

6. Labour Market

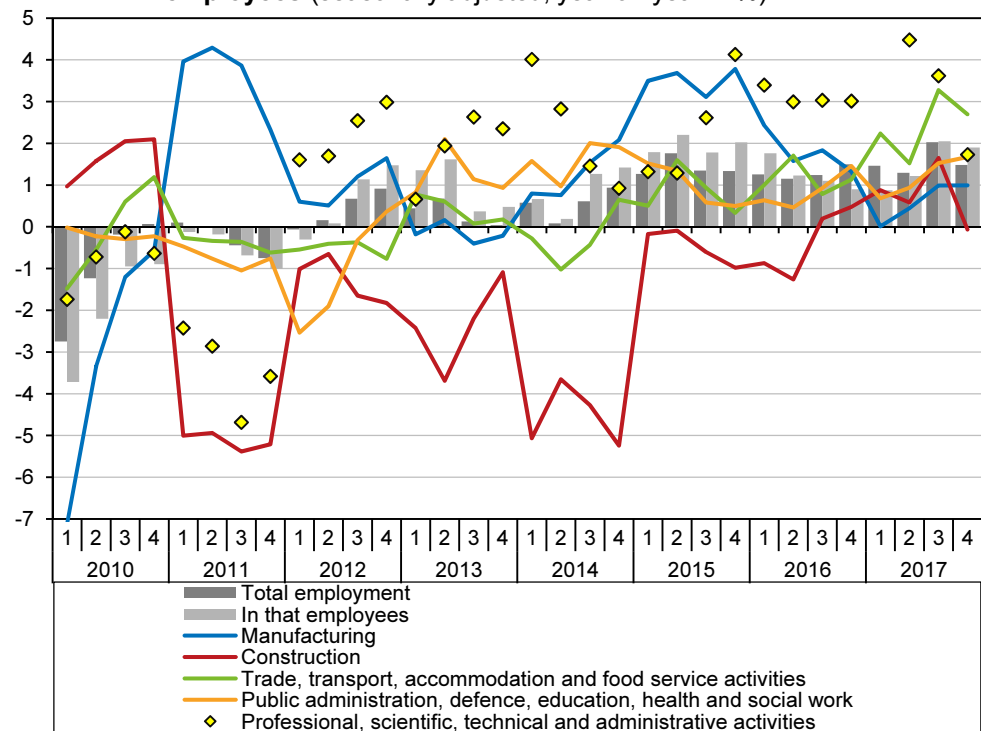
Growing economy was heightening the demand for labour force, which however still more markedly faced the inadequate supply. Employment kept significantly growing, the largest number of persons had a job in the history of the CR.

Employment rate kept further increasing. The CR held front position in the whole EU in case of males.

Favourable tendencies from the previous years continued on the labour market during 2017. Simultaneously, the growing tension arising from the non-satiated demand of business for the labour forces was still more apparent. At the background of this fact, the employment was strengthening for the most part of the year. The number of workers¹ increased by 1.6% compared to year 2016, it was the highest year-on-year rate of growth since the expansion year 2008. Nevertheless, the quarter-on-quarter growth of employment halted in the last three months of the last year. Mainly the high basis stood behind it (growth in the preceding quarter was the strongest since the end of expansion in the previous decade²). The largest number of people were employed at the end of last year in the CR in its history (5.36 mil). The business cycle impacted here together with the inflow of the labour force from abroad, but also the shift in the age structure of the population or the regular increases of the retirement age.

More detailed data of the Labour force sample survey (LFSS) suggest, that the main source of the employment growth was the net inflow from unemployment in Q1 to Q3 2017 (resulting from its further reduction). Already 74.3% of population aged 15-64 years held a job in Q4 2017. Year-on-year rate of growth of the employment rate slightly weakened – from 2.1 p.p. (in Q4 2016) to 1.4 p.p. (a year later). Older employees held a larger share on this growth (above 55 years), however the employment rate rose in all age groups (apart from females aged 35 – 39 years). Employment of males achieved 81.4% in Q3 and it was the highest in the EU already for more than one year. Employment of females ranked the CR still only to the eleventh place, even though it grew year-on-year by double pace compared to the Union (from 64.5% to 66.7%).

