

## 6. Labour Market

Number of workers decreased last year the most since year 2009. Impacts of spring counter pandemic measures were larger than for restrictions introduced in the last part of the year.

Total employment<sup>1</sup> dropped by 1.5%<sup>2</sup> year-on-year last year. Deeper downturn afflicted domestic economy in the last two decades only in year 2009 (–1.8%). This result reflected impact of both spring and autumn waves of anti-pandemic measures when businesses as well as whole branches were suspended. During Q2 2020, the number of workers plunged by 1.5%, which represented the deepest quarter-on-quarter decline in the available time series (beginning by year 1995). Easing of majority of restrictions resulted in stabilisation in the subsequent quarter (+0.2%). The deterioration occurred again in the last part of the year. The depth of quarter-on-quarter reduction was however milder compared to the spring period here (–0.5%), because among other things, the continuity of production in manufacturing wasn't significantly disrupted any more.

Employment reduction was driven the most by manufacturing and branches tied to tourism last year.

Employment development on the branch level was considerably differentiated for the whole last year. Manufacturing, which lost 3.3% of employees in 2020, contributed to the decrease of the number of workers in the whole economy by nearly one half. Not even the motor vehicle manufacturers and their closest subcontractors were spared a notable reduction of employment<sup>3</sup>. However, the economic situation in industry improved in Q4 and the growth of new orders caused the year-on-year decrease of employment did not deepen any more. Segment of trade, transport, accommodation, and food service was on the contrary hit by the autumn wave of government restrictive measures very severely. Employment plunged by precise 5% here and in Q4 already contributed to the reduction of jobs in the whole economy more than the whole industry itself. Branch professional, scientific, technical, and administrative and support service activities, which reduced workers by 4.6% last year - the most in the era of the independent CR – was also hit strongly. It contrasted with the development in the long-term evolving information and communication, whose significance was further strengthened (thanks to the measures adopted to limit personal contacts – home office work, distance learning). Last year's growth of employment compared to strong rates of growth from the last four years (4 to 5%) did not slacken much. Public services also did not divert from the longer term trends last year. Here, mainly education (and to a lesser extent also the health and social care) contributed to higher employment. Among branches outside the services sector, workers were added also in construction (+1.5%, the most in the last decade).

Growth in the area of ICT and public services on the contrary continued. Construction was also acquiring new workers.

Number of employees shrank relatively more than number of entrepreneurs last year.

In the year 2020, both the number of employees (–1.5%) and entrepreneurs (–1.2%) decreased<sup>4</sup>. Adverse development of self-employed in manufacturing or in activities tied to tourism was partially offset by higher entrepreneurial activity in construction or ICT. Fact, that the number of entrepreneurs did not fall even more does not mean, that this segment of the labour market was not considerably hit by the anti-pandemic measures. The average weekly number of worked hours of entrepreneurs (in main employment) during the both spring and autumn wave plunged by more than 10% year-on-year, in April only even by 31%. For the whole year, the reduction of number of hours worked by entrepreneurs was 10% – double the number for employees<sup>5</sup>. The total number of hours worked in the whole economy slumped by record 6% last year. It represented three times deeper decrease compared to the crisis year 2009.

Entrepreneurs worked by 10% hours less year-on-year last year, employees by 5%.

<sup>1</sup> Unless stated otherwise, data regarding employment used in this chapter are given in the national accounts conception and are adjusted for seasonal effects.

<sup>2</sup> Employment reduced similarly in the EU last year. The largest slump struck Spain (–4.2%), employment decreased between 2 and 3% in Italy, Latvia, Estonia or Hungary. Above average decrease was reported for instance by Slovakia (–1.9%) and Austria (–1.7%). Workers increased only in Malta (+2.6%), Luxembourg (+2.0%) and negligibly also in Poland (+0.1%).

<sup>3</sup> Based on the business statistic figures, the registered number of employees in the manufacturing of motor vehicles fell by 3.8% last year (and even by 5.7% in the electrotechnical industry). Strong reduction also hit machinery (5.6%). Some fields with products of short term consumption fared better (food industry, pharmacy).

