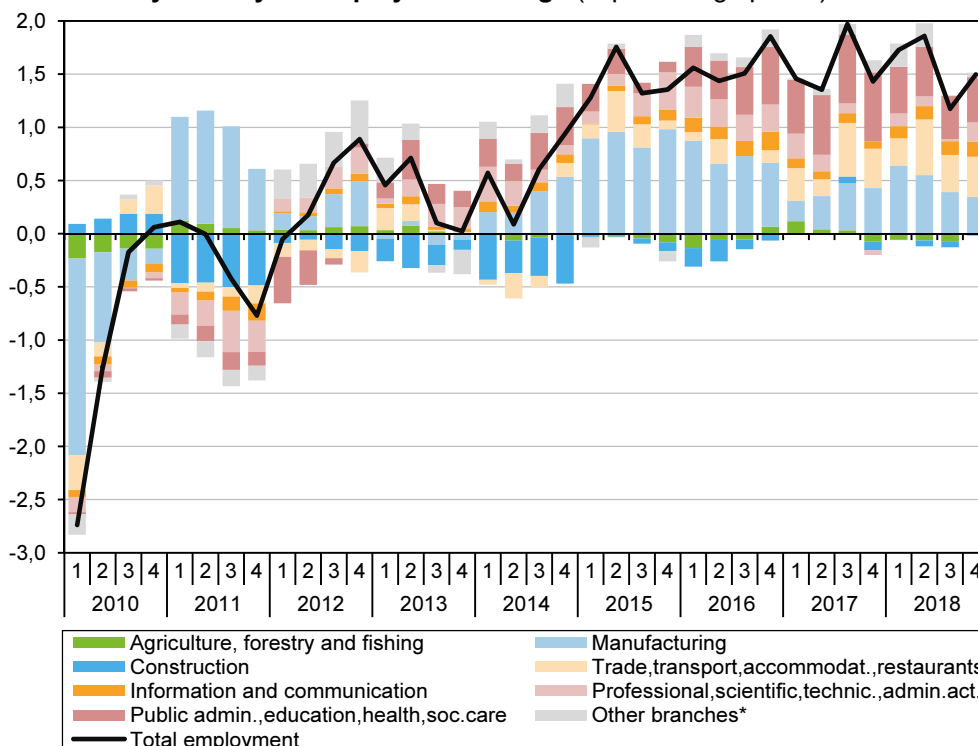


6. Labour Market

Swift growth of employment continued already fourth year in a row. It was however slowing down in the course of the last year.

The domestic labour market experienced a peak period in 2018. Number of workers¹ grew by 1.6% compared to year 2017, at the same time it grew by similar rate of growth also in the previous three years. However, a reduction of pace was apparent in the course of the last year. While the total employment strengthened by 0.6% in Q1 and 2 quarter-on-quarter, it already stagnated in Q3 and reached a growth of 0.4% in the remaining part of the year. Under the influence of contraction of the economy in the CR and EU as well as growing uncertainties on the foreign markets, businesses gradually corrected their optimistic expectations of further employment growth from the beginning of the year 2018 – this was valid especially for industry and selected services, the further strengthening positive outlooks in construction went in contrast in the opposite direction². It could have contributed to a moderate easing of a strong tension on the labour market stemming from the lack of easily accessible resources of available labour force³.

Chart 14 Total employment (year-on-year in %) and contributions of main branches to year-on-year employment change (in percentage points)



*Includes branches: Mining and energetics, Financial and insurance activities, Real estate activities, Culture, amusement and recreation activities, Other services. Source: CZSO (national accounts)

Employment increased last year mostly due to the higher engagement of the economically inactive persons and growing foreign migration last year.

Almost 5.45 mil persons were employed in the CR in Q4 2018, the most in the contemporary history. Given the fact, that the levels of unemployed persons did not change markedly during the last year, mainly the higher engagement of the formerly economically inactive persons and further also the growing foreign migration contributed to the year-on-year growth of employment (+83 thousand) last year⁴. Important

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

² According to the seasonally adjusted data from the business cycle surveys, the balance of short-term expectations of employment in construction achieved +15 points at the end of year 2018, however the share of businesses expecting growth resp. fall of employment (in the nearest three months) was comparable in the preceding year.

