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2015

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Commentary: Labour Market Development in Q1 2015

The development on the Czech labour market in Q1 2015 can be undoubtedly called recovery. Results of the Labour Force Sample Survey (LFSS) in households revealed a significant increase in total employment, which preliminary results of the CZSO business statistics, measuring the registered number of employees, have confirmed as well. In the area of wages a moderation approach has been prevailing; the growth in the average gross monthly nominal wages by 2.2% was just a follow-up to the trend in the last year.

Results of the Labour Force Sample Survey (LFSS) has been indicating a permanent growth of total employment since 2012. Over one per cent growth in the employment rate in Q1 2015, year-on-year, brought the employment rate value to another record-breaking level (69.3%). There was an increase in employment in males, yet much higher one in females, in which the employment rate attained the exclusive value of 61.6%. Here, it is necessary to remember that ten years ago the value resided around 5 percentage points lower.

A decreasing number of the unemployed and a rapid growth in the number of job vacancies reported to labour offices have been clear as well. If viewed in an annual comparison results seem optimistic; however, the general unemployment rate according to LFSS has became stabilised since the beginning of 2015 and it looks like it is about to reach its bottom under the current circumstances, which in the case of the male labour force lies around five per cent, and in the case of females at less pleasant seven per cent. The group of hardly employable persons, who have not been successful in filling of job vacancies and frequently may remain unemployed for years, is emerging here – the share of the long-term unemployed was at 45.7% in Q1 2015.

Groups of fresh graduates lacking practise, women caring for little children, and persons with primary education only are those traditionally in jeopardy of high unemployment. Concerning the professional profile the endangered are mostly blue collar workers with low qualifications and doing jobs of auxiliary works. On the contrary, persons with higher education, highly qualified processionals, and managerial occupations are at minimum risk of being unemployed.

Preliminary data from the CZSO business statistics confirm the prevailing positive trends, namely the growth in the number of employees. In the Q1 2015 there were by 72.4 thousand full-time-equivalent (FTE) employees more than in same period of the previous year, that means an increase by 1.9%. So not long ago as in 2013 there was a decline in the average registered number of FTE employees by 1.0% and the year 2014 was the time of a positive reversal.

Respective sections of the economy have been, however, bound to recovery at different proportions. For example, mining and quarrying has been still suffering from employees lay-offs – they were reduced by 1.1 thousand (-3.6%) in Q1 2015 again. In activities of electricity, gas, steam and air conditioning supply there was a decline of employees by 1.0 thousand (-3.3%).

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Construction saw a decline by 2.0 thousand (-1.0%) and the number of employees also dropped in financial and insurance activities although by mere three hundred persons (-0.4%).

There was a reverse trend in accommodation and food service activities which absorbed more persons yet by mere one hundred jobs (+0.1%) year-on-year. In terms of numbers the most important contribution in Q1 2015 was again in manufacturing by 32.7 thousand (+3.1%). The number of employees also grew in an important manner in wholesale and retail trade; repair of motor vehicles and motorcycles, by 7.6 thousand (+1.6%). The pace of the growth in the number of employees in real estate activities (+5.5%) probably related to an expansion of financial services of real estate agencies. A significant increase in the registered number of employees was also recorded in administrative and support service activities by 8.1 thousand (+5.0%), which is linked to an increase in employees of job and recruitment agencies.

Three hundred jobs (+0.3%) emerged in agriculture, forestry and fishing. Public administration and defence; compulsory social security saw an increase in the number of employees by 6.6 thousand, y-o-y (+2.4%).

Concerning wages at the beginning of 2015 they grew in moderation that was typical for the last year. The average wage increased nominally by 2.2%. This growth was more contributed by the non-business sphere, in which pay tariffs were increased at the end of 2014 by means of a decision of the Government of the Czech Republic.

The graph below shows that while in the period prior 2009 seasonally adjusted quarter-on-quarter increases in the average wages fell within the interval of 1 and 2 per cent, then, since the beginning of recession, they kept below 1%. (Remark: The outlying extreme values in the graph were caused by changes in legislation concerning taxes and insurance premiums deduced from incomes of natural persons.)

