

## ANALYSIS

4 December 2024

### Development of the Czech labour market in the Q3 2024

The Czech labour market was better off, again; the employment was increasing and flowing to the sector of services. The average wage increased in nominal terms by 7.0%, year-on-year (y-o-y), and in real terms by 4.6%. However, the wage growth was again strongly differentiated according to economic activities (industries).

#### Employment, unemployment, and economic inactivity

The Czech labour market is influenced by demographic changes; on one hand, the domestic population is increasingly dominated by older age groups and, on the other hand, the labour force is expanding by the arrival of foreigners among whom rather younger people are prevailing. Results of the Labour Force Sample Survey (LFSS), after having been weighted for the demographic structure, recorded in total a development in the year-on-year increase of employment by 117.4 thousand, i.e. by 2.3%. Predominantly, it was an increment of working females by 114.2 thousand, in which integration of female refugees from Ukraine is a significant factor.

The number of working persons aged 45–59 years increased the most, by 88.6 thousand; what was also non-negligible was an increase of working persons aged 30–44 years, whose number grew by 38.1 thousand, year-on-year. A slight year-on-year increase was also in the number of working persons aged 60+ years.

The development was also reflected in a relative indicator, which compares numbers of working persons with a group of all population aged 15–64 years, i.e. in the employment rate. It increased by 0.4 percentage point (p. p.) to 75.7%, in the Q3 2024, in comparison to the corresponding period of the previous year. The male employment rate decreased by 0.4 p. p. to 81.4%, whereas the female one increased by 1.4 p. p. to 69.8%.

Namely females use part-time jobs much more; part-time work has been developing lately. 337.7 thousand females worked part-time, while their jobs were most often in 'human health and social work activities', 'education', and 'wholesale and retail trade'. Thus, 14.4% of working females had part-time jobs; most often, they were in the age group of 30–44 years and the most frequent reason given for having a part-time job was that they cared for a child or an adult needing care. Males were using part-time work much less; 154.6 thousand males had part-time jobs, i.e. only 5.4% of all working males, and the most of them were aged 60+ years.

As for the structure, the trend of growth in the number of own-account workers (the self-employed without employees) has already been corrected since the Q2 2024 and they decreased in number by 25.6 thousand, whereas the number of employees increased by 146.4 thousand.

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The employment growth influenced all the three sectors, however, in a different way. In the primary sector of 'agriculture, forestry and fishing' the number of working persons increased, year-on-year, by 7.1 thousand to 147.2 thousand, in the secondary sector of industry and construction, the employment increased by 36.8 thousand to 1 838.4 thousand, and in the tertiary sector of services, it increased the most, by 73.5 thousand to 3 211.7 thousand.

In terms of the national version of the Classification of Occupations (CZ-ISCO), the highest increase in the number of working persons was in the major group of professionals (by 62.8 thousand) and of technicians and associate professionals (by 39.8 thousand). Conversely, the biggest decrease occurred in the major group of clerical support workers (by 36.3 thousand).

In unemployment, there was a slight increase. The total number of persons who seek a job in an active manner was 138.4 thousand in the Q3 of 2024; the unemployment was thus by 2.7 thousand higher, year-on-year. The unemployment rate, which expresses a relative share of the unemployed in the labour force, remained unchanged, year-on-year; it was 2.7% in the Q3 of both 2023 and 2024.

The number of the unemployed who were jobless for one year or over a year slightly decreased, by 3.8 thousand, year-on-year, and reached 34.8 thousand persons. The number of the long-term unemployed males decreased by 4.0 thousand, y-o-y, whereas in females there was an increment by 0.2 thousand.

The number of persons who cannot be classified as unemployed and who are considered to be inactive, although they are declaring that they are willing to work, increased in the Q3 2024 by 12.4 thousand, y-o-y, to 91.8 thousand. It is another increase of this indicator of surplus labour.

It has to be kept in mind that the LFSS only covers persons living in dwellings (flats), not those living in hostels and similar collective households. It has a negative influence on the capture of some groups of foreigners who are not integrated and often use such ways of housing.

### **Registered number of employees converted to full-time equivalent employees**

Preliminary data of the CZSO's business statistics confirmed a slightly positive trend in the increase in the number of employees. The registered number of employees in full-time equivalent (FTE) increased, y-o-y, in the Q3 2024, by 6.9 thousand, which was a relative increase by 0.2%. (In the number of headcount, the increase was higher, by 0.7%, which is confirmed by an increase in the number of part-time jobs.)

