

ANALYSIS

4 June 2024

Development of the Czech labour market in the Q1 2024

The Czech labour market is considerably helped by female foreigners, the employment increased thanks to them. The average wage nominally increased by 7.0%, year-on-year (y-o-y); in real terms, it increased by 4.8%. Catching up on the price level by wages is strongly differentiated; the average wage in education decreased in real terms again, year-on-year.

Employment, unemployment, and economic inactivity

The Czech labour market is influenced by ageing and diminishing of domestic working population on one side and by integration of foreigners (among whom females – war refugees from Ukraine are prevailing) on the other side. Results of the Labour Force Sample Survey (LFSS), after having been re-weighted to the new demographic structure, recorded this development in a year-on-year (y-o-y) increase in employment by 188.9 thousand, i.e. by 3.8%. Predominantly, it was namely an increase in the number of working females by 145.8 thousand.

It was also reflected in a relative indicator, which compares the numbers of working persons with the group of the total population aged 15–64 years, i.e. in the employment rate. The employment rate increased in the Q1 2024 by 0.4 percentage point (p. p.) to 74.9%, compared to the corresponding period of the previous year. The male one decreased by 0.3 p. p. to 80.9%, whereas in females the rate increased by 1.3 p. p. to 68.8%.

In terms of the structure, a trend of increases in the number of own-account workers (entrepreneurs without employees) further continues; this time, it grew by 44.2 thousand, y-o-y, whereas the number of the self-employed with employees (employers) slightly decreased by 4.2 thousand. This would suggest that a system of the dependent self-employed (the so-called “švarc-systém” in Czech) is developing. The number of employees increased by 149.1 thousand.

The increase in employment influenced all the three sectors, yet in a different way. In the primary sector of agriculture, forestry and fishing, the number of working persons increased by 11.4 thousand, y-o-y, to 148.0 thousand, in the secondary sector of industry and construction, the employment increased by 17.6 thousand to 1 832.5 thousand. In the tertiary sector of services, the employment increased the most, by 162.7 thousand, y-o-y, to 3 220.5 thousand.

According to the Classification of Occupations (CZ-ISCO), the number of working persons increased the most in the major group of professionals (by 100.2 thousand) and in service and sales workers (by 49.8 thousand). On the other hand, the biggest decrease occurred in the major group of clerical support workers (by 58.4 thousand).

The unemployment continued to slightly increase. The total number of persons who seek a job in an active manner increased to 149.1 thousand persons in the Q1 2024. In the year-on-year comparison, the unemployment thus increased by 14.4 thousand. The unemployment rate,

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expressing a relative share of the unemployed in the labour force, increased in the age group of 15–64 years to 2.7%, which was by 0.2 p. p. more, y-o-y.

The number of the unemployed who are without work for a year or more also increased; it was by 10.0 thousand, year-on-year, totalling 47.2 thousand persons. The number of the long-term unemployed males increased by 6.4 thousand, y-o-y; the number of the long-term unemployed females increased by 3.6 thousand, y-o-y.

The number of persons who cannot be classified as unemployed and who are considered to be inactive, although they are declaring that they are willing to work, increased in the Q1 2024 by 4.8 thousand, y-o-y, to 78.4 thousand. It is a smaller increase of this indicator of surplus labour.

It has to be kept in mind that the LFSS only covers persons living in dwellings (flats), not those living in hostels and similar collective households. It has a negative influence on the capture of some groups of foreigners who are not integrated and often use such ways of housing.

Registered number of employees converted to full-time equivalent employees

Preliminary data of the CZSO's business statistics confirmed a positive trend in the increase in the number of employees. The registered number of employees in full-time equivalent (FTE) increased, y-o-y, in the Q1 2024, by 5.2 thousand, which was a relative increase by 0.1%. (As for the number of headcount employees, the increase was substantially higher, by 0.6%, which indicates an increase in part-time jobs. Those are utilised more by females.)

Data for the years 2022 and 2023 have been revised using administrative data sources. In terms of economic activities (industries), some trends heightened. The increase in the number of employees concentrates more in the tertiary and quaternary sector of services, including the public ones, whereas the numbers mainly decrease in 'manufacturing' as well as in the related 'transportation'. In seven CZ-NACE sections, the number of employees currently decreased by 24.8 thousand, y-o-y. In one section ('agriculture, forestry and fishing') the number stagnated and in the remaining eleven sections it increased by 30 thousand in total. Individually, increments or decrements ranged from -1.7% to 6.6%.