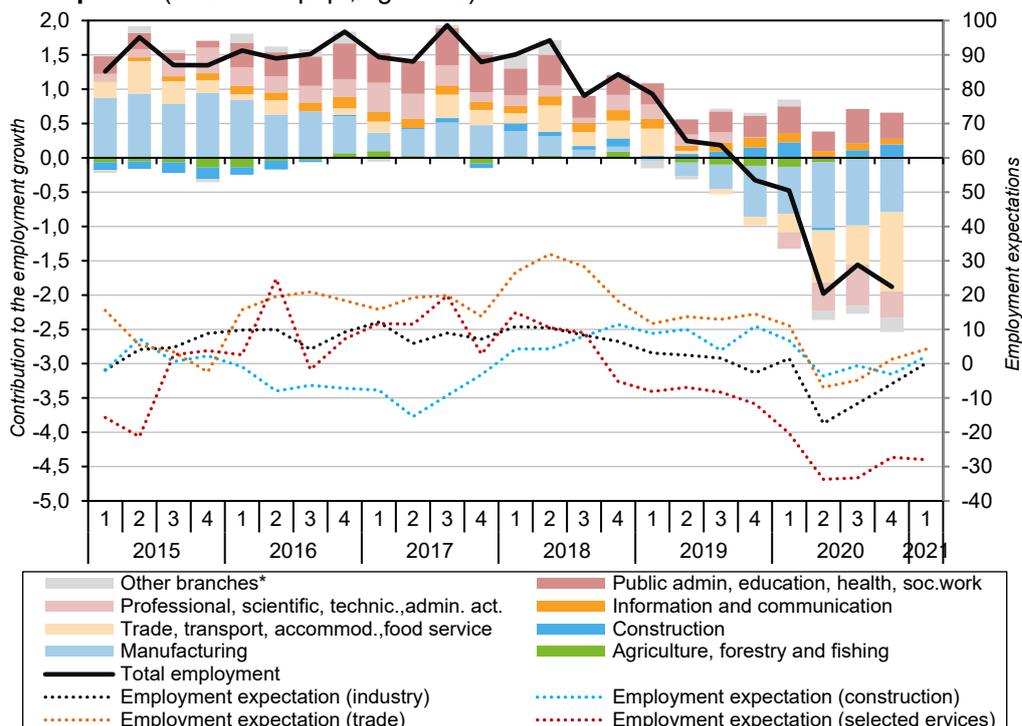
<sup>4</sup> More detailed data from household surveys show, that decrease occurred for entrepreneurs with employees last year (–11 thousand persons), on the contrary for own-account workers or family workers significant shifts were not apparent.

<sup>5</sup> Members of producers' cooperatives are also included. Data are sourced from the Labour Force Sample Survey (LFSS).

Negative employment expectations deepened in services during Q4. On the contrary the pessimism fast subsided in industry.

After the summer recovery, the short term expectations of businesses in the area of employment worsened in the majority of main branches during the last year's quarter (mainly in selected services). Still, they were more favourable compared to the peak of the spring crisis. Different situation occurred in industry, which was not directly affected by the autumn controlled slow down. The employment outlooks accompanied by simultaneous growth of new industrial orders improved here in Q4. Based on the business cycle survey from January 2021, one third of businesses in selected services<sup>6</sup> anticipated reduction of the number of employees in the subsequent three months<sup>7</sup>. It was only 12 % in construction, similarly to both trade and industry – there even slightly prevailed the proportion of businesses anticipating an employment growth.

**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., right axis)**



\*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)

Unemployment rate went up only slightly during the year 2020. Faster grew the unemployment of females, situation of young persons on the labour market also worsened.

General unemployment rate<sup>8</sup>, which was still in the near proximity of its historical minimum throughout the whole Q1 2020, was rising only slowly for the most part of the last year. It amounted to 2.8% for males, 3.8% for females in December 2020, by 1.0 p.p. year-on-year, resp. 1.4 p.p. more<sup>9</sup>. The difference in dynamics between genders was apparent especially in Q4 2020. Larger losses of job positions, mainly in the areas connected to tourism and leisure time activities, generally weakened the position of young persons on the labour market. Unemployment rate of persons aged up to 25 years rose to 10.5% at the end of last year (in that to 12.7% for females). It represented more than double the level from the previous year and at the same time a maximum since October 2016. Proportion of young persons on

