

## 6. Labour Market

Labour market was further developing in the CR in Q2, demand for workers remained high.

Unprecedented high growth of prices pervading whole economy essentially influenced the economic situation of business as well as purchasing power of wages.

Employment grew swiftly in both year-on-year and quarter-on-quarter view. There was record number of workers in Q2.

New job positions were created the most in services, mainly in trade and activities associated with tourism and with real estate.

Employment increased more gradually in manufacturing; situation varied at the levels of sub-branches.

Domestic labour market was further developing in Q2 2022. Ongoing recovery of the part of services hit by the slump of consumption during the pandemic period played a role, in addition the difficulties with the supplies of production components in part of industry were mitigated during spring. The large refugee wave from Ukraine undoubtedly also contributed to the revival of the labour market, even though the integration of these persons into the working processes took place more gradually. Demand of businesses for workers remained high also at the beginning of summer, their shortage presented a substantial growth barrier in the number of branches. The unemployment was thus around its historical minimum, especially for males. In contrast to the pre-pandemic period however, a substantial drop of the purchasing power of wages manifested this year. In Q1, it already attained the fastest pace in the current millennium, due to the impact of the sharp acceleration of the consumer inflation it reached such an intensity in the subsequent quarter, which is completely unprecedented in the history of the independent CR. Thus not only the entire main branches of the economy were afflicted by lowered purchasing power of wages, but likely also the vast majority of their employees.

The employment growth<sup>1</sup> accelerated in Q2 2022, it reached swift 1.6% quarter-on-quarter. The group trade, transportation, accommodation and restaurants was the most instrumental in this result, manufacturing also contributed significantly. But practically all main branches revived. Total number of workers reached 5.48 mil in the whole economy and exceeded the record level from year 2019 for the first time. 2.5% persons more thus worked compared to last year's Q2. It is positive, that both employees and self-employed persons participated on this growth, self-employed persons increased in number for the first time since year 2017.

New job positions were created mainly in services, 90 thousand persons more worked here year-on-year in Q2 – partially it was an expected effect of the post crisis revival. Activities in the real estate area thrived the most (+6.4%) similarly to the total for the whole last year. The vigorous recovery in the area of trade, transportation, accommodation and restaurant, where the levels of employed elevated by 4.1% and mildly also surpassed the so far highest value from the pre-crisis period, was however decisive for the whole tertiary sector. Growth of employment slightly quickened in the long-time growing public services<sup>2</sup> (to even 2%). The state reacted here to the heightened demand especially in the area of education and health and social work similarly to the previous years. 3.3% persons more worked in the long-term flourishing information and communication year-on-year, nevertheless only exclusively due to the higher number of employees this year. Progressing digitalisation levies a tax on the employment in the financial activities in the past years, positions diminish relative more for the small entrepreneurs here. Outside the tertiary sector, construction thrived the most, the large stock of public orders was also reflected in the higher employment here in Q2 (+3.8%), also supported by the increase of the number of self-employed. Number of workers was expanding in manufacturing already since half of the last year, but only by a slower pace, which was also valid for Q2 (+1.6%). Situation varied in the individual industrial activities, next to the current demand for output, the energy performance of the production as well as the business strategy of individual businesses in the area of securing supplies of energies also likely played a role. Businesses in industry, construction as well as some “low-income” branches of services to a significant extent

<sup>1</sup> Data regarding employment stem from the national accounts' conception. They are expressed in physical persons and adjusted for seasonal effects.

