

6. Labour Market

Labour market in the CR started to display the first symptoms of the economic slowdown in the second half of the year. Demand for employees however still even despite corrections remained high.

Mild easing of economic growth pace in the CR, perceptible in the second half of year 2019, gradually started to have effect also on the labour market. Growth of employment halted primarily due to the development in the export branches, number of job vacancies also ceased to increase and the number of working foreigners slightly decreased after a long time at the very end of the year. Even though the unemployment rate still hovered around record low values, with minimal fluctuations during the year, the tension between the supply and demand on the labour market slightly abated. If we leave aside the situation in construction and trade, the shortage of labour force stopped dominating among the barriers to growth and on the contrary the role of inadequate demand became more highlighted (in industry, but to a lesser extent also in construction). Dynamics of the average wages during the last year continuously slowed down, the development was however differentiated at the level of branches. Growth of real employee earnings moderated more markedly, still it remained comparable to the business cycle peak of the last decade.

Year-on-year growth of employment halted at the end of the year, for the first time after six years. The dynamics has not more noticeably slowed neither in Germany nor in the EU so far.

Number of all employed¹ expanded year-on-year by 0.7% in 2019, however it only stagnated in Q4; the same phenomenon occurred last at the end of year 2013. In the quarter-on-quarter expression, employment mildly decreased already for the second time in a row (-0.3% and -0.2% resp. in Q3 2019), although it recorded a swift growth in the first quarter of the year (0.5%). Year-on-year employment dynamics in the CR for the first time after more than five years more notably lagged behind the rates of growth of the whole EU as well as Germany (1.0% and 0.7% in Q4 resp.). Situation in the CR was mostly impacted by the development in industry, where the employment reduced already since the half of the year². Number of workers also diminished in the primary sector last year. In contrast the growth was strengthening in construction during the year 2019 (up to 2.4%, the ten-year maximum). Services, mainly information and communication fared well (+4.5% last year). Activities connected to tourism also increased the number of workers. Number of employees also increased in branches with the predominant public sector, mainly thanks to education as well as health care. Branch shifts were for the major part influenced by employees in Q4 as well as the whole last year, since the number of self-employed (entrepreneurs without employees) did not change significantly³.

Employees in industry were dwindling, on the contrary construction and majority of branches of services generated growth.

Short-term expectations concerning employment stayed positive in both trade and construction at the turn of years 2019 and 2020.

Short term expectations of employment, expressed by businesses in the business cycle surveys⁴, stayed positive in the branches of trade and construction also at the turn of years 2019 and 2020. Mild reduction of employment was on the contrary foresaw in industry (because of the development in Q4) an in the selected branches of market services (already more than one year). Within these weight important branches however the situation was relatively varied⁵.

¹ Unless stated otherwise, data regarding employment used in this chapter are given in the national accounts conception after adjustment for seasonal effects.

² It is also confirmed by business statistics figures. The number of employees in industry dropped by 1.5% year-on-year in Q4 (by 0.8% for the whole year 2019). However, in this conception agency workers are not included into industry and the effect of the shadow economy is not allowed for.

³ Mild decrease of the number of self-employed in the primary sector, industry and grouping trade, transportation, accommodation and restaurants was to a large extent compensated by their increase in construction and majority of services activities (especially in information and communication).

⁴ They are expressed with the help of seasonally adjusted figures as differences (in p.p.) between the ratio of businesses expecting the employment increase in the next three months and businesses on the contrary foreseeing the reduction of level of their workers.

⁵ Within industry, mainly branches of leather, footwear and textile industry had negative expectations regarding the employment. Among the larger branches then especially rubber and plastic activities, machinery, manufacture of metal products, metallurgy and foundry industry. Moderately negative expectations were also in automotive industry (for the major part of the year 2019). On the contrary, positive anticipations prevailed in paper, printing, chemical or pharmaceutical industry and also in branch other manufacturing (including mainly manufacturing of medical and dental instruments and supplies and further also toys or sporting equipment).

Within the market services, the negative balance of employment expectations was apparent in transportation, telecommunication, financial activities, real estate activities, in the area of renting and operational leasing or travel agencies. On the contrary, anticipated employment

Number of legally working foreigners in the CR was expanding especially in the 1st half of the year 2019. It grew by the half rate than in both years 2017 and 2018 for the last year.