<sup>6</sup> Include all branches of services except for public services and also trade, which is monitored as a separate category.  
<sup>7</sup> Data are not seasonally adjusted. Seasonal effect is however apparent among the observed branches only for construction.  
<sup>8</sup> For persons aged 15–64 years, value after seasonal adjustment. Unless stated otherwise, all unemployment figures are from LFSS.  
<sup>9</sup> The unemployment rate in the age group 15–74 years was 7.0% for males and 7.7% for females in the EU at the end of year 2020. Unemployment of males in the CR attained a minimum among the EU states (already for seven years), unemployment of Czech women was the second lowest in the Union (after Poland with 3.0%). In the EU (similarly to the CR) the negative impacts of the pandemic crisis on the labour market were mitigated by government intervention programmes. The total unemployment rate thus increased “only” by 0.8 p.p. in the Union compared to the end of year 2019, i.e. less than during years 2009 and 2012. Unemployment grew by more than 2 p.p. only in Lithuania, Estonia, Spain and Sweden last year.



total number of unemployed however did not increase much<sup>10</sup>. It was also valid in case of long-term unemployed persons, who comprised only 21.5% of all unemployed in Q4 (one of the lowest values since half of the 90s). Unemployment rate among the Czech regions increased the most year-on-year in Karlovy Vary region (by 2.3 p.p., to 6.1%), where both the plunge of tourism and worsened conditions for cross-border workers became evident last year. Variations between regions however remained relatively small. Less than 2% unemployment rate persisted in the Pardubický and Zlínský regions, which are also characterised by milder specialisation on industry.

Government stabilisation programmes, the wider offer of jobs in the services sector or gradual revival of industry worked against a higher growth of unemployment.

Especially government stabilisation programmes (Antivirus<sup>11</sup>, care benefits<sup>12</sup>) functioned against more perceptible growth of unemployment. The fact, that part of the labour market was not affected too much by the adverse development last year also played a part. Some people, who lost job, could thus (at least temporarily) find employment in another field, especially in regions with wide range of positions in services (e.g. in Prague). Fast recovery of industry could however also have an effect. Concerns of households about the spike of unemployment sharply contrasted with the subdued growth of the real unemployment. Concerns reached the highest level since the beginning of year 2009 during Q4 2020<sup>13</sup>.

Number of job vacancies was slightly falling year-on-year since April 2020.

Job offices in the CR were offering 319 thousand job vacancies at the end of year 2020. It was less than in both December 2018 and 2019. Number of vacancies was falling year-on-year already since April 2020, the strongest reduction occurred in September and October (by nearly 30 thousand.). From the view of educational requirements, mostly positions for apprentices shrank for the whole last year (by 25%), on the contrary positions for people with maximum primary education registered only a small decrease (by 3%, to 238 thousand.)<sup>14</sup> for the whole last year. Among the main groups of employment, the supply of vacancies for service and sales workers went down (by 11%) as well as machine operators and assemblers (also by 11%). Reduction of number of vacancies was in effect all-encompassing, the only positions which grew were positions for qualified workers in agriculture and forestry. Total number of job vacancies in December 2020 was still higher than the number of registered applicants for work (292 thousand). For persons with higher than primary education however, already 2.6 applicants belonged to one corresponding position, the most in the last four years.

Job vacancies for apprentices reduced the most. Supply of vacancies for foreign workers however remained high.

Number of economically inactive expanded last year the most since year 2008. Increase was evident mainly in both outer age spectra of the productive age.

Changes on the labour market were rather than in the unemployment reflected in the expanding ranks of economically inactive in 2020. Their increase was the largest for the last decade last year (+1.8%)<sup>15</sup>. In Q4 itself, the growth was evident mainly for persons under the age of 30 years (also due to the limited supply of temporary and part-time jobs), partially also for persons in the age group above 60 years (especially males). It cannot be ruled out, that some of these persons withdrew from the labour market only temporarily. Number of inactive persons not seeking job, but wishing to work, ceased its decrease year-on-year for the first time after four years last year. This group contained nearly 100 thousand persons in Q4. Majority of them however was not able to immediately enter employment.