In terms of economic activities (industries), trends lying in strengthening of the tertiary sector on the account of the primary and secondary ones, especially of industry, became more obvious. An increase in the number of employees mainly concentrated in services. In seven sections of the CZ-NACE, the number of employees currently decreased by almost 28 thousand, year-on-year, whereas in the remaining twelve, it increased in total by almost 35 thousand. Thus, there is movement on the labour market. The individual increments or decrements were ranging from -6.8% to 10.1%, in terms of the CZ-NACE sections.

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The biggest absolute decrease (by 19.0 thousand) can be found in 'manufacturing'. In relative terms, it lost 1.8% employees. 'Manufacturing' still employs over one million employees (1 053.4 thousand) in Czechia, which is far the most numerous section. Table 1 in the news release on average wages therefore provides CZ-NACE divisions of this section, which were the biggest as for the number of employees. In all those divisions, we can currently find a decrease in the number of employees, except for food industry, where it increased by 2.7% or by 2.3 thousand to 84.4 thousand. The deepest relative slump was in 'manufacture of electrical equipment' (by 4.0%). 'Manufacture of motor vehicles, trailers and semi-trailers' remains to be the most numerous division; however, the number of employees decreased there by 1.4% or by 2.4 thousand to 164.5 thousand.

A decrease in the number of employees also continued in a related section of 'transportation and storage', where the number decreased by 0.9% or by 2.2 thousand. 'Administrative and support service activities' currently lost 1.5 thousand jobs (or 0.8%), whereas up until the Q4 2023 they were growing. There, it is mainly related to activities of agencies, including employment ones, because in fact many employees work in factories.

The largest relative decrease in the number of employees occurred in 'mining and quarrying'; currently, it was by 6.8%; expressed as an absolute number it was 1.2 thousand. The trend in this economic activity that used to be significant is constant and long-term, the numbers have been decreasing since the beginning of the century; now it only employs 17.1 thousand employees, which is the smallest section of the CZ-NACE as for the number of employees, with a great gap.

A rather important decrease as for the number occurred in 'public administration and defence; compulsory social security' that was reduced by 1.9 thousand employees (or 0.6%). A tiny decrease by 0.2% (or 0.4 thousand) was also recorded by construction and, finally, by 'agriculture, forestry and fishing,' in which a decrease by 1.6% (or 1.4 thousand) took place.

On the other hand, five economic activities, all of which belong to the sector of services and in which the number of employees increased by 28.4 thousand in total, contributed the most to the increase in the total number of employees. They were as follows: 'human health and social work activities' (7.9 thousand), 'accommodation and food service activities' (6.8 thousand), 'education' (5.7 thousand), 'real estate activities' (4.3 thousand), and 'professional, scientific and technical activities' (3.7 thousand). In relative terms, the highest increase was in 'real estate activities' (10.1%); it was also high in 'accommodation and food service activities' (6.1%).

The aforementioned big five was further supported by recovery in trade ('wholesale and retail trade; repair of motor vehicles and motorcycles'), where there was an increase by 2.7 thousand employees, which was a relative increment by 0.5%. Trade is the second most numerous section with over half a million of employees (501.3 thousand).

A significant contribution was also currently in 'other service activities' (1.5 thousand or 4.1%), a lower one was in 'financial and insurance activities' (0.6 thousand or 0.9%), and in

