

6. Labour Market

Favourable tendencies further prevailed on the labour market during the year 2016

Favourable development prevailed on the labour market also in year 2016. The rate of growth of employment accelerated considerably, the highest number of persons in history held a job, especially thanks to manufacturing. Unemployment was further reduced, if already by a slower pace, the chance of good employment heightened especially to qualified manual workers. The qualification mismatch between unemployed persons and job vacancies and the associated long-term unemployment remains the weak point on the labour market. Low unemployment rate accompanied by a growing lack of labour force pushes the wages up. Average wages grew in real terms the most since year 2009.

Employment accelerated during H1, 5.26 mil persons held a job, the most in the history of the CR

The creation of new job positions has been one of the most important features of the steadily expanding economy. Rate of growth of employment¹ markedly accelerated at the beginning of the year, to 1.7% in total for the whole half-year. The number of workers was the highest in history in Q2 2016 (5.26 mil.). Quantities of employed are also affected by the generational shifts on the labour market and increasing of the retirement age. Representation of older persons gradually grows on the labour market. The employment rate of persons aged 15–64 years exceeded 71%, it was higher only in five EU countries (the Czech Republic held primacy within the frame of the newer Union members). Branch specialisation of the Czech economy is also reflected in the high employment rate of males (78.5%), only Netherlands achieved higher values in the Union this year.

Employment rate in the CR ranks among the highest (mostly thanks to males) in the EU

Higher employment this year, similarly to the whole time period since the end of recession, is mostly the credit of manufacturing. 3.2% more persons were working in manufacturing year-on-year. The growth of employment had a practically an all covering nature. The most significant by weight grouping of activities – trade, transportation, accommodation and restaurants thrived similarly to the last year, with 20 thousand persons more finding employment in this grouping year-on-year. The dynamics of creation of new job positions accelerated in professional, scientific, technical and administrative activities (to 4.4%). Information and communication activities, where the total employment strengthened the most since the end of recession (Q2 2013) also prospered. On the contrary, the quantities of employees in total increased by the slowest pace in the public administration, education, defence, health and social work in the last four years. The stagnation of employment in education was especially apparent here.

Manufacturing caused one half of the growth of total employment in H1, similarly also to the two preceding years

Employment in services was growing nearly across the whole spectrum, the dynamics however still stayed different in individual branches

After the dissipation of the interim stimulus linked to the European subsidies, the employment again returned to decreases in construction

Construction again started to lose employees after the last year's stagnation this year, 1.4% against the H1 of the last year. Mining companies are also still faced with a notable reduction of job positions (by one quarter between years 2008 and 2015), on the contrary the employment declined only slightly in other branches of the primary sector and energy.

Year-on-year fall of the number of self-employed (mainly the small entrepreneurs) halted after eight quarters

Structural changes on the labour market expressed by a varying development of the number of employees and self-employed continued. While there was by 2.2% more of employee positions, 1% of self-employed diminished (their year-on-year reduction ceased in Q2 itself, however only data in the second half of the year will show, to what extent it is a signal of longer-term tendencies). The fact remains, that the number of employees has been showing more favourable growth rates compared to self-employed continuously already since half of 2012.

The number of hours worked grew year-on-year against the total employment by more than a doubled pace...

The labour productivity kept growing despite the high employment dynamics. The gross value added (GVA) per 1 worker was by 1% higher year-on-year (by 2.6% for the whole year 2015). GVA in relation to an hour worked lowered at the beginning of the year for the first time after nine quarters (down to -2.3% in Q2), almost in all significant branches. The unusually high growth of the number of hours worked had an effect here (by 3.1% in Q1, by 5.1% in Q2), which can be connected to the fact, that companies react to the present lack of qualified workers by a more intensive utilisation of the existing labour force. The hourly productivity

... hourly labour productivity fell in the whole economy for the first time in nine quarters

¹ Unless stated otherwise, data are in the conception of the national accounts and adjusted for seasonal effects in this chapter.

was by 5% higher in the whole economy this year compared to H1 of the boom year 2008, by one fifth in manufacturing, it grew significantly also in the agricultural and financial sector.

Supply of vacancies was continuously growing, LO registered 134 thousand of these positions at the end of June, the most since September 2008

Labour offices (LO) offered 134 thousand vacancies (by nearly 40% more year-on-year) at the end of Q2, the number of positions thus slowly approached the historical maximum from April 2008 (152 thousand). 31 thousand positions were added compared to the beginning of the year in 2016, however, this addition was mildly higher in the same period of the last year. Positively, new job positions were created in a higher extent also in the economically less developed or structurally stricken regions. Among other things, a marked improvement in the ratio of the registered applicants and vacancies² is evident. A substantial qualification mismatch however still persists between the offered vacancies and the registered applicants for employment. Applicants in the group “operating of machine and equipment, assembler” (continuously since spring 2014) could find a job the most easily, there was only 1.2 applicants per one vacancy at the end of June 2016. Craftsmen and servicemen also enjoyed a very good prospects (1.6 applicants per vacancy), the position of non-qualified and assistant works improved markedly in the last year, they had a twice as high chance for employment compared to office workers (within their qualification class).