Even though the factor of shortage of labour force as a barrier to growth of businesses gradually weakened during the last year, its role was still not negligible at the beginning of year 2020 (48% in construction, 28% in industry, 20% in the tertiary sector – except for trade and public services). Given the factual exhaustion of vacant domestic labour force, the inflow of labour force from abroad continued. Number of foreigners holding employee positions was according to the MLSA data 622 thousand at the end of the year, year-on-year increase was however only one half compared to both years 2017 and 2018 last year (+53 thousand)⁶. Worsened situation in the industry in the second half of the year was reflected in the weaker demand for workers – number of persons with valid work permit dropped from 57 to 31 thousand during December, especially due to the reduction of citizens of Ukraine⁷.

Employment rate of persons in the productive age stagnated in 2019. In the context of the EU however it still ranked among the significantly above average, mainly thanks to males.

Employment rate of persons aged 15 to 64 years reached (based on the seasonally adjusted data from the LFSS) 82.1% for males, 68.2% for females in Q4 2019. Its long-term growth was interrupted at the end of year 2018 (employment has been stagnated since then). Higher economic activity towards the end as well as after the end of the productive age (due to strong demand for workers, especially in services as well as the lengthening of the legal retirement age), and also the continuing foreign work migration affected the rate positively. Employment rate in the CR stays significantly above average in the European context, especially thanks to males, whose position was exceeded in the EU only by Netherlands (82.3%) and Malta (83.4%). Employment of females was also above average in the CR (by 3.9 p.p. higher than in the Union), however distinctly below the level of the best placed Sweden (75.2%), but also the Baltic States (71–73%).

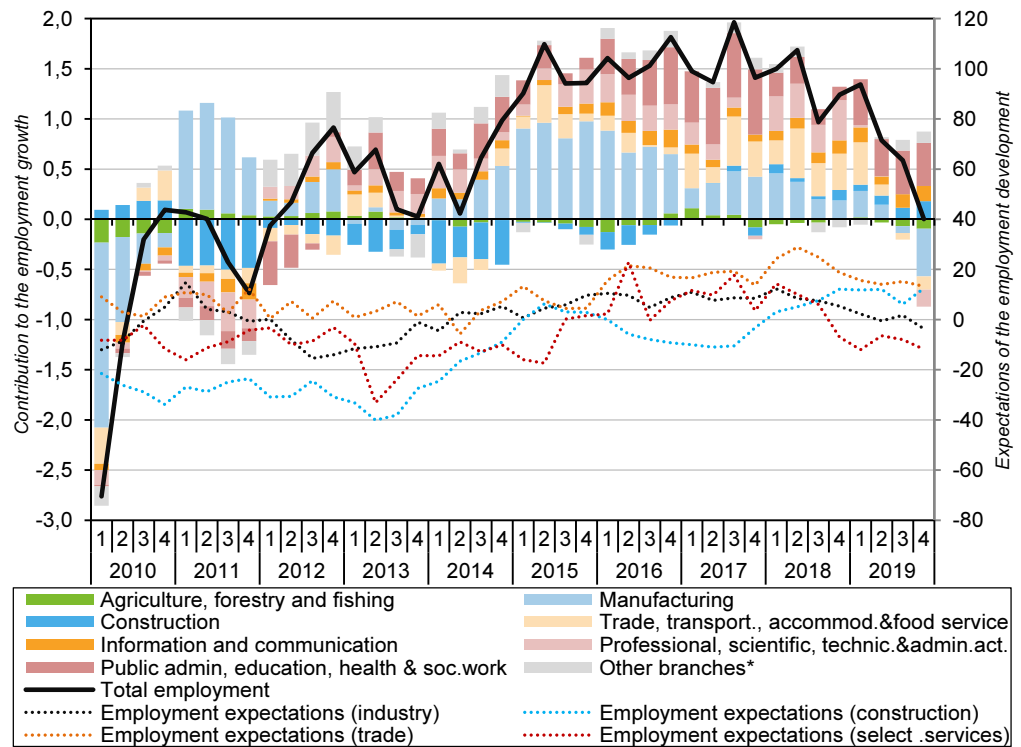
Chart 12 Total employment (year-on-year in %), contributions of main branches to year-on-year employment change (in p.p.) and expectations of employment development in the next quarter (balance in p.p., seasonally adjusted)

increase was indicated traditionally especially by employment placement agencies, food service and restaurants, storage, legal and accounting activities, science and research and IT activities.