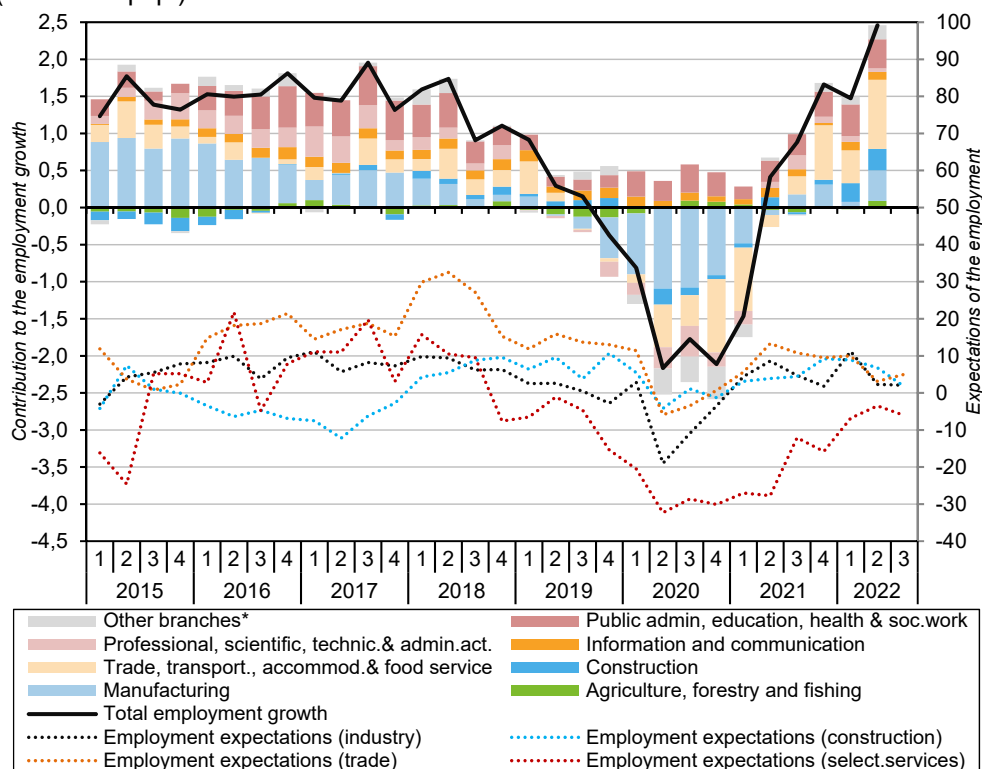
<sup>2</sup> Branches with the prevalent public services, including public administration and social security and also education and health and social work, had the most pro-growth effect on the employment out of all key branches also for the whole period of years 2020 and 2021.

saturated the demand for available labour force by recruitment<sup>3</sup>, since the reservoir of the local potential labour force was nearly exhausted<sup>4</sup>.

Number of hours worked only stagnated compared to the beginning of the year.

Number of hours worked compared to the previous quarter only stagnated in the whole economy in Q2 2022. The employment growth (for natural persons) thus presumably came about via higher supply of part-time contracts, alternatively other forms (e.g. contract for work), which could have been linked to the integration of refugees into the labour market. The growth of the hours worked was compared to employment nearly double (4.8%) in the year-on-year comparison, since part of services was still troubled last year in spring, due to the aftermath of the counter pandemic measures, by a weak demand<sup>5</sup>.

**Chart 13 Total employment (year-on-year in %), contributions of branches to year-on-year change of employment (in p.p.) and expectations of employment development (balance in p. p.)**



\* Mining and energetics; Financial and insurance activities; Real estate activities; Arts, entertainment and recreation activities.  
 Note: Balance of expectations expresses the difference in p.p. between categories growth vs. decrease of employment in the nearest three months. Data are seasonally adjusted and relate to the second month of the given quarter.  
 Source: CZSO, Eurostat (LFSS, business cycle surveys)

Employment grew similarly to the CR in the EU in Q2 2022, it

Renewed economic growth accompanied by high demand of businesses for labour force was favourably reflected in the employment also in the EU. It increased by 0.5% quarter-on-quarter in Q2 and by 2.2% compared to the same period of the last year. Year-on-year, in