<sup>10</sup> Absolute numbers of unemployed aged up to 25 years stay low in the long term (it was 26 thousand persons in December 2020). Large majority of young persons of this age traditionally remains in the CR (as opposed to many countries of both western and northern Europe) economically inactive.

<sup>11</sup> Within the Antivirus A + B programme, 28.9 CZK bn was expended from the MLSA budget from March till December 2020. In total, 953 thousand job positions were partially supported this way. Majority of businesses asked for a contribution on the payment of wage compensations to employees in individual months repeatedly. Drawing on support weakened during summer (in Q3: 2.7 CZK bn), it however rose at the end of the year (Q4: 9.5 CZK bn).

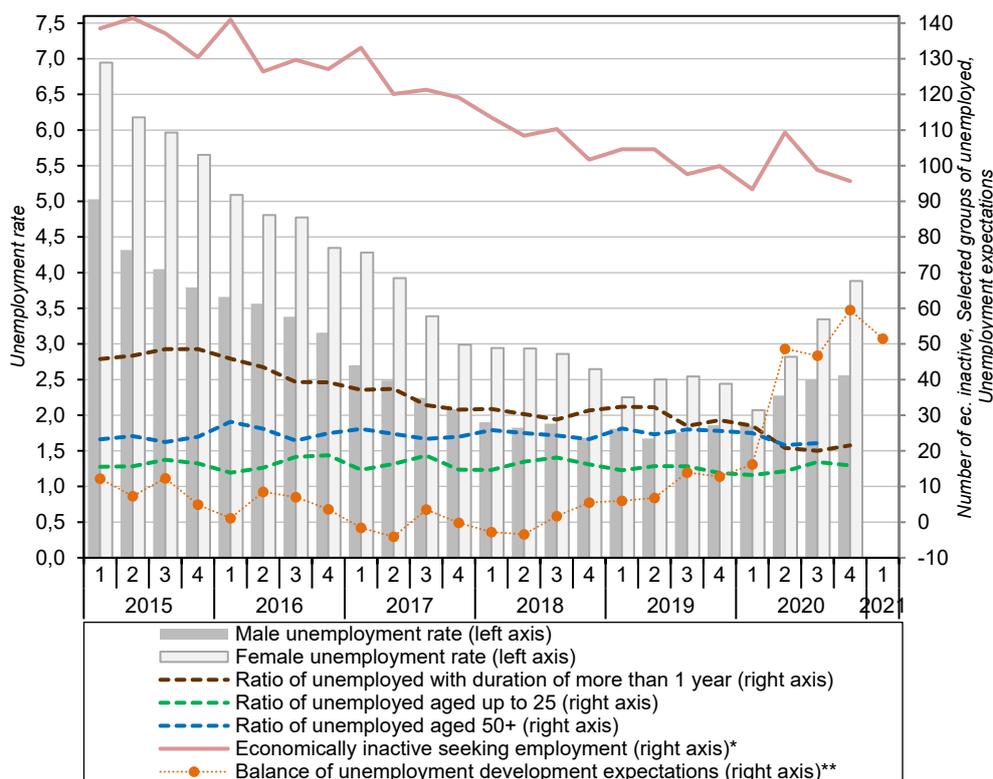
<sup>12</sup> Drawing on care benefits was (mainly for the reason of closed schools) 11.4 CZK bn for year 2020, but only 1.7 CZK bn in the previous year.

<sup>13</sup> Proportion of households expecting a growth of unemployment in the next 12 months was by 60 p.p. higher than the proportion of those, who anticipated decrease.

<sup>14</sup> Employers aim these vacancies for the most part at foreign workers. Number of foreigners registered by labour offices in the CR following a short decline in the spring months (also caused by the suspension of issuance of majority of work permits) again grew in Q3 2020 and total 644 thousand persons with the permission to serve in the CR in the employee position (by 22 thousand more year-on-year) were registered at the end of year 2020.

<sup>15</sup> Even though the number of inactive grew also during the major part of year 2019, significant pace acceleration occurred only last year. The year-on-year increase attained 59 thousand persons at the beginning of year 2020, already 86 thousand (the most in the history of the CR) in Q2 and the addition was also around 50 thousand for the remaining part of the year.

**Chart 13 ILO 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 %)\*\***



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)

Wage development was affected both by the long-term factors and extraordinary anti-pandemic measures.