³ Proportion of businesses considering the lack of available labour force as the barrier of their growth reached a historical maximum in the main branches of economy in Q2 2018 (45% in industry, 41% in construction, 19% in selected services). At the beginning of year 2019, this proportion lowered to 39% in industry.

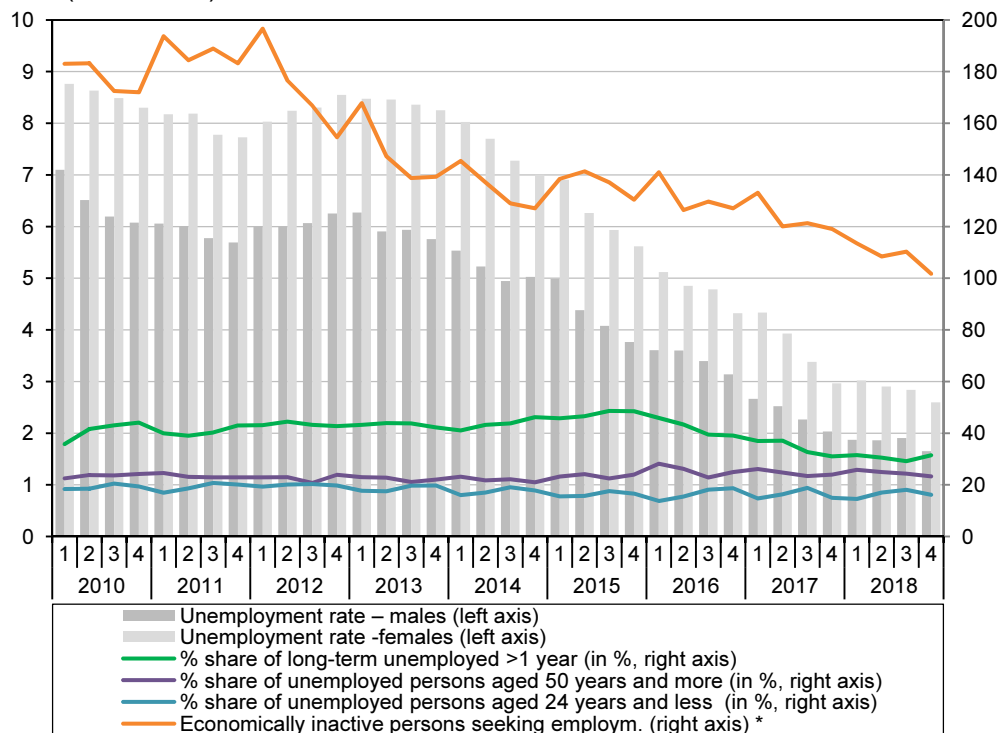
⁴ There is also an indirect evidence in the form of growing addition to the number of foreigners. According to Alien Police Inspectorate there were legally 567 thousand foreigners in the CR at the end of year 2018, by 40 thousand more year-on-year. During years 2016 and 2017,

structural changes continued – people from the strong population cohorts (from the 70s) were moving into the age with the largest rate of economic participation. Decline of the number of employed in the youngest age groups was fully offset by higher activity of persons close to the end of the productive age due to the effect of lengthening both legal and real age of retirement.

Mostly employees contributed to the year-on-year growth of the number of workers. Among branches, the services thrived, on the contrary employment still was not rising in construction.

Mainly employees contributed to the growth of the total employment in 2018. Number of self-employed was growing for the third year in a row, but only by a slow pace (by 0.4% last year)⁵. From the view of branches, the services sector shared in the growth of the total employment by nearly three quarters, mainly information and communication (+4.6%) as well as branches with the predominant public sector (+2.4%) flourished. However, manufacturing still also maintained the important role, with the employment growth rate not losing pace mainly thanks to the agency workers last year (1.8%). In construction the other way around, despite swiftly growing output and orders the employment growth was not launched yet (-0.4%)⁶. Number of workers was also slightly reduced in the primary sector last year.

