

6. Labour Market

Rate of growth of the total employment did not ease up markedly. The highest number of people held a job in Q2 in the history of the independent CR.

Swift growth of employment was apparent also in the EU this year, as well as in all the states neighbouring with the CR.

The core of the creation of new job positions gradually moved from manufacturing into the services sector.

The self-employed also contributed to higher year-on-year employment for the fifth quarter in a row.

More than four years lasting economic growth spilled over fully also into the labour market. Rate of growth of the total employment¹ did not ease up, it increased by 1.4% year-on-year in H1 (by similar pace as for the whole year 2015 as well as 2016). The number of workers expanded by 0.4% quarter-on-quarter in Q2 2017. 5.32 million people thus held a job, the most in the history of the independent CR.

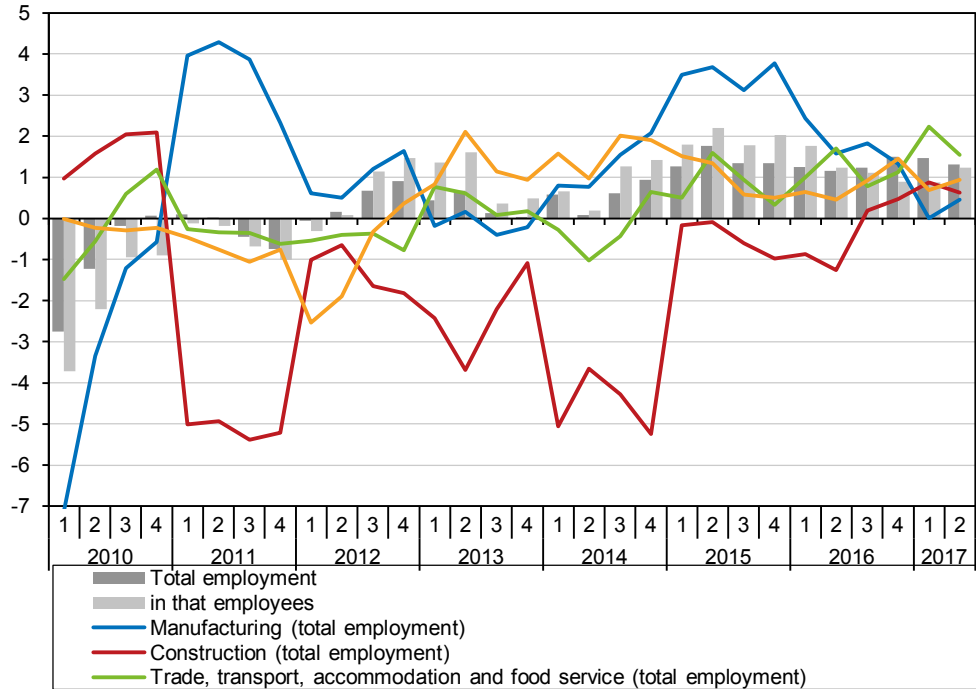
Nevertheless, the rate of growth of employment was not at all unique in the European context. The number of workers increased by 1.5% year-on-year in the EU in H1. All the other neighbouring states of the CR however also recorded slightly higher rates of growth (Slovakia the most +2.2%). The Czech Republic held a much more favourable position in the EU with respect to the high rate of employment. It was mostly thanks to males, whose employment rate reached the highest value among the Union states at the beginning of the year. Total employment rate for all persons aged 15 – 64 years was 73.3% in Q2 2017, it was by 1.6 p.p. more year-on-year – without larger difference between genders. However, in the longer term view the employment rate of females grew more dynamically than in case of males – partially due to the effect of a faster shift of the pension age boundary.

Not only employees, but also the self-employed, whose numbers were expanding already fifth quarter in a row, contributed to the year-on-year growth of the total employment. From the branches point of view the reality was such, that the core of the growth of employment was more and more located in services. This tendency has been apparent already in year 2016. The weakening growth rates of employment in manufacturing do not signal worsening economic outlook of this branch, but they rather give evidence about growing difficulties to find qualified employees.

