

6. Labour Market

The situation on the labour market was stabilised in H1. Especially in case of employment, the effects of last year's economic stagnation were still reflected retrospectively.

Growth of the purchasing power of wages has resumed, and wages have thus gradually begun to eliminate their deep losses from 2022 and 2023.

Total employment slightly increased, quarter-on-quarter, in Q2, mainly due to the development of small businesses.

The year-on-year growth was driven by public services for employees, and by trade and tourism-related activities for the self-employed.

Most services sectors contributed to the very

The effects of last year's stagnation of economic performance continued to be reflected on the labour market with a delay this year. Employment growth remained rather weak. Despite the recovery of most services and small and medium businesses in general, the unfavourable situation persisted in industry and construction. Entrepreneurs in most key sectors also remain cautious regarding their short-term expectations of their own employment. However, in spite of the uncertain economic outlook, companies still increasingly demanded a cheaper labour force from abroad, and in addition, the integration of Ukrainian refugees into the labour market in the Czech Republic gradually continued, which partly addressed the longer-term shortage of available labour force in the country. Unemployment, including its long-term component, remained at a very low level without any significant changes. The specific situation in individual economic activities was reflected in heterogeneous wage growth, nevertheless its nominal year-on-year pace overall slightly weakened. This was also due to the fact that wage growth was subdued in most areas of the public sector as a result of the fiscal consolidation efforts. However, thanks to the stabilisation of the price level in the economy, the year-on-year decrease of the purchasing power of wages has stopped in all regions as well as main sectors (except for education). The purchasing power of average wages nevertheless still reached only the 2018 level.

While the total employment¹ in Czechia was only stagnating, quarter-on-quarter, at the beginning of this year (as in the second half of last year), it increased by 0.5% during Q2 2024. This recovery was mainly driven by some sectors of market services (trade, tourism-related activities, real estate) as well as construction. Rather than an increase of employee positions, the development of small businesses manifested. The number of persons working in the national economy has already reached 5.41 million. Compared to the maximum value from the last boom (Q4 2018), it was higher by 0.7%, mainly due to the development of public services. Total employment has grown, year-on-year, for more than three years in a row, but the current pace in Q2 2024 was the weakest for the entire period (+0.2%²). The delayed effect of last year's stagnation of the total economic performance was reflected in this project. The number of employees grew negligibly (+0.1%), which is related to persistent difficulties in the mining as well as manufacturing industries and the related transport branch. In contrast, most services prospered. Only the financial sector has significantly reduced the number of employees here, where this decline has a longer-term character and is mainly connected to the development of digitization. The number of self-employed persons in the total economy increased by 0.7%. Their numbers have thus grown more rapidly than in the case of employees, specifically for more than two years. The branch trade, transport, accommodation and food service, and to a lesser extent the public sector and also financial activities (where there could be "spillovers" from employee status) were behind the growing number of small entrepreneurs currently. The number of self-employed decreased due to the persisting recession and weakened demand in both industry and construction.

The year-on-year growth of total employment (+0.3%) was driven by public services³ (+1.6%) in H1 2024, which gradually responded to the rising demand related mainly to longer-term

¹ Data regarding employment stem from the national accounts' conception. They are expressed in physical persons and adjusted for seasonal effects. Unlike the data from the business statistics or the labour force sample survey (LFSS) also include for instance the estimation of the grey economy impact.

² Employment in the Czech Republic has been growing more slowly than in the EU in the long-term. The number of working persons increased by 1.0%, year-on-year, in the whole Union in Q2 2024 (similarly to the domestic pace, this was one of the lowest rates since Spring 2021). The key role in employment growth played services also in the EU – it grew the most in information and communication and in financial activities. Industry only stagnated. Among the individual countries, the total number of employees increased the most in Lithuania (by 2.8%) and Croatia (+2.6%), and among the major economies in Spain (+2.2%) and Italy (+1.4%). The number of employees decreased only in five mostly smaller countries – especially in Finland (-1.5%), but also in Poland (-0.8%) or in Slovakia (-0.2%). In Germany, as in the Czech Republic, the very modest total growth (+0.4%) reflected the difficulties of industry as well as construction, which were losing employees. The number of employees in the EU increased by a similar percentage as the number of self-employed.