Chart 15 General unemployment rate of males and females, share of selected groups of persons on all unemployed (in %) and economically inactive wanting to work (in thousand) *



Note: all data related to unemployment are seasonally adjusted. * Persons who are not part of the labour force, are not actively seeking employment (and thus do not meet the conditions of ILO for unemployed), however state that they would like to work. Source: CZSO (LFSS – Labour Force Sample Survey)

Fall of the general unemployment rate almost halted during the year 2018.

Seasonally adjusted general unemployment rate fell already only negligibly in year 2018. In December, only 1.9% of economically active males aged 15 to 64 years, resp. 2.7% females, year-on-year by 0.1, resp. 0.3 p.p. less, were without a job. Persons, who were without a job for more than one year, contributed from more than one half to the

the addition to the number of foreigners was „only“ 30 thousand persons. More than one third from the last year’s addition to foreigners comprised of citizens of Ukraine only.

⁵The more detailed data of the labour force sample survey (LFSS) suggest, that the number of entrepreneurs without employees (corresponding to the category of self-employed in the national accounts conception) did not change year-on-year last year (706 thousand). Number of entrepreneurs with employees slightly increased (+1.1%, to 166 thousand) in the same time period.

⁶ It is also evident from the LFSS data. Working in construction was by 3.4% less year-on-year in Q4 2018 (2% then for the whole year).



reduction of the total unemployment in the last three years. However, their contribution notably shrank in Q4 2018 only and the proportion of long-term unemployed in total unemployment even mildly increased quarter-on-quarter (to 31.4%). Still it does not alter the fact, that the total unemployment consists predominantly of the natural frictional component already several quarters and possibilities for its further reduction were thus already exhausted for the most part.

The unemployment rate fell to historical minimum in most of the newer member EU states.

The CR further kept the position of a country with the lowest unemployment rate among the EU states – it was valid six quarters in a row for the employment of females and even nineteen for males. Also the proportion of the long-term component on the total unemployment was by more than 10 p.p. lower compared to the average in the Union in the CR at the end of the last year. Total unemployment rate fell to historical minima in majority of newer member countries (except for Slovenia, Cyprus and the Baltic states), but also for instance in Germany or Great Britain (in comparable time series since the beginning of 90s). On the contrary, it stayed without notable fluctuations near the 10% boundary (it decreased only within the range of 1 to 2 p.p. in the last five years) in some of the significant states of the euro area (France or Italy). Also for this reason the unemployment rate in the euro area lingered nearly 1 p.p. above the level of the local minimum from the business cycle peak of the last decade, while it exceeded this own level in the whole EU already in Q2 of the last year.

Month-on-month growth of the number of job vacancies prevailed already for full two years. There were record 324 thousand vacancies in the supply of LO at the end of the year.

Demand for employees still stays strong in the domestic economy. Number of job vacancies in the supply of the labour offices (LO) grew month-on-month continuously (despite seasonal effects) since the end of year 2016⁷. It contained record 324 thousand vacancies at the end of December 2018, it presented more than double of the number during the business cycle peak of the last decade. Year-on-year addition of vacancies (+107.8 thousand) was nevertheless from the view of the demand for qualifications as well as regions⁸ substantially imbalanced. Positions with very low declared demands for qualifications (primary education at most) shared already in 87% of this number. Based on the more detailed data of the LFSS from the previous years it can be assumed, that it concerned for the most part relatively unattractive positions primarily aimed at foreign workers⁹. In contrast the supply for persons with secondary education with the school leaving certificate or higher education (which prevail on the domestic labour market) increased only by 4.8 thousand (to 36.6 thousand) in the CR last year and it even moderately decreased in six regions.

Excess of job vacancies over job applicants lasts since spring 2018. This ratio remained already stable in the second half of the year.