While for employment as well as unemployment, the last year was in the spirit of gradual milder changes, development in the wage area featured turbulent signs. For the reasons of quarantine measures as well as the longer term decrease of demand, many branches experienced restriction or complete closure of establishments, which was negatively mirrored in the real hours worked. Volume of paid out wages was also influenced by the government protection programmes<sup>16</sup>. In addition, the wage development also reflected the long term factors, e.g. increase of the minimum wage or labour market rigidity (concluding longer term internal contracts regarding the growth of wages or “tariff compensation system” in the non-business sphere).

Impacts of restrictive measures on the wage development were in Q4 shadowed by the payment of bonuses in health care as well as the continuing recovery in industry.

While the average wage grew by mere 0.7% in the economy year-on-year in Q2 2020 (and compared to the previous quarter it dropped by unprecedented 3.1%), the pace fastened to 6.5% in Q4. Such diverse results arose in the periods of the year when the performances of businesses were most affected by the consequences of the government restrictive measures. Restrictions in Q4 however marked the wages in the whole economy less than in Q2, since the payment of extraordinary bonuses in the health care as well as the continuing recovery in industry (weight dominant branch) had a strong positive effect. The average monthly nominal wage of employee in the economy attained 35.6 thousand in the year 2020. It thus increased by 4.4% year-on-year, the least in the last four years. Largely uneven impact of anti-pandemic measures as well as varying adaptability

<sup>16</sup> State contributed to some extent to businesses affected by the impacts of the coronavirus crisis on employee wages (programme Antivirus) under fulfilment of certain conditions (e.g. preservation of job positions). People drew these compensations of wages on the basis of barriers to work connected to the pandemics. On the contrary, persons who didn’t work for the reasons of receiving care benefits or ordered quarantine, drew transfers from state, which are methodically not part of wages (their drawing thus worked against the growth of the average wages).



of different segments of the labour market (e.g. link of the volume of earnings to number of hours worked) was mirrored into a substantially differentiated development of wages on the level of individual branches last year.

Average wage fell and number of employees slumped in accommodation, food service and restaurants

In the last year, the average wage fell by 2.1% in the most considerably struck accommodation, food service and restaurants (the most in the 20-year time series) and its monthly level dropped below 20 thousand crowns. Fact, that this branch lost almost one seventh of all employee positions during year 2020 illustrates its difficulties. Limitation of leisure time activities was also adversely reflected in the wages of employees in the cultural, entertainment and recreation activities (+1.6%). Manufacturing also recorded only weak growth of average earnings last year (1.4%). Its position however improved in the second half of the year<sup>17</sup>. Similar revival did not occur in transportation and warehousing, where the wages grew by 1.6% for the whole year. It also concerned trade, where the wages strengthened the least in the last seven years (+1.7%). Construction, which simultaneously did not lose large numbers of employees fared better (+3.1%). Earnings in professional, scientific, and technical activities grew below average last year (+3.3%), similarly to the preceding four years. The wage level here however in contrast to the all above mentioned branches still exceeded the level of the whole economy (42.1 CZK thousand).

In trade, manufacturing, transportation and warehousing wages grew the least since 2013.

Wage growth was driven by strong dynamics in the majority of branches of the non-business sphere for the whole year.

Core of the wage growth resided in the branches of the non-business sphere for the whole year 2020. Earnings grew on average by 13.8% in health and social care (by record 31% in Q4<sup>18</sup>). Due to the increase of the wage tariffs, education also recorded a swift growth (+7.8%). Among branches outside the public services, the wages grew the most in administrative and support service activities (+9.5%), which was associated with large reduction of especially low income workers within the job agencies. The effect of the “employee structure shifts” influenced the average wages dynamics also in another „low income“ branch – real estate activities. Long-time growing significance of information and communication, further strengthened in the pandemic period<sup>19</sup>, was also mirrored in average wages (+5.6%). Level of average wage was the highest among the branches here (62.1 CZK thousand). It thus deviated from financial and insurance activities (59.4 CZK thousand), where the wage dynamics remained low (+0.6%). Energetics also features high wage levels (52.2 CZK thousand). Its growth moved within limits of years 2018 as well as 2019 (around 6%), despite the fact, that performance of this branch was marked by the spring freeze of the economy.