Job applicants from qualified manual professions had a higher chance for employment (via the LO) over lawmakers, managers and specialists

Together with Germany and Malta, the Czech Republic belonged to countries with the lowest unemployment rate at the end of H1, for males the CR holds the best position continuously already since April 2014

Unemployment rate kept further falling, however, gradually it most likely met its limits. The proof is the weakening dynamics of the fall of the general unemployment rate (aged 15–64 years, adjusted for seasonal effects) – it decreased only by 0.2 p.p. between January and June 2016 (to 4.2%). The unemployment rate dropped in all education groups, the most for persons with the secondary education without the school leaving certificate, incl. apprentices (4.2% in Q2, 5.7% a year before), on the contrary a high unemployment (within all EU countries) persists in the relative less numerous group of persons with primary education (20.9%, it decreased only by 5.2% since the end of recession).

Growth of average wages accelerated to 4.2% in H1, it represented the highest pace within H1 since 2008, when however the strong nominal growth was depreciated by high inflation

Favourable economic development (mirrored also in the profitability of companies, but also in the continuing growth of orders in key branches) together with low and still falling unemployment rate accompanied by still more intensively articulated lack of employees (which has not been saturated even by foreign workers yet) push together on the wage growth. Business sphere is also affected by the repeated increase of the wage tariffs in the public sector and more intensive activity of unions at the collective bargaining. The gradual rising of the minimal wage also has an effect in a part of the wage spectrum in businesses. Year-on-year growth of the average wages (to recalculated numbers of employees - FTE) amounted to 4.2% in H1 and was the highest since the end of the year 2009 (when nevertheless the wage growth was accompanied by a considerable reduction especially of the low qualified and less paid job positions). Employees in the “low income” branches – accommodation, restaurants and food service activities (+6.9%), cultural, amusement and recreation activities (+5.8%) and in administrative support services activities (+5.5%) improved their position relatively the most. Among the best paid branches, the financial and insurance activities kept the primacy, also thanks to the paid out high extraordinary bonuses in Q2. The wage growth copied the rates attained in the whole economy in manufacturing both in Q1 and Q2.

Average wages were raised the most in the Ustecky region and Vysočina region (similarly by 4.6%), volume of paid out wages grew the most year-on-year in the Central Bohemia (also due to the dynamic growth of employment in industry)

Low inflationary environment accentuated the acceleration effect of the growth of wages

Wage differentiation mildly narrowed. The growth of the wage median clearly exceeded the dynamics of average wages already four quarters in a row. Low inflation rate and accelerating growth of the average wage positively impacted the development of the purchasing power of the employee earnings. The dynamics of real wages fastened to 3.8% in H1, i.e. the highest year-on-year rate of growth since the end of 2009.

² This ratio decreased from 19.6 (June 2015) for instance in Bruntalsko to 7.6 (one year later). Similarly also in Mostecko (from 12.9 to 6.4) or the Ústí nad Labem region (from 18.7 to 11.7). Only eleven regions had more than 5 applicants per one vacancy this year in June, on the contrary it was less than 1.5 in fourteen regions (all applicants could have been theoretically satisfied in Pardubicko, Rokycansko and Rychnovsko).



Chart 15 Number of employed persons and employees (national accounts data, seasonally adjusted, y/y in %)

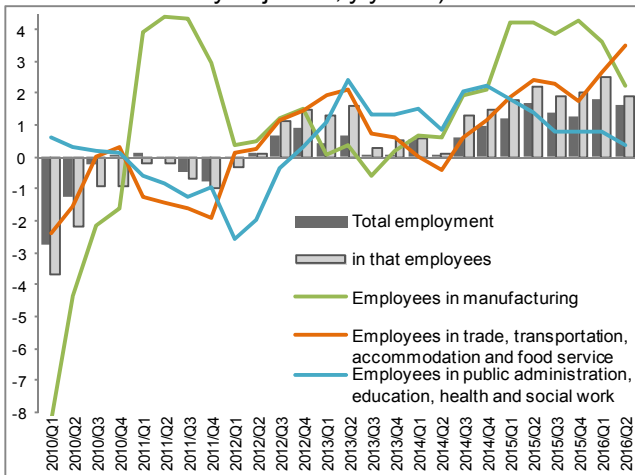
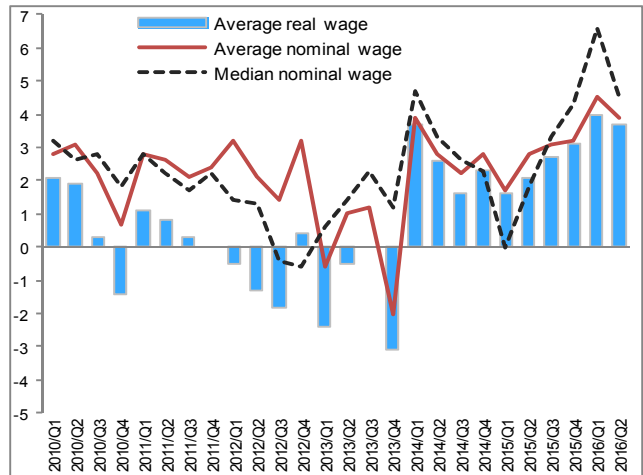


Chart 16 Gross monthly wage in nominal and real terms (per employee, in FTE, y/y in %)



Source: CZSO