Beginning April 2018, the number of job applicants registered with the LO started to lag behind the number of job vacancies. This ratio was 0.7 at the end of December and it was not falling much anymore in the second half of the last year (due to the slowdown of the rate of growth of new vacancies as well as the seasonal increase of job applicants at the end of the year). Two thirds of regions and more than half of municipalities in the CR¹⁰ signalled excess demand over supply of labour force at the end of the year. From the view of the qualification classes the same was also valid for specialists (0.7), craftsmen and repairmen (0.4), machine operators (0.2) and supporting and non-qualified staff (0.9).

Rate of growth of average wages slightly weakened

The gross average nominal wage of employee grew (according to the business

⁷ This growth transferred also into the beginning of year 2019. Further 8.7 thousand positions were added during January and February 2019, LO offered in total 333.1 thousand positions.

⁸ More than one quarter of countrywide additions of vacancies belonged only to the Plzen and Pardubice regions for year 2018.

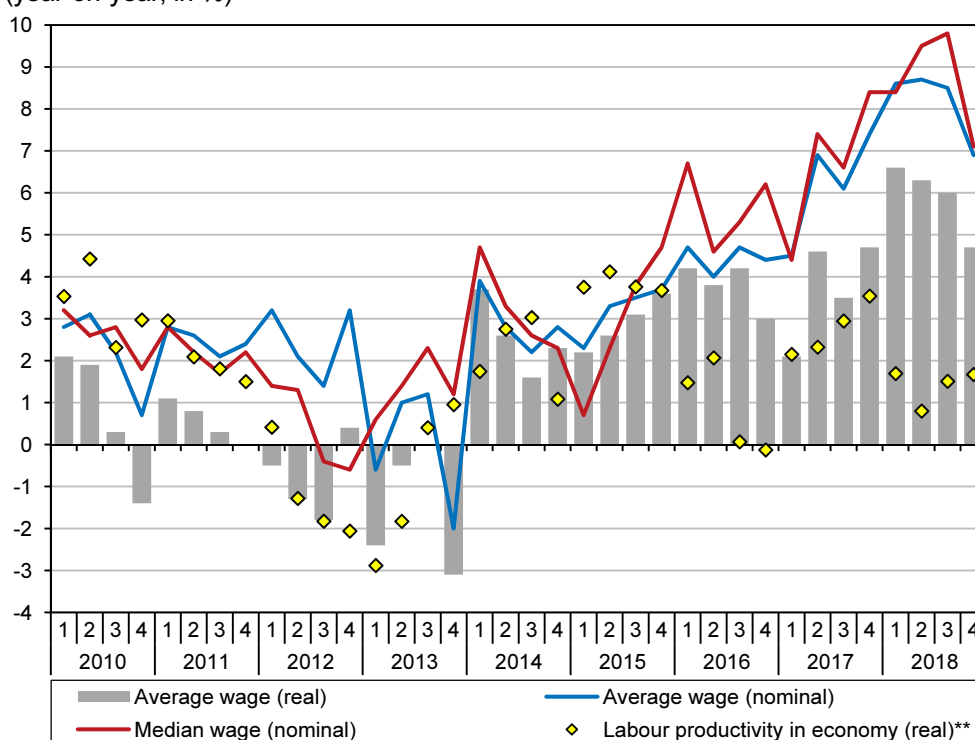
⁹ Positions filed under qualification classes. Supporting and non-qualified staff shared only below 30% on the total growth of job vacancies in year 2018. On the contrary positions, where typically persons with lower secondary education (apprentices) work in the CR – Machine and equipment operators, assemblers, resp. Craftsmen and repairmen – shared in the growth of job vacancies 42%, resp. 18%.