³ Include here branch public administration, education, health and social work.

modest year-on-year growth of employment, however both industry and construction were losing workers.

changes in the age structure of the population (in the area of education, health and social care). Moreover nearly all major branches of the tertiary sector⁴ registered only slightly lower growth. On the contrary, industry, where the employment fell by more than 2% this year (after stagnating in the previous three years) did not fare well. It was associated with the recession of the total branch accompanied by the heightened cost pressures as well as weakened demand in a number of traditional export branches⁵. The number of workers also decreased (-1.0%) in construction, specifically for the first time after 2020.

The number of hours worked in the economy decreased slightly for the first time in three years. Part-time work has expanded.

The total number of hours worked in the economy, which returned to the 2019 level for the first-time last year, fell by 1.2%, year-on-year, in Q1 this year (falling for the first time after Q1 2021) and the subsequent quarter confirmed this development. Employment (gauged in number of persons) grew faster than the number of hours worked not only this year, but also for most of the last year. Lower need for overtime work in some sectors affected by the recession, the expansion of part-time work⁶ (related to the growing employment of women supported by the refugee wave from Ukraine as well as the tax relief of part-time work introduced last year) or a decrease in the number of persons working on agreements⁷ (due to legislative changes reducing the financial benefits of these forms of work for employees and, conversely, increasing administrative burdens for companies) could have been reflected here. The highest decrease of the number of hours worked occurred in manufacturing (-4.3%) in H1 2024 and a significant year-on-year decrease was also recorded e.g. in public services (-1.7%).

The number of foreigners in employment status rose to a record 828 thousand. Ukrainians formed more than half of its year-on-year increase. The influx of workers from some Asian countries has accelerated.

The long-term limited pool of available labour force in the Czech Republic together with the heightened pressure on companies to optimise the production costs stimulated the growing demand of domestic employers for workers from abroad. Legislative changes reducing the administrative burden in this area aid the easier employment of foreigners. This applies both to citizens of Ukraine⁸ and foreigners from other, not only economically less developed countries outside the EU⁹. The long-term growth of the influx of foreign workers to the Czech Republic thus continued. The number of working foreigners in the Czech Republic grew at a similar pace as last year, e.g. there were a record 828 thousand persons in employee positions (+32 thousand, year-on-year)¹⁰ at the end of June this year. Ukrainians, of whom 286 thousand worked as employees in the Czech Republic (their increase was evenly distributed among men and women unlike in the previous years) comprised more than one half of the increase. The percentage share of citizens of India, the Philippines, China and Turkey also increased rapidly. On the other hand, the number of Poles, Hungarians and Bulgarians slightly reduced. From the regional point of view, the year-on-year increase in the number of foreigners in the employment status was highest in Prague (+6.5%) and in the *Vysočina* Region (+6.4%) – i.e. at the same time in the regions currently the least affected

⁴ The increase of employment was the highest in the group of other services (+2.0%), which includes, in addition to arts, entertainment and recreation activities for example various household services (repairs of goods, hairdressing and other beauty treatment, etc.). Nevertheless, the employment in this group, which was severely affected during the period of anti-pandemic restrictions, still lagged slightly behind the 2019 level.

⁵ In contrast, the number of workers expanded in some small sub-branches (energy industry, water and waste management, food industry).

⁶ Based on the LFSS data, the proportion of females aged 15 years and more working part-time jobs increased from 12.0% to record 13.9% between Q4 2022 and Q1 2024. Together with Slovakia, it represents one of the most substantial increases within the EU. Share of these job contracts in the CR is however still low within the European context. It achieved 29.6% in the EU, in that 34.5% in the euro area. However, only Estonia (21%) and Malta (19%) had currently a larger share of females working this way among the states, which acceded the EU after year 2000.

