Labour Market

- ***Demand for work climbed up***

Favourable development on the labour market continued in accordance with the growth of performance of main branches and previous growth of expenditures on gross fixed capital formation. In H1 2005, the employment year-on-year increased and the unemployment decreased. Imbalance between the supply of jobs and the demand for work has slightly narrowed. However, the serious problem of long-term unemployment still remains. The growth of average gross monthly wages further slowed down and does not represent any risk in relation to the productivity of labour.

- ***Structural changes in the position of employed persons***

There were 4 727.6 employed persons with one or main employment in H1 2005 (based on LFSS), in that 4 750.7 thousand in Q2 and their number year-on-year grew by 0.8 % and 1.1 % respectively, which meant half-yearly acceleration of 1.9 p. p. Significant changes occurred in the structure of employed persons according to their status. In H1 the number of employees 3 935.5 thousand increased year-on-year by 1.8 % and the total number of self-employed 732.6 thousand was lower by 4.7 %. In the main part it is a shift in the status of employed persons, which affects mostly construction industry, which in H1 2005 gained 30.5 thousand persons, in that in Q2 35.3 thousand persons and its half-yearly average of 456.0 thousand was year-on-year higher by 7.2 %. Given individual sectors, the number of employed persons grew the most in the secondary sector (by 1.7 %); the tertiary sector with 56.5 % share of working persons experienced an increase of 0.7 %, in that in Q2 by 1.1 %. Half-yearly rate of employment (persons aged 15 a over) 54.35 % was year-on-year higher by 0.25 p. p.

- ***Drop in the total unemployment rate***

With respect to the number of unemployed persons of 415.6 thousand in H1 2005, in that 402.1 thousand in Q2 was 3.7 % and 4.1 % respectively less year-on-year. There is more unemployed women than men, however their number went slightly down, even thought less than that of males. Long-term unemployment recorded unfavourable development; the number of persons unemployed for more than one year and more reached 54.0 % of all unemployed and increased year-on-year by 0.6 %. General rate of unemployment according to ILO (age group 15 plus) 8.10 % on average for H1 2005 was year-on-year lower by 0.35 p. p.

- ***Economic inactivity is falling***

The rate of economic inactivity fell by 0.1 p. p. to 40.8 %. Potential reserve of labour force of 287.9 thousand in H1 2005, in that 283.2 thousand in Q2, decrease year-on-year by 0.9 % and 2.2 % respectively. Large number of these persons (100.8 thousand) belongs to the age group up to 24 years, which generally represents students and apprentices keen on working.

- ***Growth of gross average wage slowed down***

Average gross monthly nominal wage (per private person) of CZK 18 220 for H1 2005, in that CZK 18 763 for Q2, increased year-on-year by 5.6 % and 5.4 % respectively. Seasonally adjusted average wage in Q2 increased by 0.9 % compared to Q1. Average wage in H1 2005 was higher in the business sector (CZK 18 317) than in the non-business sector (CZK 17 895), however the difference from H1 2004 shrunk considerably, since the year-on-year gain in the non-business firms (7.1 %) exceeded that in the business sector (5.2 %). Average wage increased in real terms for the whole H1 2005 by 4.0 %, in that in Q2 by 3.8 %, while its growth after previous substantial slowdown, increased its pace by 0.3 p. p. and 2.2 p. p. respectively.

- ***Widening of the wage branch division***

The development of average nominal wage in individual branch activities was considerably variable and interbranch wage differentiation increased by 7.8 %. The gap between the highest and lowest monthly average gross wage in the business sector in H1 2005 has already reached CZK 26 480 and became year-on-year much larger. Average wage in the sector of financial intermediation CZK 39 237 grew by notable CZK 3 435, i.e. by 9.6 %, reflecting dismissals of bank employees with low salaries. The difference between faster growth of average wages in banks and their slower growth in the business sector came to 4.4 p. p. (absolute difference of CZK 20

920 in H1 2005). In the sector of accommodation and hospitality the average wage of CZK 12 757 grew year-on-year by mere 1.6 %. In the manufacturing industry, whose share of employees in the business sector reached more than two fifths (42.1 %), the average wage grew only by 4.2 % and its growth slowed down by 4.1 p. p., which is a manifestation of wage guardedness in businesses under foreign control. Overall, the differences in average wages were reflected in the year-on-year increase in the variation differential by 2.7 p.p. to 37.5 % in H1 2005.