Chart 15 **Total employment in selected branches and number of employees** (seasonally adjusted, year-on-year in %)



Source: CZSO (national accounts)

Both employees and self-employed contributed to the higher employment

Mostly employees contributed to the higher employment in 2017. Self-employed however also participated by one sixth, their growth pervaded majority of significant branches. Number of self-employed increased already second year in a row. From

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

² Similar situation also occurred in both Q3 2015 and 2016. In both cases it represents only a one-off deviation from the longer-term growth trend.

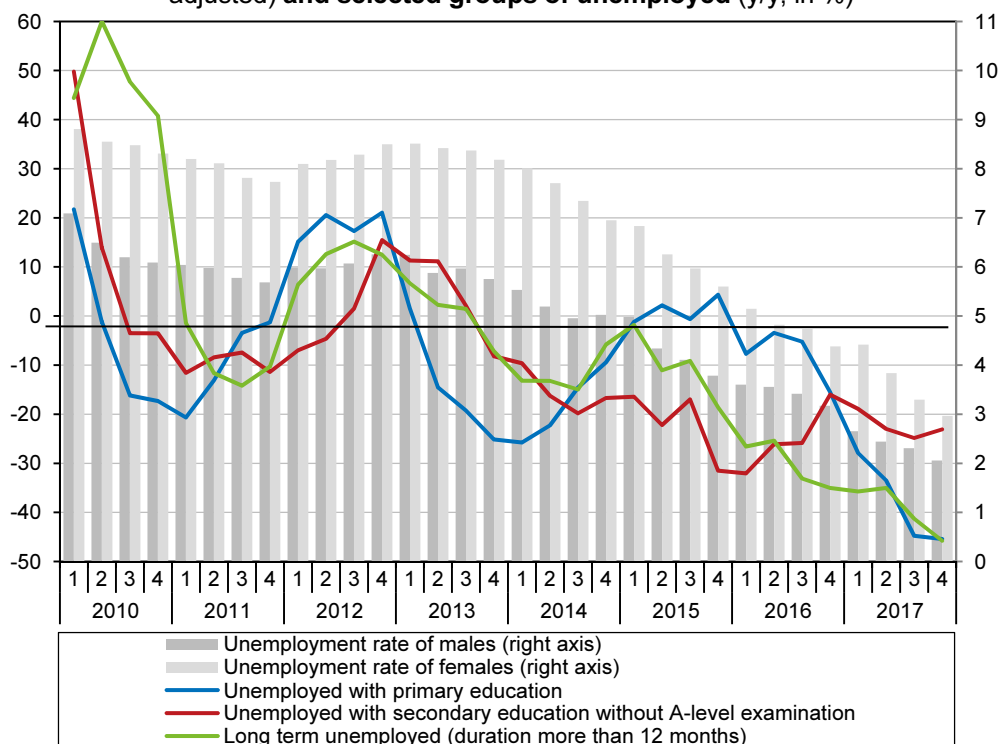


last year.

Focal point of growth of new job positions moved from manufacturing to services. Construction revived, recession in mining and quarrying on the contrary continued.

the point of view of branches, especially services drove the growth of the total employment in 2017. The role of manufacturing, which intensively hired employees in years 2015 and 2016, gradually weakened. By 71 thousand people more worked in the services sector compared to year 2016, by 8 thousand more in manufacturing. Within the services sector, the branch professional, scientific, technical and administrative activities and also information and communication created relatively the most new working positions (by 3.8% more in both cases). Mild increase of employment continued in branches with the state dominance³ – mainly in defence and education. The six years lasting reduction of employment in construction halted, exclusively due to the effect of higher number of self-employed (they benefited from the higher demand for smaller construction works, whose development was not negatively affected by the irregularities in the drawing of European funds). The number of hours worked in the whole economy increased by 1.9% last year and it showed higher rates of growth than the total employment already for the second year. One of the reasons is also the growing number as well as proportion of persons working in the second employments, as evident from the LFSS⁴ data.