Chart 1: Full-time equivalent of employees (thousand) in CZ-NACE sections in the Q1 2024

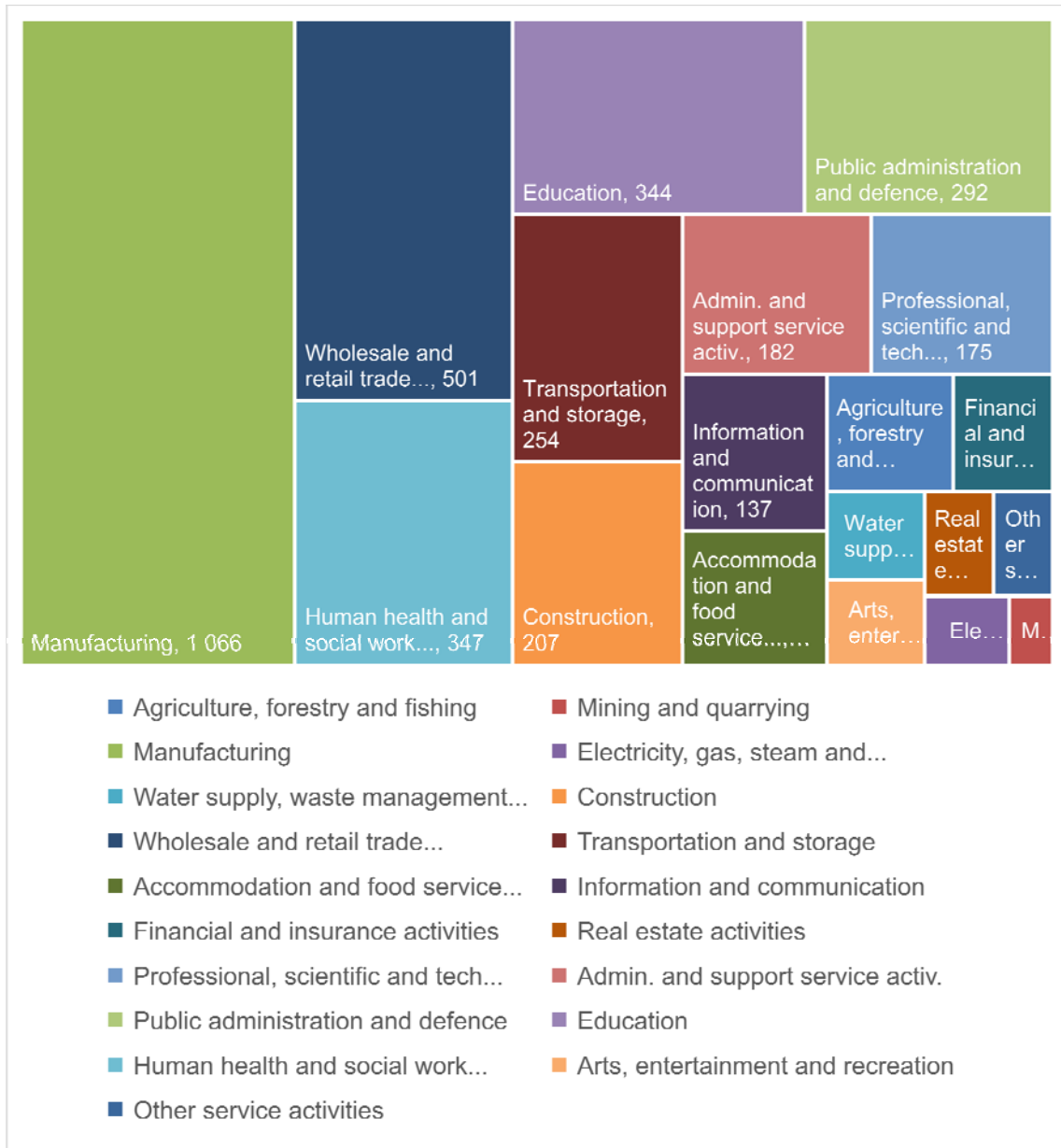
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The biggest decrease (by 1.7% or by 18.7 thousand) can be found in 'manufacturing'. It still employs in Czechia over one million employees (1 065.5 thousand), which is far the most numerous section. Table 1 in the news release on average wages therefore provides CZ-NACE divisions of this section, which were the biggest as for the number of employees. In five of those divisions, we can currently find a decrease in the number of employees; the deepest one was in 'manufacture of machinery and equipment n.e.c.' (by 3.2% or 3.6 thousand). 'Manufacture of motor vehicles, trailers and semi-trailers' remains to be the most numerous division; the number of employees slightly increased there by 0.1% or by 0.1 thousand to 167.2 thousand.

