⁶ Minimum wage was raised by 6.8% (comparably to the previous year) as of January 2023. Unlike the practice from past years however the shift of the minimum wage was not accompanied by increase of the boundary for the so called guaranteed wages (it increased this year only in the eighth – category of jobs with the highest qualification –, where however only a fraction of employees receives wage).

¹⁷ For instance the median of wage of citizens of Ukraine rose the least among all more significant foreigner groups of employees according to the preliminary data in H1 – by 6.2% year-on-year (to less than 30 CZK thousand), even though the mean value of wage increased by 7.2% on the whole labour market.

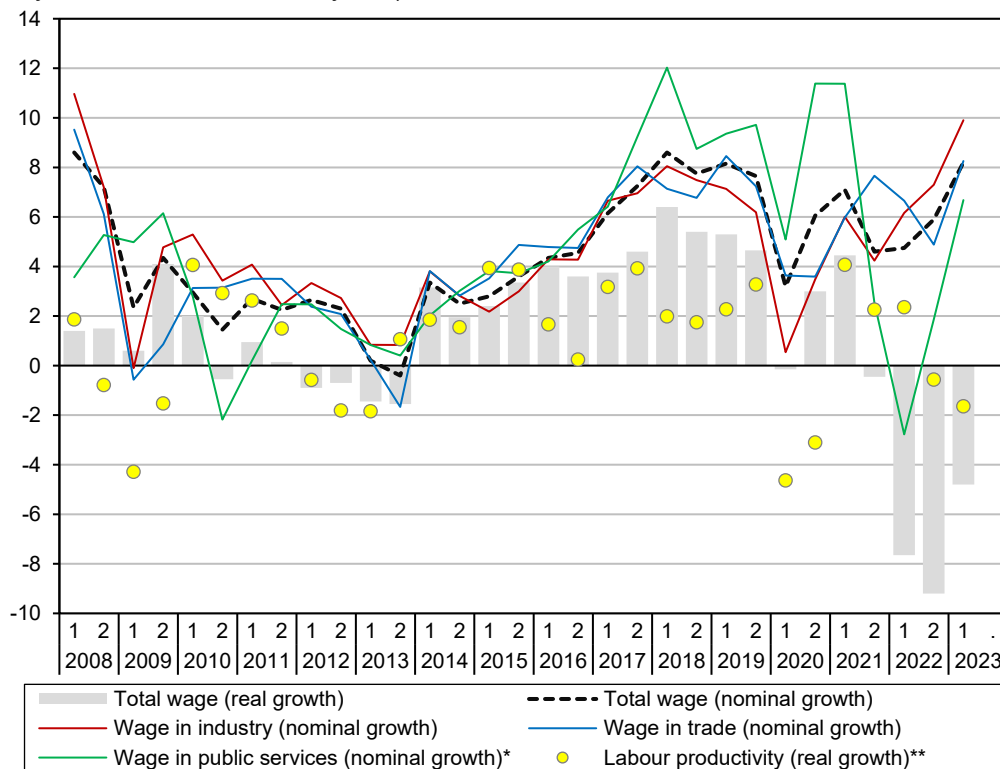
¹⁸ Includes generation and distribution of electricity, gas, heat and air conditioning.

¹⁹ After allowing for the swift growth of employment here the volume of paid out wages increased by nearly one fifth and matched thus the branch of energetics.



qualification), which led to the weaker growth of the average earnings (7.1%), whose monthly size did not exceed 30 CZK thousand. The branch of other activities recorded the lowest wage pace²⁰ (+3.8%), only 1 158 CZK in absolute terms (i.e. mere one tenth of the increase achieved in energetics). The low pace can be explained by the significant boost of employment (+5.4%), which occurred for the first time since the onset of the pandemics.

Chart 15 Average nominal and real wage, wage median, labour productivity (year-on-year, in %, individual half-years)



* Includes branches with a significant state involvement: Public administration, defence, social security; Education; Human health and social work activities; Cultural, amusement and recreational activities.
 **Expresses real GDP related to 1 worker (in natural persons)
 Source: CZSO

Total wage growth in branches with a significant role of the state still lagged behind the level of the whole economy.

Wages in the branches with significant role of the state²¹ grew year-on-year in H1 as well as for the whole last year by a below average pace (+6.7%) and contributed thus negatively to the growth of wage in the whole economy (-0.5 p. p.). The highest level as well as the dynamics of earnings (+9.7%) was registered by the public administration (incl. defence and mandatory social security), where however the wage level was practically frozen in the previous two years. Education was in the opposite situation, when after strong wage growth in the previous period (2018 till 2021), a considerable deceleration of pace manifested (+4.3%²²) this year and the half-yearly wage level has not reached even 40 CZK thousand per month. Earnings in the area of health and social care and also in the cultural, amusement and recreational activities declared higher, but still below average rates of growth this year.

Total wage differentiation slightly widened this year.

Wage median went up by 7.8% in the whole economy year-on-year in Q2 2023. Median of wages of males thus arrived at 39.8 CZK thousand per month, for females it reached 33.9 CZK thousand. If the earnings of males grew in percentage faster in Q1 2023 (similarly to the whole last year), the situation reversed in the subsequent quarter. Gap of the median

²⁰ It is with regards to employment relatively small branch consisting of diverse spectrum of activities. It concerns mainly the professional bodies, trade unions, associations and citizen initiatives, but also repairs of computers and products for personal needs and further personal services for household (e.g. cosmetic, hairdressing, cleaners of clothing and others).

²¹ For simplification includes branch Public administration, mandatory social security; Education; Health and social work; Cultural, amusement and recreational activities.

²² The raise of pay tariffs of non-educational staff by 10% implemented since the last year's September was reflected in the growth of the average wages here.

wages between both genders attained even 15% in Q2. Total wage differentiations slightly increased year-on-year. As the value of the highest wage decile grew faster than the bottom decile in both this year's quarters. The wage median of highly qualified workers strengthened thanks to swift growth of earnings of chief and management workers (+8.3% year-on-year in H1), at the same time it was however subdued by weaker dynamics of the wages of specialists (+5.3%), which was to a larger extent affected by more moderate growth of earnings in the budgetary sphere.