Chart 16 **General unemployment rate of males and females (in %, seasonally adjusted) and selected groups of unemployed (y/y, in %)**



Source: CZSO (LFSS – Labour Force Sample Survey)

Pace of the reduction of the unemployment rate did not slacken during 2017 thanks to the favourable development for the long-term unemployed persons, resp. persons with the lowest education level.

General unemployment rate was continuously sinking to the historical minimums in the context of the independent CR as well as its position within the EU. In December 2017, there were 2.4% of unemployed persons aged 15-64 years (based on the seasonally adjusted data), by 1.3 p.p. less year-on-year. The rate of growth of the unemployment reduction compared to both years 2015 and 2016 did not slacken, which was especially thanks to the favourable development in the first half of year 2017. 2.0% of males and 2.9% of females were without a job at the end of the year (year-on-year reduction of unemployment was comparable for both genders). Persons who were without a job for more than one year participated on the lower number of unemployed (by 63 thousand) from more than one half. The frequency of long-term unemployed lowered to record 40 thousand in Q4. It was connected to the marked improvement in the position of persons with the lowest education level on the labour market. Unemployment of persons with the primary education fell from 18.5% to 10.1% (the strongest year-on-year reduction in the history of the CR).

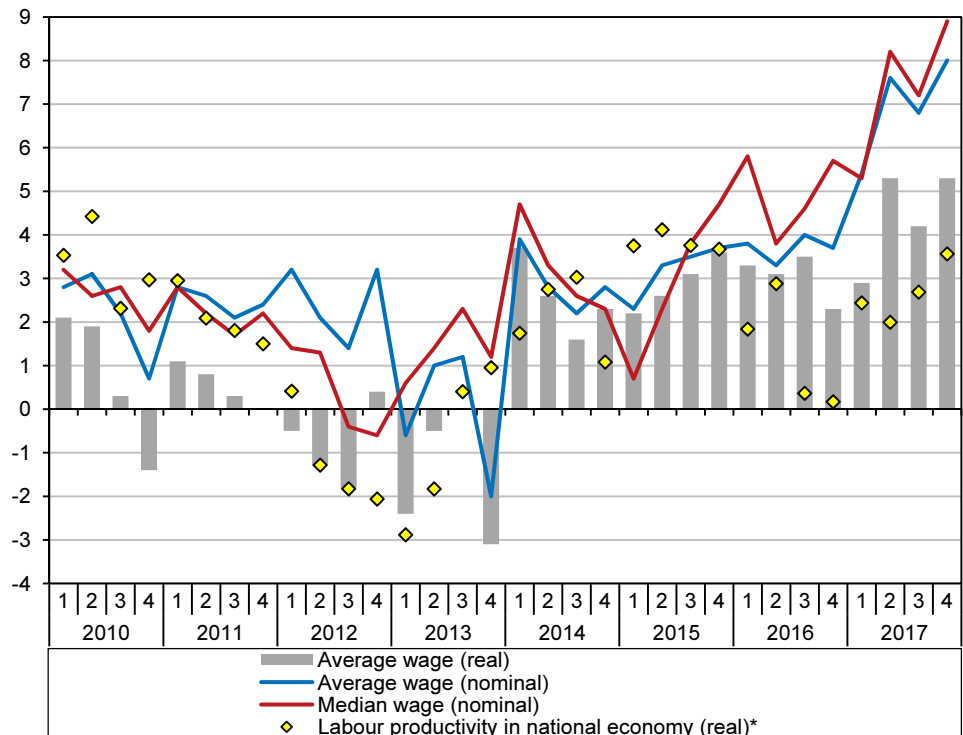
³ Includes branches: Public administration and defence, education, health and social care.