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'Manufacture of food products' considerably improved (by 1.9% or by 1.6 thousand to 83.5 thousand).

A slump in the number of employees continued in the related section of 'transportation and storage,' in which the stock decreased by 1.3% or by 3.4 thousand. A further decrease in the number of employees occurred in 'mining and quarrying'; currently it was by 0.7%; expressed as an absolute number it was 0.1 thousand. The trend in this economic activity is constant and long-term, the numbers have been decreasing since the beginning of the century; now it only employs 17.9 thousand employees, which is the smallest section of the CZ-NACE as for the number of employees, with a great gap.

A decrease by 0.3% (or 0.6 thousand) was recorded in 'construction', which grew until 2022. On the other hand, a further decrease in 'financial and insurance activities' (by 0.2% or by 0.2 thousand) is not surprising; there has been an occasional downsizing for a long-term in relation to digitisation of the economic activity.

'Administrative and support service activities' that were growing up to the Q4 2023, currently lost a thousand jobs (or 0.5%). It mainly applies to activities of agencies, including employment ones. The last section with a decrease was 'public administration and defence; compulsory social security,' in which further year-on-year decrease in the number of employees occurred, currently by 0.8 thousand (or 0.3%).

Three economic activities from the sector of services, in which the number of employees increased in total by 19.9 thousand, contributed to an increase in the total number of employees the most. They were 'education' (7.5 thousand), 'accommodation and food service activities' (7.2 thousand), and 'human health and social work activities' (5.2 thousand). In the former, the increase (by 1.5% to 346.7 thousand) is undoubtedly a response to the ageing of Czech population, while we are still catching up on the deficit, which the Czech Republic still has in this area with regards to an international comparison.

An interesting increase also currently occurred in trade ('wholesale and retail trade; repair of motor vehicles and motorcycles'), in which the number of employees increased by 2.4 thousand, y-o-y, which was a relative increment by 0.5%. Trade is the second most numerous section with over half a million of employees (501.0 thousand).

Growth recovered in 'information and communication' (by 0.5% or by 0.7 thousand); this economic activity is constantly strengthening, a slight year-on-year decrease from the end of 2023 was caused by a high comparison basis from the Q4 2022, which can be said to be an outlier in the time series.

The largest relative increases – following 'accommodation and food service activities' (by 6.6%), which were supported by restart of tourism – were in two sections that are not numerous. By 5.5% the number of employees increased in 'other service activities', which includes all sorts of small and difficult to classify activities; by 4.4% the number of employees increased in 'real estate activities'. In absolute terms, it was by 3.7 thousand jobs in total. What was also remarkable was

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an increase in 'professional, scientific and technical activities' by 1.2% or 2.0 thousand. The remaining increases were below 0.5 thousand.

In a more long-term comparison with the Q1 2019, mainly the following economic activities strengthened: 'human health and social work activities' and 'education' (both the same by 15%) and 'information and communication' (by 9%); on the other hand, the numbers of employees decreased the most in 'mining and quarrying' (by 24%) and in 'other service activities' (by 21%). In the largely discussed public administration and defence, after five years, the number of employees is roughly the same (a decrease by 0.1%, i.e. by 0.4 thousand).

Quarterly average gross monthly wages

The average wage (CZK 43 941) increased nominally by CZK 2 884 in the Q1 2024, compared to the corresponding period of 2023, i.e. by 7.0%. It is an average of a very diverse development on the level of individual branches (fields of activity), enterprises, or organisations.

In real terms, there was a y-o-y wage increase by 4.8%. The real growth occurred for the first time since the Q3 2021, when the average wage increased in real terms by 1.2%, y-o-y. Afterwards, decreases were recorded up until the end of 2023 with the deepest one in the Q3 2022 (by 11.6%). It mainly reflected the price development (the so-called inflation crisis), because in nominal values the average wages were increasing, although with some fluctuations, ranging for quarters in the years 2021–2023 from 2.5% to 11.2%. Price growth reached its peak namely in the Q3 2022 (17.6%); afterwards, the year-on-year consumer price index was slowly decreasing; in the second half of 2023, it was ahead of the wage growth only by tenths of a per cent already. Quarter-on-quarter, the average wage would thus already increase in that period because wages were already catching up on the price level.

Wage dynamics varied widely again by economic activity in the Q1 2024. There was a positive nominal year-on-year increase of average wages everywhere. However, in two CZ-NACE sections, it is a value below the level of an increase in consumer prices (by 2.1%) and therefore in real terms wages have not increased to those employees. Namely, it concerns 'education' and public administration, in which wages of employees are managed centrally according to the so-called salary tables. Those have not been increased for this year, according to the decision of the Government. Therefore, in 'education,' there was a nominal growth only by 1.9% and in public administration by 2.1%.