Mainly the professional, scientific, technical and administrative activities, where the employment growth quickened to 5.1% (from last year's 3.2%) in H1, created new job positions in the tertiary sector. The weight dominant services activity – trade, transportation, accommodation and restaurants, which employed by 1.9% persons more, contributed to a similar extent to the higher employment in the whole economy. The long-term demand for workers persisted in information and communication, whose numbers increased by nearly 15% in the last five years. On the contrary, the employment did not change markedly in financial and insurance activities for the same time period and it even fell by 1.3% compared to the first half of year 2016 (mainly due to the effect of the reduction in self-employed).

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

Chart 15 Number of workers in selected branches and total employment
(based on national accounts, seasonally adjusted, year-on-year in %)

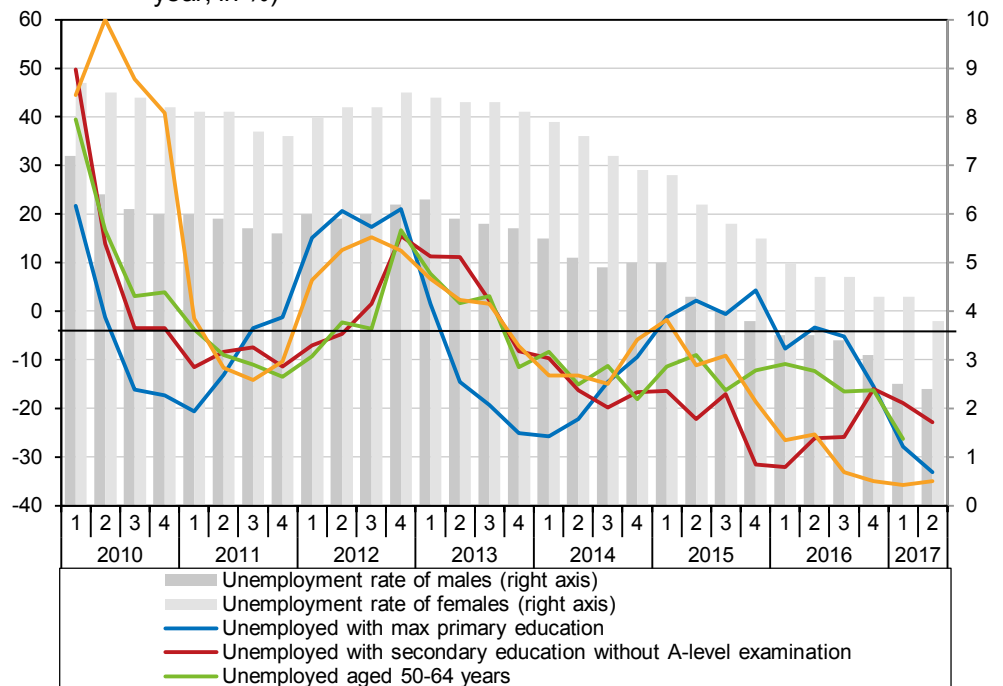


Source: CZSO

Higher numbers of self-employed contributed to the stabilisation of the total employment in construction.

Employment in branches with the state dominance grew relatively moderately in H1² (+0.8% year-on-year), this status persisted already for the fifth year in a row. The number of workers in construction ceased falling since half of year 2016. It was the result of higher number of entrepreneurs. On the contrary, the number of employees in the construction firms was further decreasing (there were by 18% less against H1 2009). The numbers of self-employed persons grew accompanied simultaneously by the reduction of the levels of employees also in the primary sector.

Chart 16 General unemployment rate of males and females (in %, seasonally adjusted, right axis) **and selected groups of unemployed** (year-on-year, in %)



Source: CZSO

² Includes branches: Public administration and defence, education, health and social work.