⁴ 139 thousand persons worked this way in Q3 2017, 114 thousand two years ago.

Supply of vacancies at LO nearly doubled year-on-year. More than three quarters of additions however consisted of positions with minimal declared demands on qualification.

The supply of vacancies at labour offices (LO) accelerated in 2017. Their number overtook the 200 thousand boundary for the first time in history at the end of September, by the end of the year there were already 217 thousand job vacancies (by 84 thousand more year-on-year). Year 2017 was the first in the history of the CR, when the number of vacancies month-on-month grew (despite seasonal effects) continuously for the whole year. More than three quarters of the year-on-year addition represented positions with a minimal qualification requirement, when the primary education was sufficient. This fact together with substantial reduction of the level of long-term unemployed suggests, that the employers can experience difficulties with covering such vacant positions by the domestic workers. From the view of branches, manufacturing majorly contributed to the expansion of the supply. There was total of 1.3 applicants per 1 vacancy at the end of the year, the least since half of the nineties. The chance for placement improved year-on-year in all regions, with respect to qualification then mostly for craft and repairmen and assemblers as well as the machine and equipment operators.

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



*Share of seasonally non-adjusted GDP and employment (in the national accounts conception) Source: CZSO

Wage growth accelerated during the year. Increasing lack of available employees on the market as well as the heightened activity of the state stood behind it.

Nominal growth of wages was the largest in the last nine years in 2017. Earnings in branches with low wage level still grew relatively the most.

Good economic results of businesses, continuing positive expectations, but also the deepening mismatch between the supply of the labour force and demand for it led to the dynamization of the wage growth during 2017. The state also played important role – by strengthening the wage tariffs of its own employees as well as the further increase of the minimal wage boundary (incl. the secondary impact on the tied guaranteed wages). The average gross monthly wage crossed the 30 thousand boundary for the first time in history in Q4 2017 and it strengthened year-on-year by 8.0% (by 3.7% the year before). The growth culminated in both Q2 and 4 during the year 2017, which was also linked to the year-on-year larger volume of paid out bonuses. The wages hiked up by 7.0% in total for the whole year, which corresponds to the rates of growth from the expansion years 2007 and 2008. Employees in accommodation, food service and restaurants were the most better off already third year in a row by 11.9% last year). Still it presented the branch with the lowest level of wages (17.5 thousand CZK). The growth of the minimal wage also pushed the earnings in the administrative and support service activities (+8.0%). In branches with the predominance of state, the cultural, entertainment and recreational activities recorded the highest rate of growth of wages (9.3%), especially due to the marked acceleration in Q4 (+13.4%). The earnings also grew dynamically in health and social care (+9.1%) last year. In contrast, despite



Relative wage differences between both branches and regions were reduced and proved prevailing strong demand for less qualified workers.

improvement, the dynamics as well as the absolute size of wages in education remained below the level of the national economy towards the end of the year. Weight dominant manufacturing copied with respect to the size of wages as well as their dynamics the values for the whole economy in the last three years. The relative growth was more modest in the majority of branches with the above average wage level, specifically in financial and insurance activities (+3.6%⁵). In most of them it was however offset by the strong growth of employment (information and communication, energetics). Wage differentiation slightly reduced last year, the median wage exceeded the rates of growth of the average wage for already two and a half years. The increase of the rate of growth of the average real wage was also a positive trend – it strengthened by 4.4% in 2017, the most after year 2003.

⁵ It represented the only from the 19 main branches, where the last year's rate of growth did not significantly rise compared to year 2016 (+3.3%). In absolute terms however, the addition to wages (+1819 CZK) was here comparable to the branch accommodation, food service and restaurants or the whole economy last year.