Chart 2: Real year-on-year increases in average wage by CZ-NACE section (%)

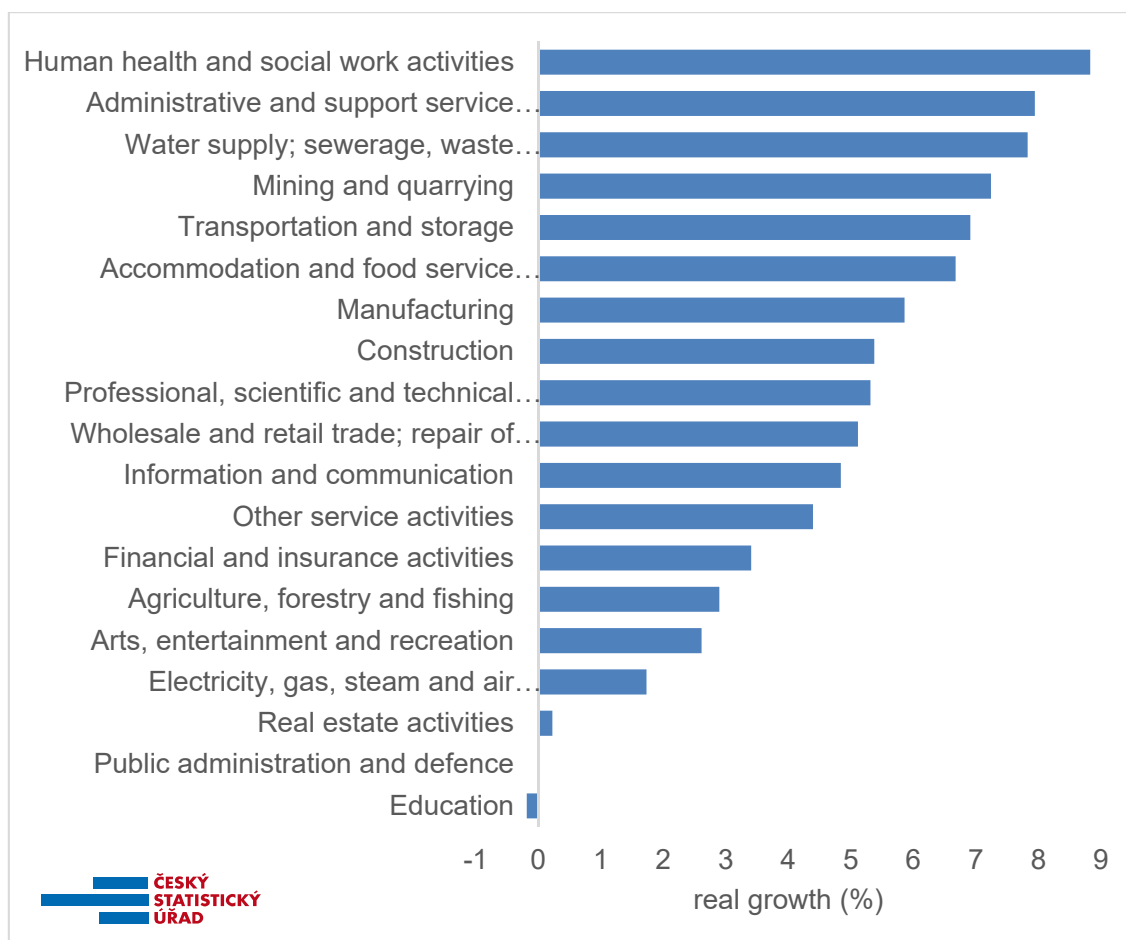
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A very small nominal increase was also in 'real estate activities' (by 2.3%), well below the average it was also in the energy sector (3.9%; however, there was an extremely high comparison basis of the last year), in 'arts, entertainment and recreation' (4.8%) and in 'agriculture, forestry and fishing' (5.1%).

The highest increases over ten percent can be currently found in the following three CZ-NACE sections: 'human health and social work activities' (by 11.1%), 'administrative and support service activities' (by 10.2%), and 'water supply; sewerage, waste management and remediation activities' (by 10.1%). Above-average increases were also in 'mining and quarrying' (9.5%), 'transportation and storage' (9.2%), and in 'accommodation and food service activities' (8.9%).

In 'manufacturing,' the average wage increased by 8.1%; employees in 'manufacture of electrical equipment' were much better off (by 10.3%).