⁶ Mostly citizens of Ukraine (+23 thousand), Slovakia (+10.1), Russia (+2.3), Poland (+1.5), Vietnam (+1.4), Bulgaria and Belarus shared in it.

⁷ Below one half of citizens of Ukraine as well as all citizens from so called “third countries” working in the CR on employee positions do not need working permit for this reason (mostly foreigners with residence permit on the CR territory, asylum seekers or persons, who were granted a subsidiary protection, and further people residing on the CR territory based on long-term stay permit for the purpose of family reunification).





*Mining and energetics; Financial and insurance activities; Real estate activities; Arts, entertainment and recreation activities; Other services.

Note: Balance of expectations expresses the difference in p.p. between categories (growth vs. decrease of employment in the following quarter)

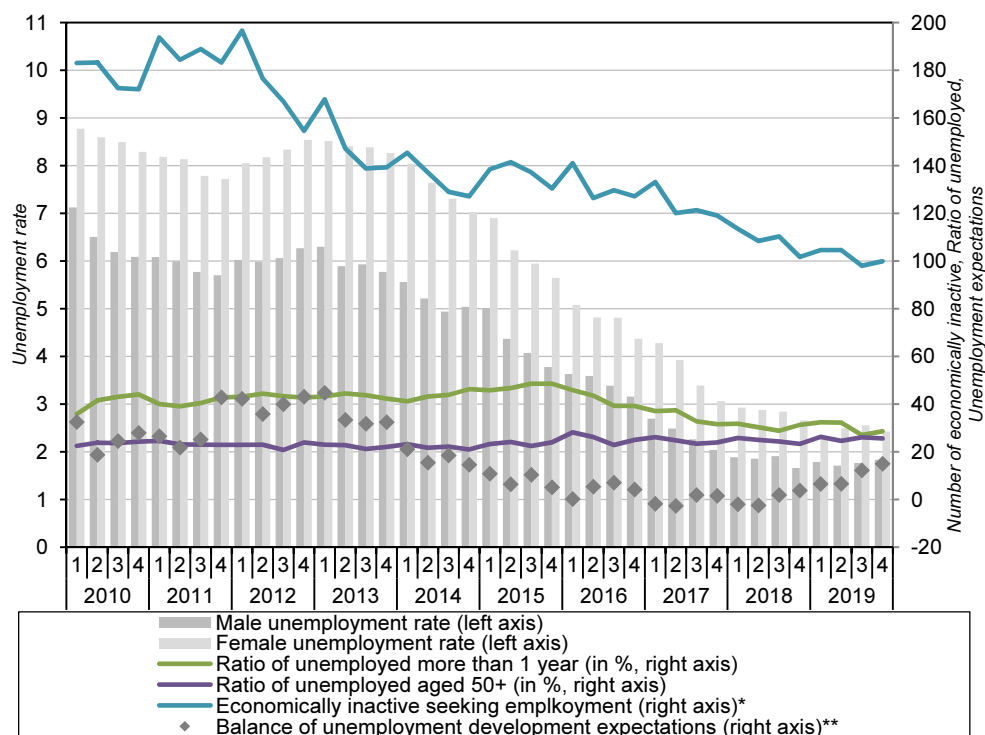
Source: CZSO (national accounts, business cycle surveys)

Unemployment rate as well as the number of long-term unemployed stagnated during year 2019. Concerns of households related to the growth of unemployment in contrast slightly increased.

General unemployment rate⁸ went only through minimal changes during the last year. In December 2019, it was 1.8% for males and 2.3% in case of females. Proportion of persons unemployed for more than one year mildly fluctuated (around 30%) and was placed near the historical minimums in the era of the independent CR (similarly to the total unemployment or number of economically inactive persons willing to work). These data lightly contrasted to the growing concerns of households regarding the growth of unemployment expressed in the business cycle survey (it cannot be ruled out though, that households more sensitively reacted also to the worsening economic development of the euro area).

Chart 13 General unemployment rate (in %), ratio of long-term unemployed (in %), economically inactive willing to work (in thousand) and share of persons concerned about unemployment growth (in %)

⁸ All given unemployment rates are sourced from the data of Labour Force Sample Survey and express the reality after seasonal adjustment.



