

## Labour Market

- ***Labour market revived and the number of unemployed persons has fallen***

Labour market development, especially the rise of the participation rate in H1 2006, corresponded to the growth of economic performance and preceding growth of expenditures on gross fixed capital formation as well as net inflow of foreign investment, particularly to industry. Gap between the higher supply and lower demand for labour has slightly shrunk, as the employment rose and unemployment went down. At the same time, the number of vacancies rose sharply, especially of those with secondary education requirement. Thus, the structural problem of employment is becoming more and more pressing, as the lack of qualified labour force grows, particularly in the sophisticated branches of industry and also in construction. Long-term unemployment went down, however it still remains high, mostly in the group of persons with basic education. There has been a large drop in inactivity, which has been together with the decrease of the number of unemployed persons source of the rising employment. Growth of nominal average wage increased pace, while inter-industry wage differences widened. Average wage in relation to labour productivity does not present any risk.
- ***Growth of the employment rate***

Total employment rate (according to LFSS) has in H1 2006 y-o-y increased by 0.6 p. p. to 54.9 % and rate of employment of persons aged 15 to 64 by 0.7 p. p. to 65.1 %. Aggregate unemployment rate has sunk by 0.5 p. p. to 7.6 % as well as the unemployment rate of persons aged 15 to 64. Aggregate participation rate rose only slightly (from 59.2 % to 59.3 %) and the participation rate of persons aged 15 to 64 increased by 0.3 p. p. (from 70.1 % to 70.4 %). There were on average 4 805.6 thousand persons with one or main employment in H1 2006, a y-o-y accrual of 78.0 thousand persons (1.6 %). Nevertheless, meaningful structural changes eventuated with respect to the number of employed person according to their position (in main employment as well as branch classification). While the average number of employees of 4 018.0 thousand persons in H1 2006 was y-o-y higher by 82.4 thousand (by 2.1 %), the number of all self-employed persons (including assisting family members), reaching 770.1 thousand persons, increased only by 0.3 %, while the number of self-employed without employees diminished by 0.8 %. Regarding sectors and branch activities, the number of employed persons in the primary sector dropped by 10.6 thousand (by 5.5 %) and it has grown in the secondary sector by 58.3 thousand (by 3.1 %) and by 30.5 thousand (by 1.1 %) in the tertiary sector. The number of persons employed in construction has y-o-y decreased by 20.8 thousand (by 4.6 %) and manufacturing industry experienced notable increase (by 76.5 thousand, i.e. 6.0 %).
- ***The decrease of the number of unemployed gains speed***

There were on average 390.4 thousand of unemployed persons in H1 2006, presenting y-o-y shrinkage of 25.2 thousand (by 6.1 %). The number of unemployed females forms the larger part and has been falling much slower (by 3.6 %) compared to unemployed males (8.8 %). Predominant part of all unemployed persons represent persons with secondary education without the leaving certificate and persons with basic education.
- ***Inactivity is falling***

Reserve of potential labour force on average 256.0 thousand for H1 2006, constitutes a large group of people not working and not looking for work actively (thus not meeting the conditions for falling into the category of unemployed persons), however in the CZSO sample survey indicating a wish to work, was by 32.0 thousand, i.e. by 11.1 % lower compared to the previous year. Considerable number of those economically inactive persons is formed of students and apprentices interested in working.
- ***Growth of average wage speeded up in nominal terms, in real terms remained the same***

Gross nominal average monthly wage reaching in H1 CZK 19 484, was y-o-y higher by 7.0 % and its growth was faster on a year ago. Seasonally adjusted average wage was in H1 2006 higher than in H2 2005. In real terms, the average wage grew by 4.0%, i.e. the same as in the previous year.

***Wage differences in  
branches  
increased, with  
differences being  
extensive***

The growth of the average wage was larger in the business sector (7.2 %) with growth acceleration (by 1.0 p. p.) in comparison to the non-business sector (5.9 %), with its growth slowing down (by 1.2 p. p.). Development in the business sector was considerably different and not always in harmony with the economic performance. Branch activities with high average wage (CZK 25 191 in companies producing and distributing electricity, gas and water and CZK 42 437 Kč in financial institutions) experienced highly above-average growth of average wages (10.1 % and 8.4 %) and on the other side, average wages grew below average in the businesses in the manufacturing industry and construction (6.7 % and 6.2 %). Differences in the average wage increases were reflected in the y-o-y increase of the variation coefficient by 0.6 p. p. to 37.8 % in H1 2006.