<sup>3</sup> Growth of the number of foreigners working in the CR distinctly accelerated this year during spring. It was assisted by the beginning integration of the refugees from Ukraine, ongoing economic migration from the economically weaker regions of the EU as well as countries outside the EU had an effect of a smaller magnitude. The labour offices (LO) registered 767 thousand foreign nationals in the employee status on the territory of the CR this year in July. It was by 9% more than at the end of year 2021 (and by 12% more than last year in July). In addition also foreigners, which are holders of the trade licence were active in the CR (106 thousand). These were increasing slower year-on-year (+6%), because it primarily concerns foreigners settled in the long-term (largely from Ukraine, Slovakia and Vietnam). Workers from Ukraine added to the growth of the number of foreigners in the employee positions from more than 80% from January till July 2022, their number expanded by more than one quarter (to 249 thousand, where females only negligibly prevailed). Slovaks, comprising the second most numerous group, rather stagnated with respect to numbers (211 thousand), similarly to Poles (48 thousand) and Romanians (47 thousand). Number of Bulgarian or Belarussian employees even slightly decreased (to 37 thousand and 6 thousand, respectively). Among more significant groups of foreigners, those from Moldavia (to 6 thousand) and Kazakhstan (5 thousand) strengthened relatively the most. 31% of all foreigners in the employee status in the CR were registered in Prague, 17% in the Central Bohemian region. Their numbers increased "only" by 5% in these regions so far this year, on the contrary by 22% in the regions of Central Moravia.

<sup>4</sup> As also evidenced by the number of economically inactive persons stating willingness to work, which did not reach even 60 thousand in Q2.

<sup>5</sup> In branch other service activities, which include mainly culture, amusement and recreational activities or personal services mainly for households, the hours worked increased by 14.5% year-on-year in this year's Q2. It still however fell by nearly one tenth behind the corresponding level from year 2019.



<p>however recovered faster for the whole pandemic period.</p>	<p>rose the most in Ireland (8.8%), Lithuania (6.6%) and Estonia (5.6%), among more significant economics then in Spain (3.8%), the least on contrary in Poland (1.0%), Latvia (1.2%) and Germany (1.5%). Despite relatively low weight of services, the Czech economy belonged to a distinctive minority within the EU, where the precrisis level of employment (from year 2019) was overcome only this year (only Slovakia, Latvia and Bulgaria did not manage to do that yet). Still the CR preserved a front position in the EU from the view of the participation of population on the labour market<sup>6</sup>.</p>
<p>Expectations of businesses in the area of own employment gradually mildly deteriorated this year. Businesses in trade maintained the highest optimism.</p>	<p>Short term expectations of businesses in the whole economy in the area of employment later mildly deteriorated following the optimistic outlooks from the beginning of this year. Still it stayed more positive in August compared to the period just before the onset of pandemics. The businesses in trade maintained the highest optimism. 15% of them planned to create new job positions in the next 3 months, 10% then lowering of the employee levels. The share of both above-mentioned categories was comparable in industry as well as construction (it always slightly exceeded 10%)<sup>7</sup>. The last year's pessimism perceptibly shrank in services, still the anticipations of further reduction prevailed here (16%) over growth (10%)<sup>8</sup>. Both in spring and summer this year, in connection with the worsening of the overall economic outlooks, the proportion of businesses where the shortage of labour force presents one of the important growth barriers slightly decreased. This problem however kept playing a key role in construction, since it still limited around 40% of businesses. It did not even evade some sub-branches in industry or services, especially those with low level of earnings.</p>
<p>Unemployment rate slightly lowered year-on-year, it was falling faster for males. Number of long-term unemployed however mildly increased.</p>	<p>The general unemployment rate<sup>9</sup> (persons aged 15 to 64 years) arrived at 2.3% this year in July. It mildly decreased year-on-year, mainly thanks to the more favourable development in H2 2021. It was falling faster for males (by 0.5 p.p. to 1.8%) than females (by 0.1 p.p. to 3.0%). Data regarding the registered job applicants also confirmed this development. The unemployment rate of females still remained slightly above the level of peak of the pre-pandemic boom, which was linked to the slower recovery of employment in some services activities strongly hit by the slump of demand during the pandemics and further also to the inadequate supply of short-term jobs. The number of long-term unemployed mildly increased year-on-year. 40% of all unemployed thus was more than one year without a job in Q2, i.e. approximately by 10 p.p. more than in year 2019. Number of households expecting worsening of the economic situation in the CR in the upcoming 12 months considerably increased during this year's spring, which was also mirrored in the mild increase of concerns of people about the rise of unemployment. They were stronger compared to year 2019 this year in August but were far from reaching the intensity from the acute phase of the pandemics or the previous periods of economic recession so far.</p>
<p>Concerns of people regarding the unemployment slowly started to heighten.</p>	
<p>Supply of job vacancies for persons with lower qualification started decreasing at LO since spring.</p>	<p>Growth of the number of job vacancies offered by the LO ceased in May this year. It amounted to 319 thousand<sup>10</sup> in June and it was already by one tenth lower year-on-year. While the number of positions requiring tertiary education stagnated (to 16 thousand) and the offer for secondary school graduates went slightly up (+5%, to 25 thousand), number of</p>