General unemployment rate kept further falling down to the new absolute minimum, new vacancies increased the most in the history of the CR in H1.

General unemployment rate further fell since the beginning of the year and it reached based on the seasonally adjusted data the so far record value in the history of the CR in June 2017: 2.4% (for males), resp. 3.5% (for females). The number of all unemployed decreased by nearly one quarter year-on-year and it amounted to 159 thousand persons in Q2. This positive development was associated this year (similarly to last year) with the reduction of the number of unemployed, who were out of job for more than 1 year. Their levels shrank by one third compared to Q2 2016 (by 32 thousand persons in absolute terms).

There was the lowest number of job applicants per one vacancy since half of 90s. The supply of vacancies even exceeded the number of job applicants in more than one quarter of districts.

The unemployment rate fell in all main education groups. The situation improved markedly in the small, but generally disadvantaged group of persons with the primary education at most³. The reduction of the unemployment was accompanied by the constantly expanding supply of job vacancies. Their number in the evidence of the labour offices (LO) markedly accelerated at the beginning of the year. This year's increase of job vacancies was the highest within the first half-years since the start of monitoring. The supply contained 183.5 thousand job vacancies at the end of June. Thus, there were 1.6 job applicants per one vacancy, the least since the half of 90s. The chance for employment nearly doubled on average year-on-year. The supply of vacancies even overtook the number of registered job applicants in more than one quarter of districts. On the contrary, more than three job applicants pertained to one vacancy only in twelve districts (from all 77 districts) – mainly in the Ustecky and Moravian-Silesian region.

Nearly three quarters from the year-on-year addition of vacancies consisted of positions with very low demands for qualification.

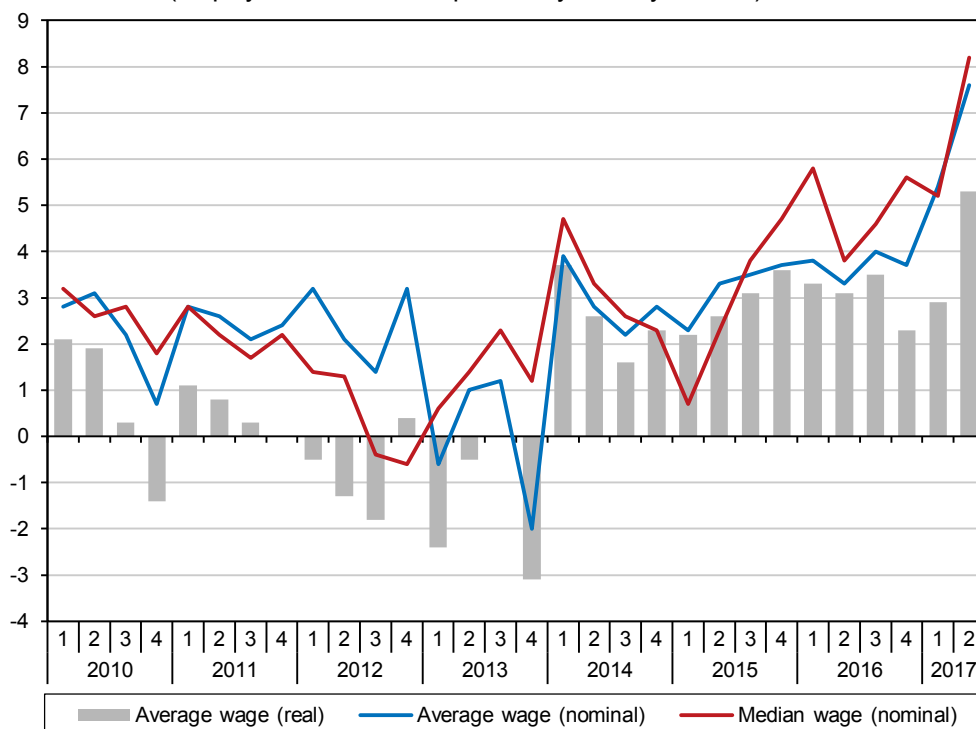
Nearly three quarters of the year-on-year addition to vacancies (50 thousand) included jobs with a minimum qualification (where the primary education was adequate). They constituted already slightly more than one half of the total number of job vacancies in June 2017. It remained valid, that the qualified manual workers found employment the easiest – craft and repairmen and assemblers and machine and equipment operators – where already the supply of jobs exceeded the demand. On the contrary, for job applicants with the tertiary education only 9.1 thousand vacancies were available from the supply of LO. The number of these positions increased only by 2.5 thousand compared to last year's June.