⁷ Based on the experimental statistics of the CZSO, the number of persons working under agreements (on work performed outside an employment relationship) fell by 10%, year-on-year, in H1 2024, the number of their hours worked decreased accordingly. Note: persons working on agreements concurrently for more employers are included multiple times (i.e. separately for each employer).

⁸ More than 76% of all citizens of Ukraine staying in the CR in the employee position did not need a special work permit at the end of Q2 2024 (work permit, the employee card or blue cards).

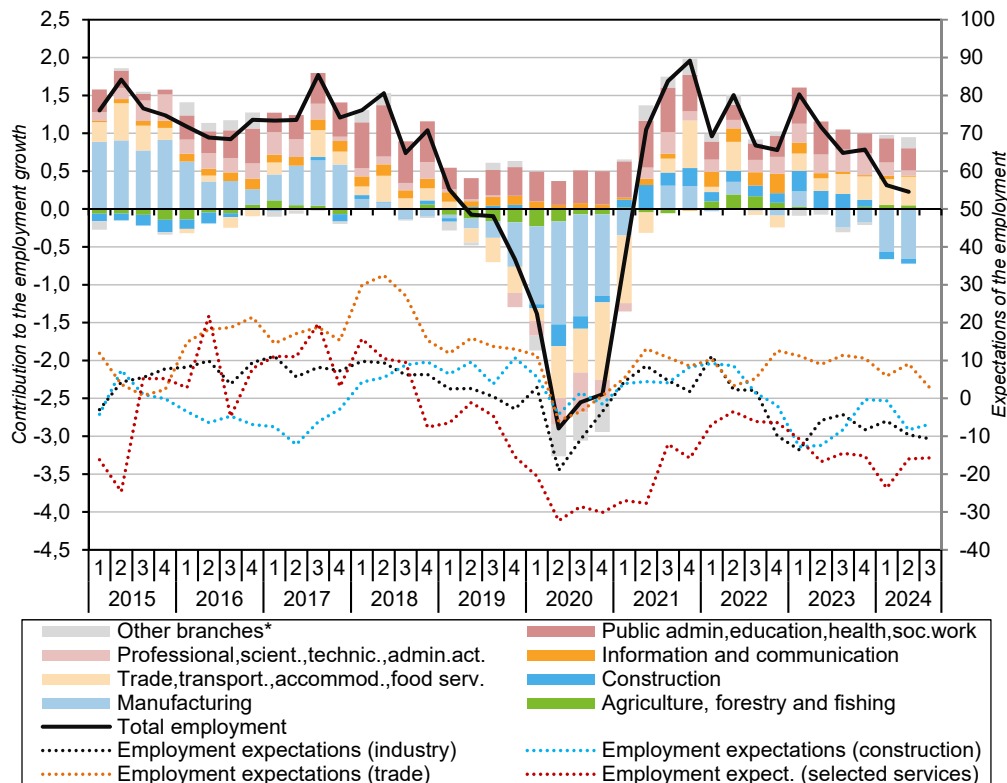
⁹ As of 1st July 2024, foreigners from some economically developed countries outside the EU (USA, Great Britain, Canada, Australia, New Zealand, Japan, South Korea, Israel and Singapore) newly do not need a work permit or employee card in the CR.

¹⁰ In addition, the Ministry of Industry and Trade registered 124.5 thousand foreign nationals with a trade license in the Czech Republic in the same time period. Ukrainians contributed almost 60% to their year-on-year growth (+9.3%). Unlike foreigners in the employee position, people settled in the CR for the long-term (e.g. Vietnamese) are more frequently among foreigners entrepreneurs.



by unemployment. Labour offices in Prague registered more than 30% of all employed foreigners in the Czech Republic and further 17% then in the Central Bohemia.