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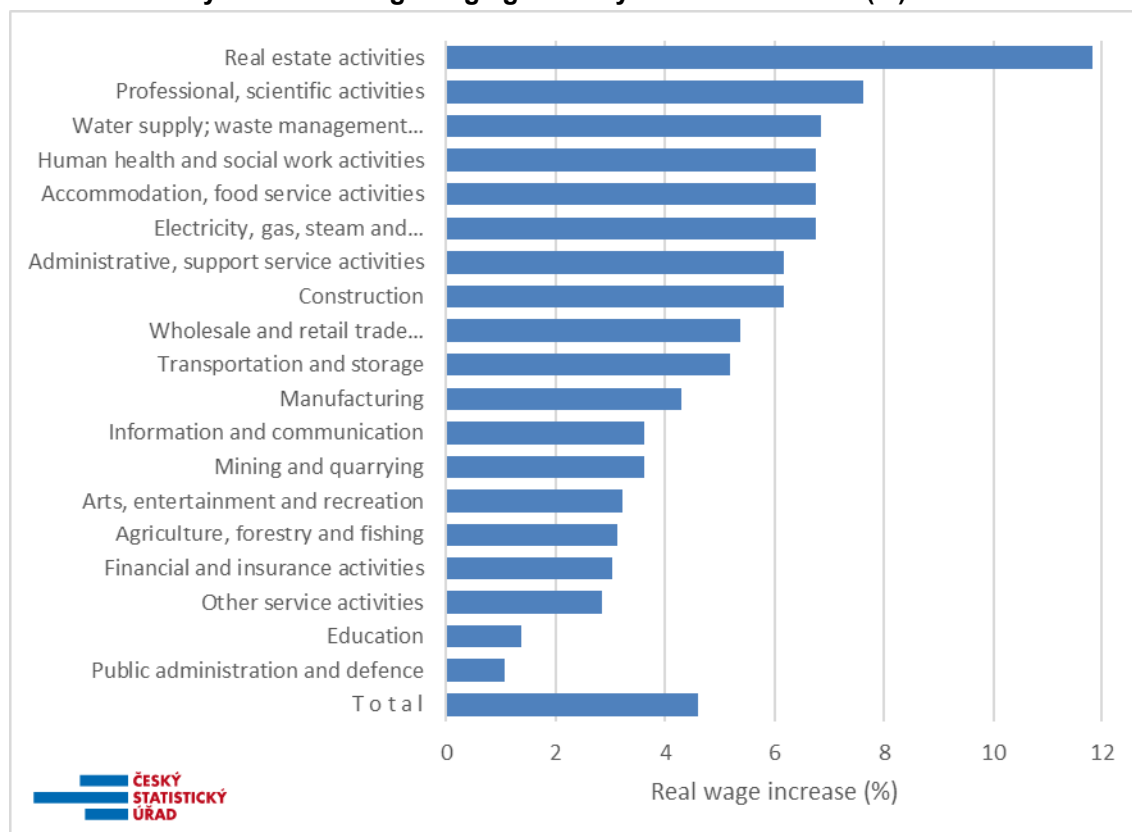
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‘information and communication’ (0.4 thousand or 0.3%). (The last-mentioned economic activity has been permanently strengthening; over the last 20 years, the number of employees increased in that section by 85%). Two small industrial economic activities also recorded tiny year-on-year increments as follows – ‘electricity, gas, steam and air conditioning supply’ by 0.5 thousand and ‘water supply; sewerage, waste management and remediation activities’ by 0.4 thousand.

### Quarterly average gross monthly wages

The average wage (CZK 45 412) increased, year-on-year, by CZK 2 973 in the Q3 2024, for full-time equivalent persons, i.e. by 7.0%. (When expressed as headcount, the y-o-y increase is only 6.4%, i.e. lower due to an increase of the proportion of part-time jobs.) It is an average of a very diverse development on the level of individual branches (fields of activity), enterprises, or organisations.

**Chart: Year-on-year real average wage growth by CZ-NACE section (%)**



Source: CZSO – enterprise reports (questionnaires)

When expressed in real terms, there was a year-on-year wage increase by 4.6%, because the y-o-y increase in consumer prices was 2.3%.

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Real year-on-year increases in the total average wage have been newly recorded since the Q1 2024; from the Q4 2021 to the Q4 2023, wages were decreasing in real terms. Despite the swift nominal growth rate of wages this year, the wage level still remains behind in comparison to the consumer price hike in the years 2022–2023. The purchasing power of wages of employees is currently on the same level as in the year 2018.

Wage dynamics was again very variable in the Q3 2024, depending on an economic activity. There was a positive y-o-y increment everywhere, now already in real terms, too; however, nominal increases of the average wage in CZ-NACE sections were in a very wide range from 3.4% to 14.4%.

The lowest wage growth was – as in the previous quarters – in ‘public administration and defence; compulsory social security’ (3.4%) and in ‘education’ (3.7%), where the wage level is dominantly determined by decisions of the Government. A very weak growth was also in ‘other service activities’ (5.2%), in ‘financial and insurance activities’ (5.4%), in ‘agriculture, forestry and fishing’ (5.5%), and in ‘arts, entertainment and recreation’ (5.6%).

On the other hand, the highest increases over ten percent can currently be found in two sections of the CZ-NACE: ‘real estate activities’ (14.4%) is a small yet growing economic activity (industry), in which the average wage reached CZK 44 332; and ‘professional, scientific and technical activities’ (10.1%), into which, for example, the following fall: law, accounting, and consulting firms, advertising agencies, architects and designers (engineering activities), and also scientific research and development, in which the average wage increased to CZK 56 045.

A below-average growth can be found in ‘manufacturing’ (6.7%), which is the biggest employer in Czechia and where the average wage reached CZK 43 915.

The highest wage level in the Q3 2024 still was in ‘information and communication’, in which the average wage increased by 6.0% and reached CZK 82 175. ‘Financial and insurance activities’ section ranked second with CZK 70 450; this time, it considerably exceeded ‘electricity, gas, steam and air conditioning supply’ with the current level of CZK 66 584. However, those three have been leading for the long term.

From the opposite side, the records were as usual, too. In ‘accommodation and food service activities’, the average wage increased by 9.2%, however, it still remains at the lowest level (CZK 28 184) of all economic activities. The second lowest average wage was in ‘administrative and support service activities’, where it increased by 8.6%, year-on-year, to CZK 32 839. The third lowest were ‘other service activities’ with the average wage of CZK 34 922.