<sup>6</sup> According to the up-to-date data from Q1 2022, only the Netherlands (82.4), Estonia (82%) and Sweden (80.9%) recorded higher employment rate (of population aged 20 to 64 years) than in the CR (80.8%). The CR already holds a Union primacy in the employment of males, or rather all persons in the age group 45 to 59 years, participation of females and of persons above 60 years exceeds the EU level only mildly. Employment remains below average for young up to 25 years of age and also in the group 30 to 34 years of age (here solely for females). The employment rate for youth stayed still below the level of year 2019 in the CR as opposed to the EU.

<sup>7</sup> Mainly businesses in textile and clothing industry, metallurgy and rubber industry, petrochemical industry and also in repairs of machinery and equipment anticipated lowering of employment.

<sup>8</sup> Negative expectations for employment prevailed in the air transportation, postal and courier activities, publishing activities and also in financial activities.

<sup>9</sup> Unless stated otherwise, all data regarding the unemployment rates are sourced from the LFSS (based on the ILO methodology) and are adjusted for seasonal effects.

<sup>10</sup> Significant part of vacancies however cannot be considered active for various reasons. It e.g. constitutes positions offered by companies, which terminated their operations, further positions, which are outdated, but were not removed from the offer or positions substantially unattractive (combination of very low earnings and relatively higher demands on the applicant) remaining vacant for a long time. Only part of the entire offer of job vacancies can thus be considered truly active. Number of positions, which were offered less than half a year, totalled only 163 thousand at the end of Q2s.

positions for secondary school leavers without certificate shrank by 5% and the least qualified positions even by 13% (still they formed more than 70% of total offer of LO vacancies). It can be assumed, that part of the less qualified positions could have been accepted by the refugees from Ukraine during the spring. The excess of all supply of job vacancies over the number of registered job applications manifested in nearly two thirds of the CR regions and in more than one half of municipalities this year in July<sup>11</sup>.

**Chart 14 General unemployment rate (in %, age 15 to 64 years), rate of economic activity (in %, age 15 to 64 years), economically inactive willing to work (in thousand persons)\* and unemployment expectations of households (in p. p.)\*\***



Note: Figures regarding the unemployment rate as well as economic activity are seasonally adjusted.  
 \*Persons not in employment, not seeking work, but expressing the willingness to work.  
 \*\*Seasonally adjusted balance of expectations of unemployment in the next 12 months (difference between percentage frequency of answers of households “growth” and “decrease” expressed in percentage points). Data relates to the middle month of the given quarter.  
 Source: CZSO (LFSS, business cycle surveys)

The effect of the last year’ high basis caused by the pay out of extraordinary bonuses in health care stood behind the slowdown of year-on-year growth of wages.

The average gross monthly nominal wage (per employee, with the view to the length of the job contract) ascended narrowly below the 40 CZK thousand level in Q2 2022. Its year-on-year pace decelerated to 4.4% (from 7.3% in Q1). Nevertheless, after exclusion of the branch health and social works, where its development was essentially influenced by the pay out of extraordinary cumulative “covid” bonuses last year in spring, the wage growth was at the level slightly above 7.5% – that is at a similar level as at the beginning of this year. Wage after adjustment for seasonal effect increased by 1.3% quarter-on-quarter in Q2 and also this pace was not notably deviating from the development of the recent period.

Mainly market branches were behind the wage growth. The effect of saving measures was evident in branches with the dominance of state.