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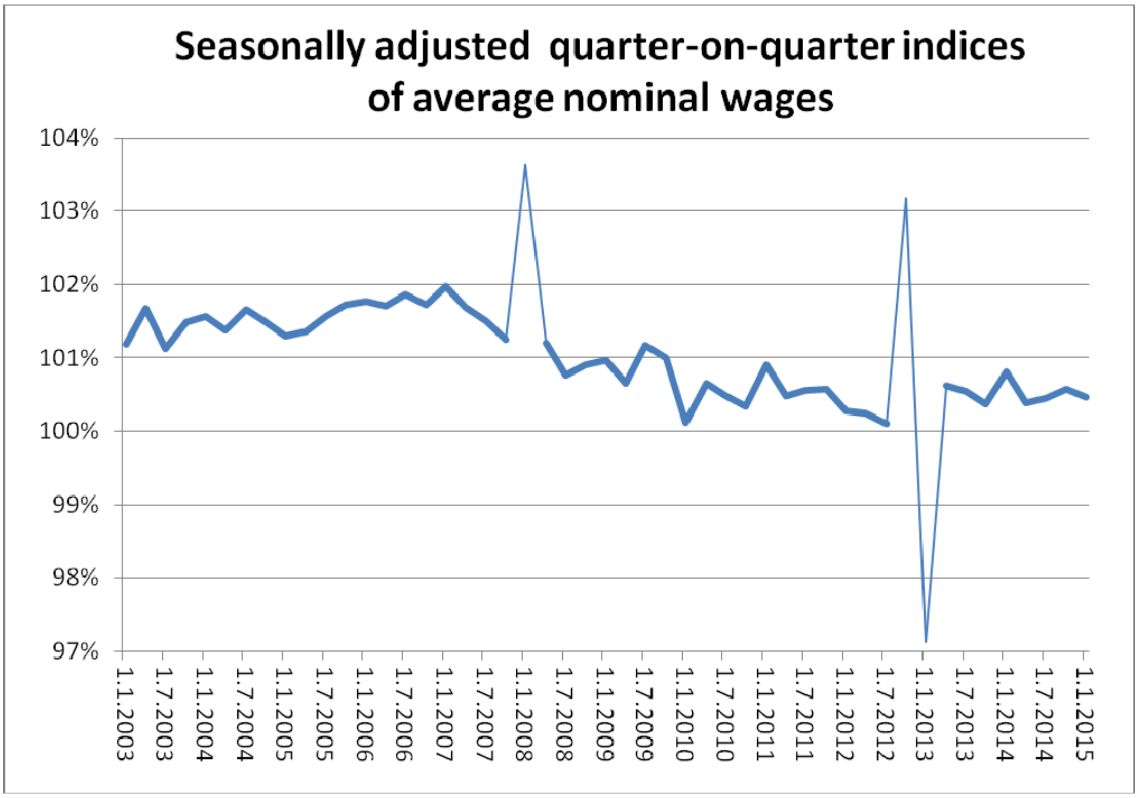

Source: Business statistics of the CZSO

It is necessary to make comparison with a consumer price index (inflation) in order to get the total real purchasing power. The consumer price index in Q1 2015 was at a minimum level of 0.1%. This, even though the nominal wage increase was weak, led to a real growth in purchasing power by 2.1%.

In Q1 2015 the average wage in the business sphere increased nominally by 2.1% and 2.0% in real terms, y-o-y. In the non-business sphere the average ware grew nominally by 2.9% and by 2.8% in real terms, y-o-y.
Respective sections of CZ-NACE also showed rather differentiated developments in wages. In four sections of economic activities the average wages decreased nominally and in the rest of sections it grew, but at different paces. Thus nominal increases were from -2.4% in financial and insurance activities to 4.4% in accommodation and food service activities.
Among industrial activities the major workhorse of the Czech economy, manufacturing, employing 1 080.6 thousand persons, was doing well and the average wage in manufacturing increased by 2.6%. In water supply; sewerage, waste management and remediation activities the average wage increased by mere 1.5% and in two remaining sections the average wages actually declined. In mining and quarrying the decline was -0.9% and in electricity, gas, steam and air conditioning supply it was -0.7%.

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In wholesale and retail trade; repair of motor vehicles and motorcycles, which have almost a half million employees, the average wage increased by 3.5%.
Among activities, which are dominated by government ownership, the highest increase in pay was recorded in human health and social work activities (3.8%), a bit lower was found in public administration and defence; compulsory social security (3.1%), and the most modest was in education (2.3%)

An interesting additional piece of information on increasing demand for labour force in the business sphere can be an increase in pay for overtime work, which in Q1 2015 showed almost in every group of economic activities, namely in construction. Construction also saw the highest increase in extraordinary bonuses and premiums.

The News Release contains also data on the **median wage**, which is calculated from a mathematical model of the earnings distribution. The model shows the wage of a middle employee that means a common wage level. In Q1 2015 the median wage was CZK 21 143, by CZK 427 (+2.1%) higher than in the same period of the previous year. This way the wage level of the middle employee grew roughly at the same pace as the arithmetic average of earnings.
The wage interval remained very wide: 80% of employees earned from CZK 10 198 to CZK 39 890. The year-on-year development demonstrates even increases in wages in all the earnings bands. Concerning sexes, increases in wages were more pronounced in males, whose wage level has been already significantly higher. In Q1 2015 the female median wage was CZK 18 998 while the male one was CZK 23 035.

In Q1 2015 the growth in the average wage was highest in the Liberecký Region (3.2%) followed closely by the Vysočina Region (3.1%). Conversely, in the Capital City of Prague the increase was the lowest (1.1%) again. A sole region saw a decline in the number of employees – the Karlovarský Region (-0.1%); in other regions the numbers of employees were growing, most significantly in the Olomoucký Region (+3.1%), then in the Pardubický Region and in the Capital City of Prague (identically by 2.6%).

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