Continuing fall of unemployment further reduced the sources of the usable labour force. The number of economically inactive persons, who stated that they want to work, however were not actively seeking a job also decreased year-on-year (to 120 thousand persons in Q2)⁴. The businesses thus had to solve their need for further human resources by headhunting current employees on the labour market more and more often. This had to echo in the more frequent utilisation of the recruiting benefits, but mostly in the growth of the average wages.

³ The unemployment rate in this group came to 14.4% in Q2 2017, 21.4% a year ago. The participation of persons with the primary education among economically active aged 15 – 64 years ended below 5% in the CR. It represented the second lowest proportion among the all EU countries.

⁴ However, it was mostly persons, which could not enter the employment immediately for various reasons. Only 35 thousand persons could start a job within two weeks. Similarly, low numbers were last recorded in the period of the business cycle peak of the last decade.

Chart 17 Average gross monthly wage and wage median
(employees in full-time equivalent, year-on-year in %)



Source: CZSO

Growth of the average nominal wages accelerated year-on-year during the first half of 2017 and approached the pace from years 2007 – 2008.

Inter-branch differences in the size of wages slightly shrank. Average earnings rose relatively the fastest in branches with the lowest level of wages in the long-term.

The purchasing power of wages grew in Q2 the most since the beginning of year 2007 despite the strengthening inflation.

Year-on-year rate of growth of average nominal wages fluctuated tightly below 4% during the last year. It gradually accelerated in the following two quarters (up to 7.6%⁵ in Q2 2017) and approached the dynamics common in years 2007 and 2008. The wages rose by 6.5% in total for H1 2017 and they grew in all sections of activities. They increased by 7.1% in the weight dominant manufacturing. Still, the size of wages remained only negligibly above the level of the national economy in this activity. The highest growth was attained in the relatively small activities with low wage level – accommodation, food service activities and restaurants (+13.8%) and administrative and support services activities (+8.7%). High rates of growth reflected the January increase of the minimum wage in the economy (from 9 900 to 11 000 crowns). Financial and insurance activities maintained the position of activity with the highest level of wages also thanks to the traditional pay out of half-yearly benefits, the wages however grew only by 3.7% in this activity compared to last year's H1⁶. The employees are better off in both absolute and relative terms in energetics and information and communication. The growth of volume of paid out wages was more than double compared to the financial sector (especially thanks to the brisk pace of growth of employment). The average wage rate of growth (+4.0%) mildly lagged behind the growth of the registered number of employees also in the professional, scientific and technical activities. The wages increased in the activities with the dominant participation of state – the most in the health care and social care (+7.5%). Despite a marked quickening of the rate of growth (from last year's +2.0% to 5.1%), the wage growth remained below the level of the whole economy in education also this year.

Despite the strengthening growth of the consumer prices, the real wages improved by significant 4.1% in the whole economy in H1, even by 5.3% in Q2 (the highest year-on-year rate of growth since Q1 2007).

⁵The effect of the wage acceleration was even magnified by the fact, that there were four working days less in Q2 2017 year-on-year. This was reflected in the lower number of hours worked (for employees, it presented a reduction of 2.8% based on the national accounts data).

⁶ It presented the only case within the all nineteen branch sections of the economy, when this year's year-on-year growth of the average wages (+3.7%) lagged behind the similar pace from H1 2016 (+4.0%).