Year-on-year rate of growth of wages reflected the ongoing recovery of the economy in Q2 (mainly of some services) also expressed by the swift growth of the number of hours worked. Tension on the labour market connected to the low unemployment, still high number of job vacancies as well as fact, that the lack of employees limited production in the number of significant branches, also had a pro-growth effect. The continuing rise of the minimum wage had an impact mostly in branches with low level of earnings. On the contrary, the arrival of Ukrainian refugees did not affect the level of average wages practically even in these

<sup>11</sup> More than 2.5 of applicants per job vacancies were accounted only in regions Karviná (9.6), Ústí nad Labem (4.4), Most (4.0), Bruntál (3.8), Děčín (2.8), Sokolov (2.7) and Opava (2.6). The whole Moravia-Silesian region (2.8) featured similar numbers.



Fast and difficult to predict for the future expansion of production costs narrowed room for larger increase of wages to the businesses.

branches so far since these persons joined the labour market gradually and often apparently via shortened job contracts or only in the form of various contracts. Growth of wages in the whole economy was inhibited mainly by the setting of the wage tariffs in the budget sphere (freeze or only a very small growth for the majority of employee groups). High inflationary anticipations showed ambiguously in the wage area so far. It did lead to the increasing pressure of employees on fast wage growth, it however collided with the difficult situation of employers. Pressure on the growth on non-wage production costs due to the significant increase of practically or intermediate inputs considerably intensified in the last quarters and was even amplified by the marked uncertainties related to the future development of both prices and the availability of energies itself. Situation of businesses however varied widely, even within individual branches.

Deep real decrease of average wage continued third quarter in a row.

Real decrease of average wages continued a third quarter in a row. Due to the acceleration of the growth of consumer prices, this decrease deepened in Q2 (to 9.8%). Even though it was the deepest in the current millennium already in the preceding quarter (3.5%) and afflicted vast majority of branches. Simultaneously it had a major effect on the reduction of the total purchasing power of domestic households<sup>12</sup>.

Average wages grew the fastest in accommodation, food service and restaurants. Vast majority of other market services also attained a swift growth.

In Q2, the average wages grew at the highest year-on-year pace in the branch accommodation, food service and restaurants (11.3%). This size did not reach even three fifths of the level of the whole economy and thus it still represented a branch with the lowest level of wages. Weight significant branches of trade or transportation and storage, where earnings strengthened by nearly 9%, also benefited from the post crisis revival of demand also associated with the realisation of the postponed private consumption. It was also valid about the cultural, amusement and recreational activities (9.6%), where the wage growth was however hampered by the development in the segment of public cultural institutions. Budget savings measures also stood behind lower growth in education (2.6%) and also in the branch public administration, health and social work (3.8%), where in addition the earnings grew at below average pace throughout the whole last year as well. The thriving branch information and communication in contrast continued in swift growth (11.0%) and the average monthly wage approached the 70 thousand boundary here. Employees in financial activities could have also counted on similar average earnings, the wage growth nevertheless notably lagged behind compared to the information and communication area here in both years 2020 and 2021. Wage growth accelerated to even 8% in the key branch – manufacturing – in Q2, specifically mainly due to the production of motor vehicles, where monthly earnings reached on average nearly 51 thousand CZK. The whole branch did fare well also last year in spring, which was also positively reflected in the wage area at that time. Despite of this fact, the average wages remained still below the level of the national economy in the whole industry (by 1 %) also this year. The same was valid to an even larger extent also for construction (–14%), which was recovering from the pandemic recession gradually. The wage growth however accelerated here this year and it was 7.8% in Q2.

Wage growth was accelerating in both industry and construction during H1. The size of average earnings however did not reach the level of the whole economy here.

Above average wage growth reflected the revival of majority of market services in Prague.