Chart 13 Total employment (year-on-year in %), contributions of branches to year-on-year growth of employment (in p.p.) and expectations of employment (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 (national accounts), Eurostat (business cycle surveys).

The mild recovery of the economy has not been accompanied by a reduction in negative outlooks of businesses regarding employment so far this year.

The role of lack of labour force as a significant growth barrier of businesses is slightly shrinking this year.

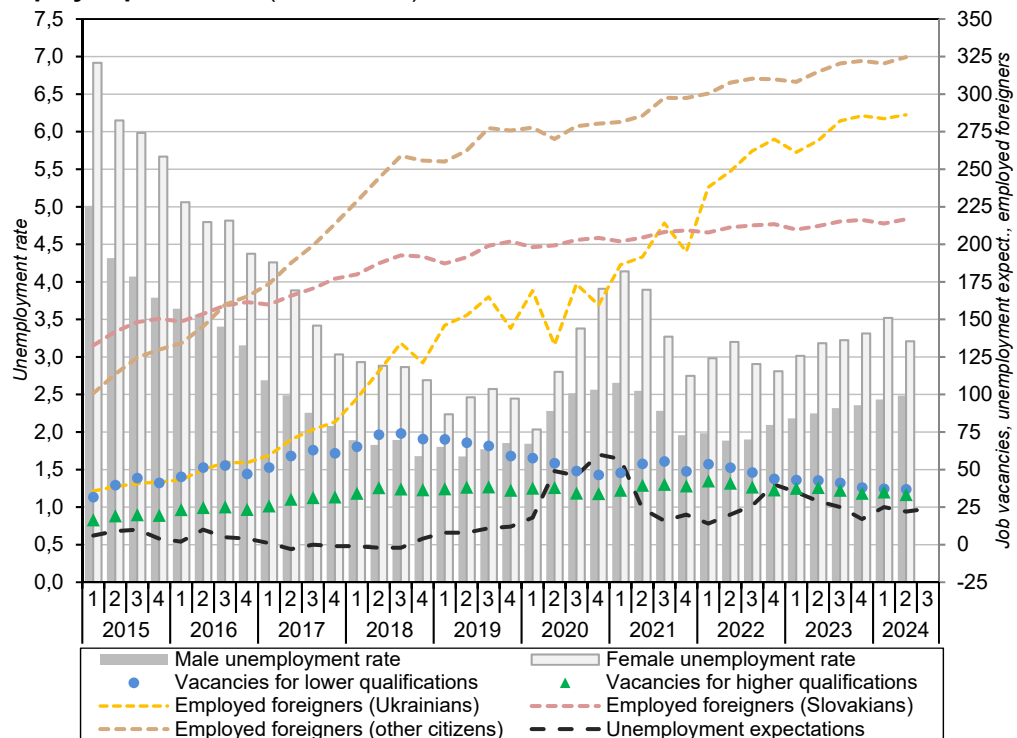
Short-term expectations of businesses in the area of their own employment remain slightly negative in the domestic economy (the same as throughout the last year). Despite a modest increase of the economic output, they stayed close to a three-year low in August this year. Among the main sectors, optimism persisted only in trade. The proportion of businesses that want to hire people (10%) exceeded those that want to lay off (9%) here. Negative expectations prevailed especially in services, where over 30% of businesses were considering laying off workers in the three-month horizon (but 15% want to on the contrary hire), while it was around 16% in industry as well as construction. The situation at the level of sub-branches within both industry and services naturally differed¹¹. Construction was the only major sector in which expectations improved slightly, year-on-year. Since the beginning of this year, the share of companies for which the labour shortages represent one of the significant growth barriers¹² has slightly decreased in industry (to 13% in August), services (8%) and also in construction (42%), where, however, it has been a key barrier for more than five years, with minor interruptions.