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.
 **Expectations in the next 12 months (for consumers). Expresses the difference in p.p. between the categories (growth vs. decrease of unemployment).
 Source: CZSO (LFSS, business cycle surveys)

Labour offices offered the record number of vacant positions in May. The second half of the year brought only negligible decrease.

Excess number of job applicants over vacant positions was registered only in one third of the CR regions.

Rate of growth of average wages mildly slowed last year compared to year 2018, still it counted to the highest in the last decade.

One of the reasons why the slight economic slowdown in the CR has not so far manifested on the “hard” data regarding unemployment is the fact, that part of the persons, who lost their employment, already did not have to strive for return on the domestic labour market (working seniors, alternatively foreigners, whose work permit in the CR expires). Demographic influences also work against the unemployment increase in the last years (natural departure of populous cohorts born in the 50s blended with the onset of historically weakest cohorts from the end of 90s of the last century) and also the fact, that the demand for workers still stays high. In June 2019, labour offices (LO) in the CR had available the historically largest supply of job vacancies (351 thousand), it was 341 thousand at the end of the year (by 5% more year-on-year). During the last year again mainly the number of the least qualified positions requiring only primary education grew (+28 thousand), aiming in the first place on the foreign workers. Number of job vacancies for apprentices decreased (-11 thousand) and the supply of positions with higher qualification requirements, forming only one tenth of all positions, stagnated. Already one third of all job vacancies stayed in the LO for more than one year in the CR. Ratio of one job vacancy to number of applicants was 0.6 at the end of the last year. Only one third of regions reported excess of applicants over offered number of job vacancies (only Karviná, Jeseník and Sokolov more than 3 applicants per vacancy).

The average gross nominal monthly wage of employee grew (based on business statistics) by 7.1% (to 34 125 CZK) in 2019. It represented the second highest year-on-year rate of growth in the last eleven years (after year 2018: +7.5%). The dynamics of the average earnings however gradually slightly weakened during the last year (+7.5% in Q1, +6.7% in Q4⁹). Decline was apparent in the majority of market branches (in key branches – manufacturing and trade, but also in construction). High demand for employees in majority of branches, very low unemployment as well as gradually diminishing reservoir of domestic

⁹ The lower number of hours worked year-on-year (there was one working day less in Q4 compared to the same period of the previous year), lower volume of overtime work as well as small decrease of the role of special bonuses (evident e.g. in mining and quarrying) impacted this slow down as well. On the contrary, the volume of paid not worked time increased, especially due to higher sickness.