Regarding the average wage, employees in Prague improved their position the most year-on-year in Q2 (by 5.7%), the least in Ústí nad Labem region (1.6%). The higher wage pace likely mirrored the improved economic situation in branches of market services in the metropolis (concentrated here more than in other regions). The wage growth was traditionally supported by more favourable development of employment in Prague. The ongoing downturn of the mining industry was evident in Moravia-Silesian region and Karlovy Vary region, even though less than last year. Size of average wages in the Karlovy Vary region belonged to the lowest

<sup>12</sup> The gross disposable income of households lowered by 2% in real expression year-on-year in Q1 2022. It at the same time takes into account apart from wages and salaries also other factors (grey economy, possible increase of economic activity of population, e.g. in the form of second employments, work agreements, further also income flowing from running a business or ownership of capital and also social transfers from state including the retirement pensions).

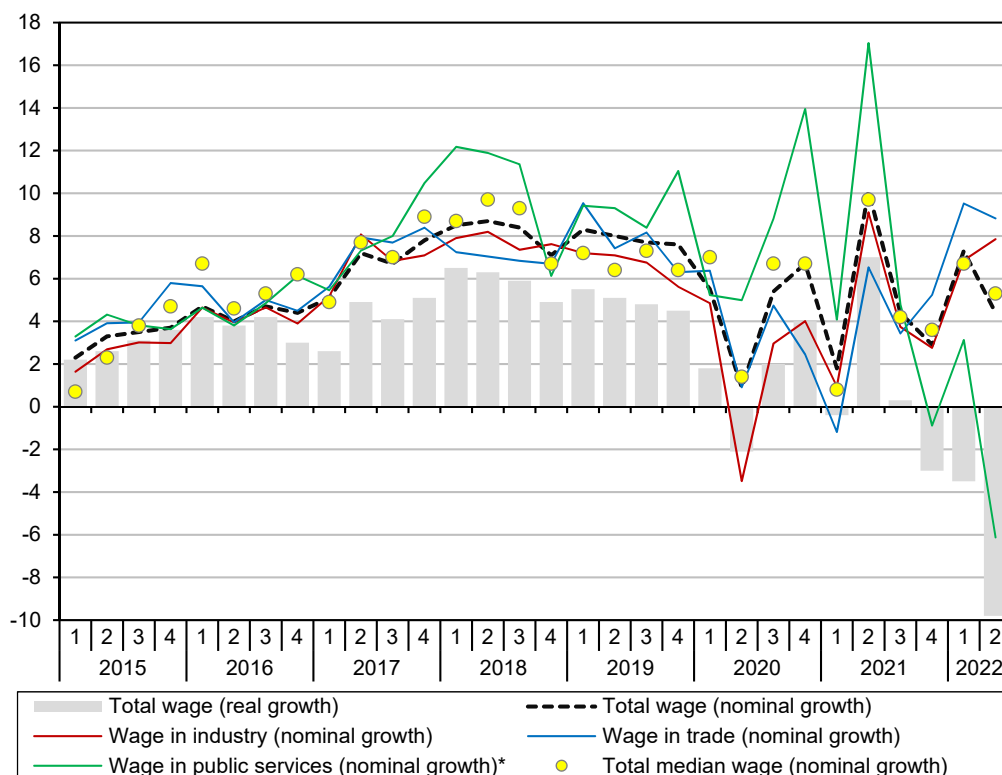


among regions, since it lagged by 13% behind the state-wide level. The wages in Prague in contrast exceeded it by 23%. The situation was similar in the pre-pandemic year 2019.

The wage differentiation narrowed this year.

The wage median climbed up to 36.9 CZK thousand for males, 31.2 CZK thousand for females in Q2 2022. Unlike the previous years, it increased more for males (7.3%) than females (3.7%). The wage distribution for males did not change year-on-year. Growth of earnings of females was in the large extent driven by strengthening of below average wages (in connection to the revival of the majority of market services branches), while the average and above average wages were increasing relatively slower (mainly because of perceptible slowdown of growth in education and health and social works). Total wage distribution narrowed in both Q1 and 2 this year compared to the last year.

**Chart 15 Average nominal and real wage and wage median (year-on-year, in %)**



Note: Date are given for individual half-years.

\* Includes branches with a significant state involvement: Public administration, defence, social security; Education; Human health and social work activities; Cultural, amusement and recreational activities.

Source: CZSO