¹¹ Businesses in two thirds of manufacturing industrial branches – both in the energy intensive (metallurgy, production of construction materials, chemical industry) and in machinery, electronics industry and supplier sub-branches tied to manufacturing of motor vehicles or in a number of mostly smaller branches, whose sales depend to a large part on the household consumption (furniture, textile, clothing and beverage industry) expressed prevailing negative expectations of employment (based on survey from August 2024). On the contrary, positive outlooks lasted mainly in manufacturing of rail transport equipment, with a margin then further in the pharmaceutical industry, other industry or repairs and installation of machinery and equipment. Signs of a positive turnaround occurred in the metalworking industry, which also contains the small segment of weapon industry.

Negative expectations prevailed in one half of sub-branches in services. It was the most apparent in financial industry, further in arts, entertainment and recreation activities, in majority of administrative and support service activities or in advertising. In contrast, businesses anticipated rather higher employment in several other business services (architectural and engineering activities, employment agencies) or in the area of programming, telecommunications, courier activities, food service or accommodation.

¹² Businesses could have indicated more barriers simultaneously.

Chart 14 General unemployment rate (in %, age 15 to 64 years), unemployment expectations of households* (in p.p.), job vacancies and working foreigners in employee positions (in thousand)**



Note: Figures regarding the unemployment rate are seasonally adjusted. Job vacancies: balance at the end of quarter. Vacancies for higher qualifications include positions requiring at least secondary education with A-level or higher education. *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. **Number of foreigners in the employee position registered at labour offices in the CR at the end of relevant quarter. Source: CZSO (LFSS, business cycle survey), MLSA (job vacancies registered at labour offices in the CR, employed foreigners)

The general unemployment rate did not increase significantly. From a historical and international perspective, it remains very low.

Despite the ongoing difficulties of some businesses in various industrial branches, the general unemployment rate¹³ has not increased significantly over the past year, rather it can be considered fluctuating – especially for females. The adjusted unemployment rate (persons aged 15–64 years) reached 2.7% in August (2.3% for males, 3.2% for females)¹⁴. In fact, the number of long-term unemployed did not increase either – they accounted for 30% of the total number of persons without work, which is below an average figure from both a long-term and international perspective. The size of the potential labour reserve (i.e. economically inactive persons not seeking employment but stating their willingness to work) has not changed significantly recently and remains low in the long-time view (82 thousand persons in Q2)¹⁵. On the one hand, this represents a

¹³ 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.
¹⁴ Unemployment also remains low in the EU - reaching flat 6% in the group of persons aged 15 to 74 years in July this year (6.4% in the euro area). It was unchanged month-on-month as well as year-on-year. The unemployment has thus been virtually stagnating already for approximately 2 years. It is close to a historical low and is 1 p. p. lower compared to year 2008 (in both the EU and the euro area). Unemployment in the Czech Republic (2.7%) continued to be the lowest among the EU states, mainly due to males (2.5%). For females, where the unemployment traditionally fluctuates more, it has currently reached a slightly lower level in Poland and Malta than in the Czech Republic (3.1%). Spain has suffered the highest unemployment rate within the EU already for more than 3 years, it currently stands at 11.5% (it is the highest among both males and females). This is followed by Greece (9.9%), whose position is affected by high female unemployment (12.5%). On the contrary, mainly males drive the total more than 8% unemployment up (8.9%, 10.1% and 8.4%, respectively) in Sweden, Finland and Lithuania. A year-on-year decrease of total unemployment occurred in 12 EU countries in July 2024– nevertheless it was more notable only in Italy (by 1.3 p.p.), Greece (-1.2) and Croatia (-1.1). The unemployment worsened in contrast by more than 1 p. p. in the Northern Europe – in Sweden, Lithuania and Finland. The unemployment grew only gradually (+0.4 p.p.) in Germany, however it is currently at a three-year high (3.4%). The Czech Republic also ranks favourably in terms of unemployment of persons under 25 years of age, as it belongs to the one third of the EU countries with the lowest youth unemployment in the long-term. It currently stood at 11.6% (14.5% in the EU, and already seven member states – especially Spain and Sweden – about 25% - were afflicted by unemployment of more than 20%).
¹⁵ Only less than one fifth of this quantity is however able to join the workforce immediately. Since a significant part of working reserves consists of students and females on the parental leave.



significant problem for many employers, but from another point of view, it is also a positive signal indicating that the extent of hidden unemployment (in the form of an “escape” into economic inactivity) is currently not significant on the domestic labour market.