¹⁰ More than 2.5 job applicants per job vacancy was only in six regions (Karviná, Jeseník, Ústí nad Labem, Bruntál, Znojmo and Hodonín).

in Q4. It was connected mostly to the development in the branches with the predominant public sector, business sphere however also experienced a mild slowdown.

statistics) by 8.1% in the economy in 2018. Annual rate of growth grew already fifth year in a row and slightly exceeded the growth from the last decade's business cycle peak. Q4 2018 saw a slowdown to 6.9% (quarter-on-quarter pace also lowered to 1.5%, in the preceding part of the year it attained 2.0 to 2.2%). Mainly the education and also public administration (incl. defence and compulsory social security)¹¹ stood behind this contraction. It was however also apparent in the lesser extent in the majority of branches with the dominance of non-financial businesses¹². It could have been related to the more prudent outlook (especially of export oriented) businesses into year 2019, drop of their profitability rate as well as the widening scissors between the dynamics of wage costs and the labour productivity (which was happening in the last three years). On the other hand, the still strong demand for employees, which could not have been adequately satiated¹³ given the factual exhaustion of domestic job vacancies, prevented larger slowdown of the wage growth in the business sphere.

Chart 16 Average gross monthly wage, wage median and labour productivity* (year-on-year, in %)



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

Average earnings grew the fastest in education, it was the opposite in financial and insurance activities.

While the year-on-year growth of wages did not differ much between the main economic branches in Q4 2018 (it moved between 5 and 8%, only the peripheral by weight mining and quarrying recorded weaker 3.7%), the development in branches varied more in the yearly perspective. Gross earnings rose the most in education last year (10.7%), however their average monthly size (31.4 CZK thousand) still mildly

¹¹ The average wage grew year-on-year by 12.8% in education during Q1 to Q3 2018, by 6.0% in Q4. Analogous rates of growth in the branch of public administration were 11.8% and 5.1%. These differences were connected to the large comparative basis of 2017 year end (from November, the wages of teachers as well as public administration employees rose by 15%). Further increase in the following year was implemented only as of 1st January 2019.

¹² In the most weight significant branch of services – Wholesale and retail, repairs and maintenance of motor vehicles – the average wages grew by 8.4% in Q1 2018, in the next part of the year they started losing pace and arrived at 7.6% in Q4. Earnings grew in manufacturing by 7.8% in H1, by 7.1% then in the remaining part of the year.

¹³ As also evidenced by the continuing fall of the number of economically inactive persons, which do not work, do not actively seek employment, however state, that they are interested in working. In Q4 2018 there were 102 thousand of these persons according to the LFSS (year-on-year decrease by one seventh). This number was even by one half lower compared to the business cycle peak years of the last decade.



Volume of paid out wages in manufacturing slightly lagged behind the pace in the whole economy.

lagged behind the level in the national economy. Employees in further branches with the dominance of public sector also gained by a slightly weaker rate of growth. Among other branches, real estate activities, where the growth of average earnings (8.2%) was also accompanied by rising employment, thrived the most and volume of paid out wages thus grew the most in the whole economy (together with energy industry and education activities). Earnings increased by 7.4% in manufacturing and the volume of paid out wages lagged behind the rate of growth in the whole economy here for the first time in the last seven years. Earnings were still stimulated by the increase of the legal minimum wage in accommodation, food service activities and restaurants. Rate of growth of wages (7.6%) here still for the first time after three years lagged behind the development in the whole economy and their absolute size (18.7 CZK thousand) reached only one third of the level of information and communication branch. Financial and insurance activities ascribed the weakest growth among branches last year (5.2%), average earnings grew here by a lower rate of growth compared to the whole economy already fourth year in a row. From the view of the regions, the wage rates of growth did not differ much last year – it was the highest in the Central Bohemia region, Kralovehradecky region and Olomouc region (+8.8%), the lowest in Prague (7.2%). Below average wage growth given the simultaneous above average growth of the number of employees prevails in the capital city already since the end of the last recession.

Moderate decrease of the wage differentiation continued. Purchasing power of wages increased the most in the last sixteen years.

Wage differentiation between both branches and region kept further shrinking slightly. Lead of the growth of the median wage ahead of the rate of growth of the average wage endures with slight fluctuations already three and a half years. It is connected both with the repeated shift of the size of the minimum wage (with the impact on the bands of the guaranteed wage) and the increase of salaries in the sphere regulated by state (especially education, culture or social services). The median wage of employee in the economy grew by 7.1% in Q4 2018, by 8.7% for the whole year. Strong growth of purchasing power of wages represented a positive trend. It grew by 5.9% last year, the most after year 2002.