The highest wage level in the Q1 2024 can be found in 'information and communication', in which the average wage reached CZK 84 299. The second place was held by 'electricity, gas, steam and air conditioning supply' with CZK 81 311, which thus made 'financial and insurance activities'

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third with the current wage level of CZK 78 972. However, those three have been leading for the long term.

The ranking was slightly innovated also from the other side. In 'accommodation and food service activities,' the average wage increased by 8.9%; however, it still remains on the lowest level (CZK 26 012) of all economic activities. The second lowest average wage was currently in 'agriculture, forestry and fishing' (CZK 31 813), which increased by 5.1%, year-on-year. 'Administrative and support service activities' ranked third; the average wage increased there by 10.2% to CZK 32 166. 'Other service activities' ranked fourth with the average wage of CZK 32 975.

Development in Regions

In terms of the number of employees, there was a year-on-year decrease in most of the Regions in the Q1 2024. The most considerable decrease, by 1.5%, was in the *Moravskoslezský* Region, followed by the *Olomoucký* Region and the *Zlínský* Region (by 1.0% and 0.8%, respectively), further followed by the *Královéhradecký* Region (by 0.7%), the *Pardubický* Region and the *Ústecký* Region (both by 0.6%), and, finally, by the *Jihočeský* Region and the *Karlovarský* Region (both by 0.5%). A total increase in the number of employees by 0.1% was fundamentally thanks to an increase in Prague (by 2.1%), which was 17.4 thousand of new jobs. Smaller increases were also recorded in the *Jihomoravský* Region (0.5%) and in the *Středočeský* Region (0.3%), the *Plzeňský* Region was rather stagnating, however, they only added 3.9 thousand in absolute terms.

As for the development of average wages, the dispersion is much smaller among Regions than in the breakdown by economic activity (industry). Wages were increasing nominally in the range from 6.2% to 7.6%; they thus increased everywhere in real terms. The lowest nominal growth by 6.2% was again recorded by the Capital City of Prague (the *Hl. m. Praha* Region), followed by the *Vysočina* Region (6.5%) and by the *Zlínský* Region (6.7%). The highest nominal increase (both by 7.6%), belonged this time to two Regions: the *Plzeňský* Region and the *Středočeský* Region. They were followed by the *Ústecký* Region with an increase by 7.5% and by the *Jihomoravský* Region with 7.3%.

According to the absolute level of earnings, however, Prague still remained to be the richest among the Regions of the Czech Republic. The average wage in Prague was CZK 56 372. The *Středočeský* Region maintained its second position with CZK 43 554. The *Jihomoravský* Region was closely behind, the third (CZK 43 037). A forty-thousand threshold was overcome also by the *Plzeňský* Region (CZK 41 273) and by the *Ústecký* Region (CZK 40 737), other Regions remained below it. The *Karlovarský* Region remained to be the Region with the lowest wage level (CZK 37 089). In the *Moravskoslezský* Region, which is following Prague, the *Jihomoravský* Region, and the *Středočeský* Region a Region with the highest number of employees (409.1 thousand), the average wage reached the value of CZK 39 227.

Median wages and decile intervals of wages by sex

The news release of the CZSO for the Q1 2024 also contains a piece of data on the median wage, which is calculated from a mathematical model of the distribution. It shows the wage of a middle

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employee, i.e. a common wage level. Extreme deciles were calculated concurrently, too. In the Q1 2024, the median wage got to CZK 36 651, which is by 5.5% (CZK 1 898) more than in the corresponding period of the previous year.

The decile range showing the wage distribution decreased in the year-on-year comparison. One tenth of employees with the lowest wages were receiving a gross wage below CZK 20 753 (the bottom decile increased by 11.7%, y-o-y), whereas the tenth with the highest earnings had wages over CZK 69 219 (the top decile increased by 5.8%). The decile ratio thus decreased by 0.18 point, year-on-year, to 3.34.

Male median wages were higher than female ones; in the Q1 2024, the female median wage was CZK 33 793 (it increased by 5.9%, year-on-year), whereas the male median wage was CZK 39 541 (it increased by 5.0%). The gap between median earnings by sex decreased by 0.8 p. p. to 14.5%, year-on-year.

Concurrently, wages of males were distributed over a substantially wider interval, especially the area of high earnings is significantly higher for males than for females: the top decile for females was CZK 59 724 and for males it was CZK 78 053 by which there was a gap of 23.5% in high earnings and it increased by 0.3 p. p., year-on-year. On the other hand, as for low earnings, the difference was smaller and by 1.6 p. p. lower, y-o-y: the bottom decile for females was CZK 20 159 and for males it was CZK 21 167, which is a gap of 4.8% only.

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