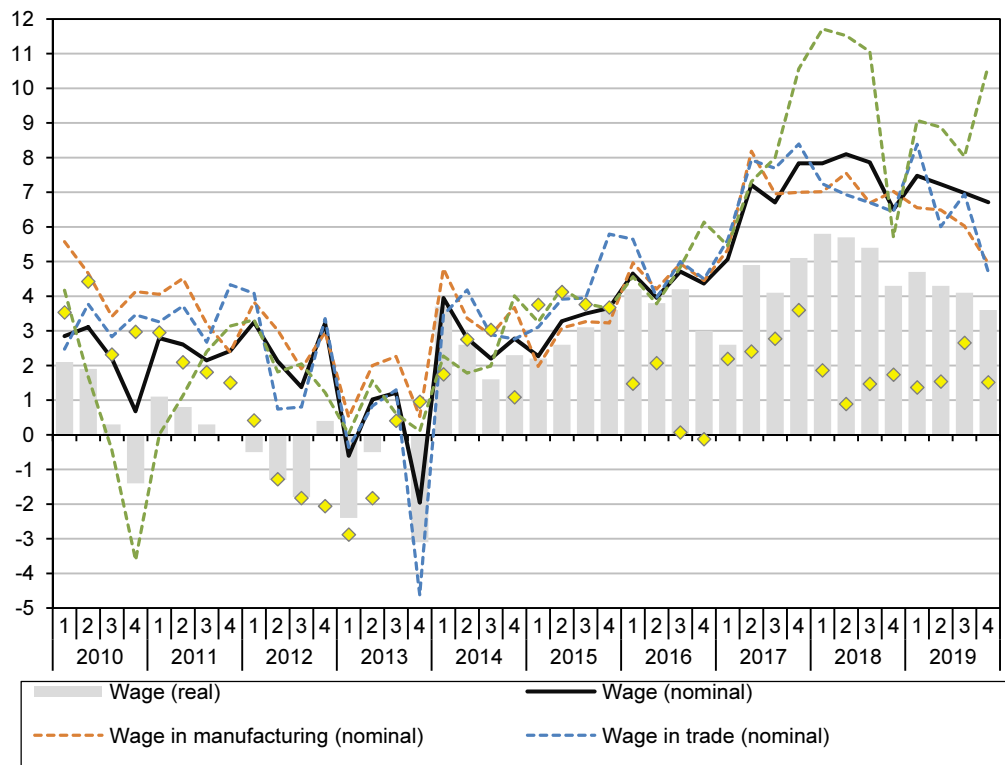


<p>Factors acting against dynamic wage growth gained in importance during the last year.</p>	<p>labour force from ranks of economically inactive assisted in keeping the relatively brisk wage dynamics – similarly to years 2017 and 2018. Slightly decreasing (even though still high) profitability of businesses related apart from cost pressures (wages, energies) also to the weakening of the foreign demand for industrial products worked in the opposite direction. In addition, expanding supply of workers from economically less developed countries dampened faster growth of earnings in some “low-income” branches (e.g. in the area of tourism).</p>
<p>The average earnings grew relatively the most in education already second year in a row.</p>	<p>Varying resilience of branches towards the fluctuations of the foreign demand together with a more selective approach to increase in remuneration in the public sector (mainly with employees in education) was reflected in wider inter-branch differentiation of the wage growth last year. The average earnings grew the fastest in education, for the second year in a row (+12.5%, +10.7% in year 2018). Their annual size overtook the level of the national economy last year (by 3.5%, for the first time since year 2009)¹⁰. Earnings in cultural, amusement and recreational activities increased by one tenth, branch health and social care in effect also maintained the pace from year 2018 last year (+8.5%). Among the market services, financial and insurance activities recorded the largest improvement in absolute (4 471 CZK) as well as relative terms (+8.2%, the highest annual rate of growth after year 2002)¹¹ last year. On the contrary, professional, scientific and technical activities showed the lowest pace within the services sector (+5.0%), still the wage level here exceeded the whole economy by one fifth. Principal branch of trade recorded weaker growth also due to considerable slowdown at the end of the year (6.4%). Despite solid increase of the minimum wage, the earnings in accommodation, food service activities and restaurants grew by below-average 6.6% and in the annual total stayed narrowly below the 20thousand boundary last year (only on one third of the financial sector or IT area level). Wages strengthened by even 6% in manufacturing. Rate of growth as well as the level of wages thus stayed slightly below the level of the whole economy, identically to year 2018. More humble wage growth despite strengthening of production as well as orders was typical for construction last year (+6.1%). Total wage differentiation in the economy already presumably did not decrease in contrast to the last three years last year anymore. Wage median increased by 6.9%. It was growing faster for females than males already fourth year in a row (also due to the influence of strengthening wages in education). Even though the year-on-year growth of the purchasing power of wages mildly weakened mainly because of the impact of strengthening inflation (down to 3.6% in Q4 2019, the least in nearly three years), in total from the beginning of the last year it was 4.2%, which still meant the second highest rate of growth for the last twelve years.</p>
<p>Wages were raised by below average pace in industry, trade or construction. Slowdown was evident during the year</p>	
<p>Total wage differentiation did not decline any more, since the acceleration of earnings in finance and insurance activities occurred and also due its weaker growth in branches linked to tourism.</p>	

Chart 14 Average nominal and real wage, labour productivity (year-on-year, in %)

¹⁰ Year-on-year growth of wages in education accelerated also thanks to payment of bonuses at the end of the year to 16.2% in Q4. The size of average gross monthly earnings (41 674 CZK) already neared here close to the level of best positioned branch in the long-term with the dominant public sector (public administration and social work) and it exceeded the level of national economy by record 15%.

¹¹ Dynamic wage growth was enabled by very good economic results of the financial sector merged with strong pressure on the productivity growth (number of employees according to business statistics shrank by 1.9% year-on-year and also in previous years their growth was rather restrained). In addition, the relative growth rate of averages wages was placed considerably below the level of the nation economy here in the period of 2015 to 2018.



* Includes branches: Public administration, defence, social security; Education Human health and social work activities; Arts, entertainment and recreation activities.

**Share of seasonally non-adjusted GDP and total employment (in the national accounts conception).

Source: CZSO