The number of registered job vacancies at LO slightly decreased, year-on-year, specifically across all qualification categories.

Data from the labour offices (LO) also confirm the stable state of the domestic labour market. The seasonally unadjusted share of the unemployed (available job seekers to the total population aged 15–64 years) was 3.8% (males: 3.3%, females: 4.2%) at the end of July. Although it was the highest July value in the last 4 years, the year-on-year increase of unemployment has been very mild in all months of this year so far (0.1 to 0.3 p.p.). Males are troubled by the highest unemployment in the *Most* district (10.0%), females in the *Karviná* region (8.4%). Despite the development of seasonal work, the number of registered job vacancies at the LO has been slightly decreasing, month-on-month, since April this year (in total by 6 thousand to 262 thousand¹⁶ since July, it still grew slightly last year during H1). The number of vacancies thus lagged slightly behind the total number of job seekers (now 283 thousand) for the eighth month in a row. The number of vacancies also decreased slightly year-on-year, mostly across all qualification categories. Concerns of people regarding the growth of unemployment (expressed within the business surveys) fell to the lowest level since the onset of the pandemic in April this year. They did strengthen slightly subsequently, but did not significantly exceed their long-term average even in the summer months.

Year-on-year average wage growth slowed down. With a delay, it reflected the stagnation of performance of economy evident in the previous quarters.

The average gross monthly nominal wage of an employee in the national economy reached 45,854 CZK in Q2 2024, up by 6.5%, year-on-year. This pace slowed slightly compared to Q1 (+7.2%) of this year (moderation of growth was also evident throughout the whole last year). A slowdown of the wage dynamics can also be observed in a quarter-on-quarter comparison – the adjusted average wage growth was “only” 1.4% in Q2 2024 (the least since Spring 2022). The registered number of employees (in full-time equivalent) stagnated, year-on-year, in both quarters of this year. The growing need for savings in the budgetary sphere as well as the rising number of foreign workers from “third countries” dampened the wage growth in the economy. They often work in low-skilled positions and their earnings thus usually do not reach the level of Czech citizens. By contrast, the still relatively high demand of firms for labour force in some branches or an increased pressure from employees, also stemming from tight family budgets due to the fading high price growth of some consumer basket items still fostered the nominal wage growth. More dynamic wage growth in a number of branches was also enabled due to the ongoing high corporate profit rate.

The decrease of real wage in the economy has ceased for the first time in nine quarters this year. The purchasing power of the average wage corresponded to year 2018 only.

Thanks to the calming of the price level in the economy, the expected growth of real wage continued. It amounted to 3.9%, year-on-year, in Q2 (4.5% for the entire H1 2024). The real wage growth is gradually erasing the significant drop of the real purchasing power of employees from both years 2022 and 2023 this year (in real terms, however, the average wage is still situated at the 2018 level). The wage purchasing power growth is subdued by a slight increase of the tax burden on labour this year (e.g. by the reintroduction of employee health insurance premiums approved as part of the government's consolidation package).

¹⁶ Only a smaller proportion of vacancies can be considered active – only 122,000 jobs were advertised at the LO for less than half a year. According to the experimental statistics of the CZSO (survey of companies since year 2020), the offer of domestic companies was estimated at 111 thousand vacancies in Q2 2024 (these are only jobs in an employment relationship, not temporary jobs, e.g. various types of agreements). The number of vacancies increased by 10%, year-on-year (they grew in Q1, while it on the contrary decreased or stagnated during the last year). Currently, especially the supply of vacancies in public services increased (mainly in health and social care), further in trade, tourism, administrative and support service activities as well as in agriculture. In contrast, the number of vacancies decreased especially in industry, the same as last year.