To look at a longer period, current average wages are nominally by a third (33%) higher than in the Q3 2019. In individual economic activities, however, the five-year development was very diverse. In ‘public administration and defence; compulsory social security’ wages only increased by 23%, in ‘education’ by 25%, in ‘agriculture, forestry and fishing’, the same as in ‘financial and insurance activities’ by 26%. On the other hand, in ‘real estate activities,’ wages nominally increased by 44%, in the energy sector by 43%, and in ‘information and communication’ by

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42%. Consumer prices increased during the aforementioned five-year period by almost 40%; in most economic activities, average wages in real terms are still below the level of the Q3 2019, the same as the total average wage.

### Development in Regions

In terms of the number of employees, there was a year-on-year decrease in most of the Regions in the Q3 2024. The most noticeable ones, by 1.3%, were in the *Moravskoslezský* Region and in the *Královéhradecký* Region. Strong decreases by 0.8% can also be found in the *Olomoucký* Region, in the *Liberecký* Region, and in the *Jihočeský* Region. The total y-o-y increase in the number of employees in Czechia (by 0.2%) was thus substantially thanks to an increase in Prague (by 2.3%), which represented 19.6 thousand new jobs. A smaller increase was also recorded by the following Regions: the *Jihomoravský* Region and the *Plzeňský* Region (both by 0.4%), followed by the *Středočeský* Region (0.3%); however, they only added 4.2 thousand in total in absolute terms.

As for the development of average wages, the dispersion is substantially smaller among Regions than in the breakdown by economic activity (industry). Wages were increasing nominally in the range from 6.0% to 7.7%. The Capital City of Prague (the *Hl. m. Praha* Region), where the wage growth used to be the slowest, was this time an average Region with a y-o-y increase by 7.0%. The highest nominal growth, by 7.7%, was recorded this time by the *Pardubický* Region, followed by the *Jihomoravský* Region (7.2%), the *Moravskoslezský* Region and the *Olomoucký* Region (both by 7.1%). The lowest wage increase (both by 6.0%) was this time in the *Vysočina* Region and in the *Plzeňský* Region.

According to the absolute level of earnings, Prague still remains to be the richest among the Regions of the Czech Republic. The average wage there was CZK 55 854. The *Středočeský* Region kept the second position with CZK 45 632, closely followed by the *Jihomoravský* Region that was the third (CZK 44 798) and the *Plzeňský* Region (CZK 43 086), which was the fourth. Other Regions remained below the CZK 43 thousand threshold. The *Karlovarský* Region remained to be the Region with the lowest wage level (CZK 39 165) and, currently, the only Region below the CZK 40 thousand threshold. In the *Moravskoslezský* Region, which is following Prague, the *Jihomoravský* Region, and the *Středočeský* Region a Region with the fourth highest number of employees (408.6 thousand), the average wage reached the value of CZK 41 276.

### Median wages and decile intervals of wages by sex

The news release of the CZSO for the Q3 2024 also contains a piece of data on the median wage, which is calculated from a mathematical model of the distribution. It shows the wage of a middle employee, i.e. a common wage level. Extreme deciles were also calculated. In the Q3 2024, the median wage got to CZK 40 482, which is by 6.6% (CZK 2 520) more than in the corresponding period of the previous year. The area of median earnings was growing slower than the average and also than the edges of the wage distribution expressed by deciles. The wage range slightly decreased compared to the previous year, because the lowest earnings increased the most noticeably. One tenth of employees with the lowest wages were receiving a gross wage below CZK 21 349 and the bottom decile increased by 7.7%, y-o-y. On the other

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hand, the tenth with the highest earnings had wages over CZK 77 014 and the top decile increased by 7.1%. The decile ratio thus decreased by 0.02 point, year-on-year, to 3.61.

Male median wages were higher than female ones; in the Q3 2024, the female median wage was CZK 37 824 (it increased by 6.5%, year-on-year), whereas the male median wage was CZK 42 893 (it increased by 6.8%). The gap between median earnings by sex increased by 0.3 p. p. to 11.8%, year-on-year. At the same time, wages of males were distributed over a substantially wider interval, especially the area of high earnings was significantly higher for males than for females: the top decile for females was CZK 71 640 and for males it was CZK 82 466, by which there was a gap of 13.1% in high earnings and it increased by 0.7 p. p., year-on-year. On the other hand, as for low earnings, the difference was weaker, however, by 0.6 p. p. higher, y-o-y: the bottom decile for females was CZK 20 751 and for males it was CZK 22 063, which is a gap of 5.9%.

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