Swift growth of earnings persisted in energetics and ICT area.

Wage median grew faster for females than males last year.

Wage median attained 35.1 CZK thousand for males, 30.3 CZK thousand for females in Q4 2020. Earnings of females strengthened relative more (similarly to the whole last year). It was connected to the swift wage growth in the public services. The fact that females were losing jobs more frequently last year (they are generally more represented among workers with low wage level) could have also played a role. Four fifths of all employees received average monthly wage between 16.4 CZK thousand and 63.8 CZK thousand in Q4. In Q4 earnings of low income workers grew slower compared to those high income (similarly to the Q2, affected by the anti-pandemic measures). Wage differences thus widened. In contrast, the wage range narrowed in the rest of the year (Q1, Q3).

Wage differences widened both in Q2 and Q4.

Real growth of average wages weakened to seven-year minimum last year.

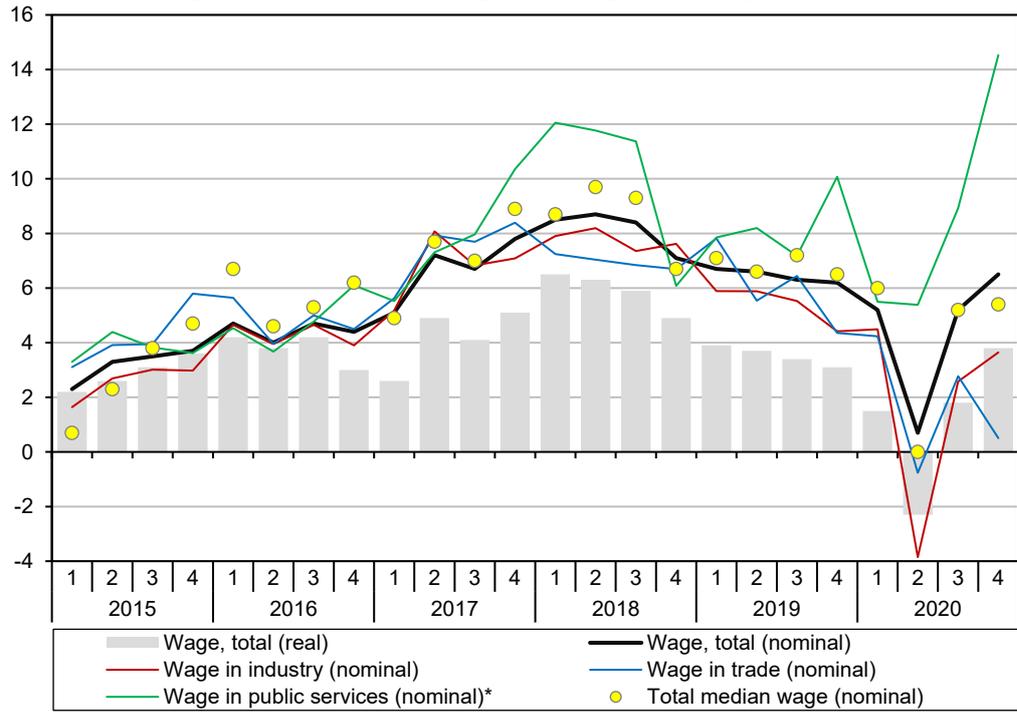
Real year-on-year growth of average wages following a temporary decline in Q2 (first after year 2013) renewed in the second half of the last year. It was also assisted by more significant of the rate of growth of the consumer prices in the last months of the year. Despite of this, the growth of purchasing power of average employee earnings ended on seven year minimum (+1.2%) in 2020.

<sup>17</sup> The wage growth accelerated to 5.9% in the segment of motor vehicle manufacturing in Q4 2020, earnings for the whole year however increased only by 0.3% here.

<sup>18</sup> Payment of extraordinary bonuses to medical staff in connection to higher performance during spring pandemic wave was apparent. Excluding this branch, the wage growth in the economy would oscillate only slightly above 4% in Q4.

<sup>19</sup> It represented one of few main economic branches, where the last year's number of hours worked by employees increased (+1.6%).

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



\* Includes branches: Public administration, defence, social security; Education Human health and social work activities;  
Source: CZSO