Wages in health and social care increased relatively the most. However, the growth was significantly below average in other branches of the non-business sphere.

The growth rate of the average wage masks traditionally a very diverse development at the level of individual branches of enterprises or organisations. The wages in health and social care achieved the highest year-on-year growth in Q2 this year – 11.1%¹⁷, employees' wages improved on average monthly nominally by 5.1 thousand CZK here (i.e. also the most among branches). However, the wage growth was subdued in other areas dominated by the public sector. It was 2.9% in public administration and social security, only 2.1% in education (the least of all main branches). The absolute increase of wage (+849 CZK) did not comprise even one third in comparison to the total economy. Moreover, education is the only sector that remains in a continuous decline of real wages for the third year in a row. Nominal earnings increased by 5.2% in arts, entertainment, and recreational activities, which are also partly affected by state activities, but the weaker growth is also due to a higher last year's base. The wage level lagged by one-sixth of the total economy level here in 2024 Q2.

The continuing slightly above-average wage growth in both industry and construction was "redeemed" by a reduction of employment.

Wages continued to grow at a slightly above-average rate in industry, by 7.5% in Q2. This is connected to both the reduction of the registered number of employees (–1.7%) and the fact that there are still few available workers on the market and the lack of labour force still represents a significant barrier in many industrial branches. The same applies to the construction industry. The manufacturing of motor vehicles (with an increase in earnings by 10.5% to 62.7 thousand CZK) together with the closest related branches contributed the most to the strengthening of wages in industry. The wage growth was below the average of total economy in branches going through recession (metalworking, building materials, engineering, mining and quarrying) and employment fell deeper here. Of the market branches, the wage increased the least in agriculture, forestry and fishing (+4.9%).

Within market services, the total volume of wages paid grew relatively the most in accommodation, food service and restaurants.

Within market services, the wages grew the most in transportation and storage (+7.3%), nevertheless their level (41.3 thousand CZK) was still one tenth lower than in the total economy. In addition, the number of employees was also declining here, as only in few of the services branches. This also applies to administrative and support service activities. Professional, scientific and technical activities, with employment and wages growing slightly at an above average pace prospered, as well as accommodation, food service and restaurants (wages: +6.8%, employees: +7.0%). The level of wages is traditionally the lowest here and does not reach even 60% of the total economy level. The situation was almost identical in the branches with the highest wage level (financial activities, information and communication) in Q2 – year-on-year stagnation of the number of employees, less than 6% wage growth and wage levels of just over 80 thousand CZK.

Wage growth was relatively lower in Prague, however the employment grew more rapidly here.

Wage growth in the regions ranged from 5.5% (*Prague*) and 5.7% (*Vysočina*) to 8.1% (*Ústecký* region) in Q2 2024. From the point of view of the average wage level, the range of regions has been unchanged for a long time – the average wage in Prague (56.1 thousand CZK) currently exceeds the wage in the *Karlovarský* region (39.0 thousand) by 44%. The recovery of tourism likely has not assisted the *Karlovarský* region much so far, the total wage increased by only 6.0%, year-on-year, here. On the contrary, the acceleration of the pace of earnings in the motor vehicle industry is partly reflected in the faster growth in Central Bohemia (+7.9%).

Nominal growth of the median wage remained below 6% this year. It continued to increase at a slightly higher rate for females.

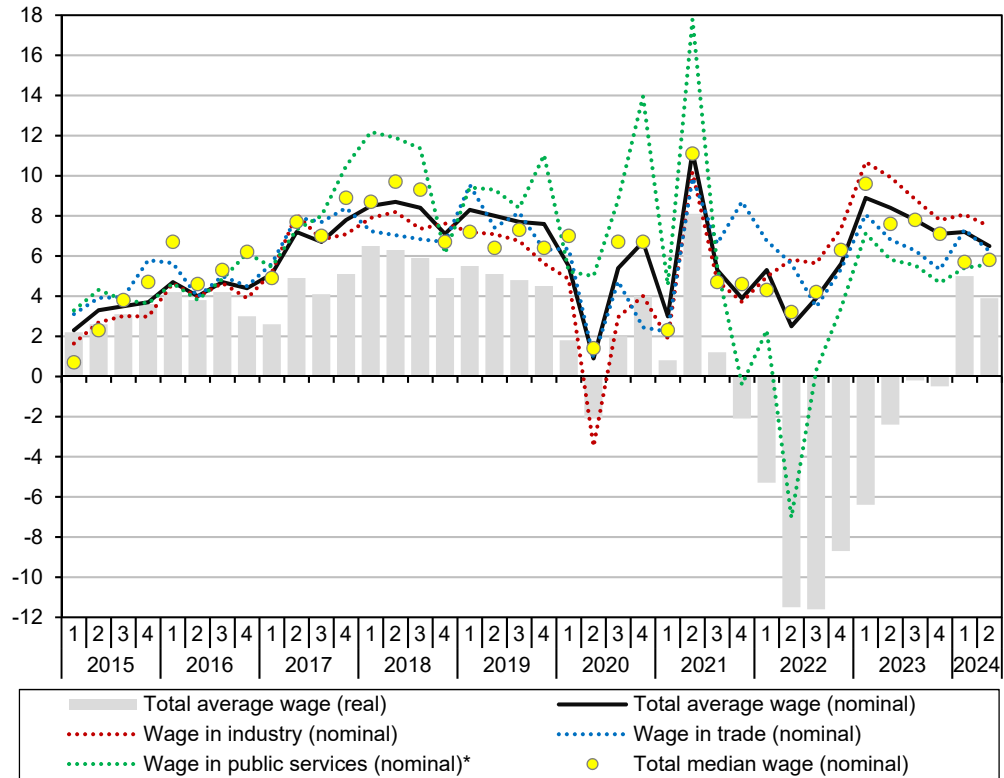
The wage median increased by 5.8% in Q2 (to 38.5 thousand CZK per month). It grew at a slightly higher rate for females as for most of the last year (also due to the situation in health and social care or in tourism). The gap of the earnings middle value between genders thus decreased by 0.4 p. p., year-on-year, nevertheless still to a significant 14.4% (however, females earned "only" 6.5% less than males – in the lowest decile - in case of low-earning workers). The wage distribution in the economy in total widened slightly (the opposite was

¹⁷ Tariff adjustments were performed here from January 2024 and personal allowances increased for many employees.



true in Q1 2024). Since the upper wage decile increased by 8.9%, year-on-year, in Q2, but the lower decile only by 6.2%. This is also related to the fact that the median earnings grew the least to workers in agriculture, forestry and fishing (+4.4%) and also to unskilled and support workers (+4.8%) for the whole H1. Median earnings grew the most to the office workers (+6.7%). In this category, workers in the business sphere are significantly predominant in the long-term (especially in trade, transport and storage).

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



* Includes branches with a significant state involvement: Public administration, defence, social security; Education; Human health and social work activities; Arts, entertainment and recreational activities.
Source: CZSO

The level of wages for most of the main groups of foreigners in the Czech Republic is below average in the long-term. Nevertheless in percentage terms it grew more rapidly than in the case of domestic citizens this year.

Data from the Information system on average earnings of the MLSA confirm the continuing trend of increasing participation of foreigners on the domestic labour market. The number of employed Ukrainians in the sample increased by 12.5%, year-on-year, in H1, nevertheless their median wage was only 31.3 thousand CZK (22% lower than that of Czech citizens). Other significant groups of foreigners with employment status also traditionally attained a below-average level of earnings (except for Slovaks with 46.0 thousand CZK), nevertheless their wages grew relatively faster than those of domestic citizens (Ukrainians +7%, Poles, Romanians, Bulgarians – around 10%).