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Trends in Real Wage Development in the Czech Republic

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Summary

Wallets decide elections. And the wallets of Czech citizens have experienced a turbulent period. Although nominal wages have been increasing, a sharp rise in inflation caused by a confluence of global crises has led to real wages at the end of 2025 being equivalent to the level of earnings six years ago. Thus, many Czech households have become poorer in real terms, despite the growth of wages “on paper”.

Key Takeaways

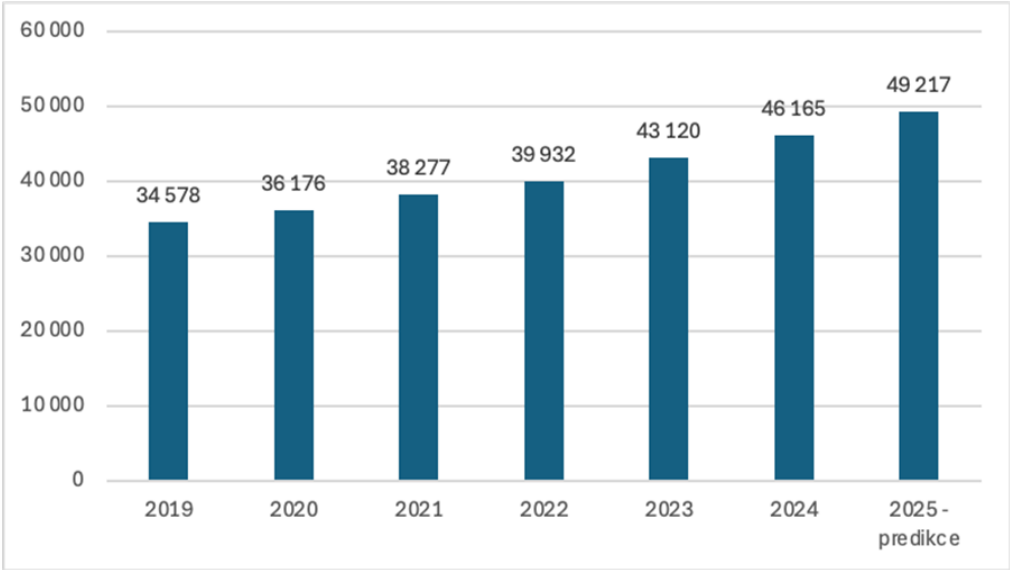
- In the Czech Republic, nominal wages have been rising for a long time, this is a common and even expected phenomenon.
- The real value of wages at the end of 2025 will be the same as in 2019.
- From the perspective of OECD countries, the fall in real wages in the Czech Republic has been the most significant shift.

Recent years have been extremely challenging for Czech households. Several significant socio-economic events, such as the covid-19 pandemic, the sharp rise in prices due to the energy crisis, geopolitical instability, and high inflation have significantly affected the state of people's wallets. As the date for the general elections approaches, it is to be expected that wage assessment will become an increasingly debated issue.

According to the latest data from the Czech Statistical Office (2025), the average wage in the fourth quarter of 2024 was CZK 49,229, just below the symbolic threshold of CZK 50,000. CZK. Yearly growth was 7.2%, with the highest growth recorded in the real estate sector at 16.0%, professional, scientific, and technical activities at 12.2%, and accommodation, catering, and food services at 10.3%. Conversely, the lowest growth was in mining and quarrying 1.2%, public administration and defense, compulsory social security 2.3%, and education 2.3%. In terms of annual development, it was the freeze on wage growth in the public administration, education, and defense sectors, with almost 650,000 employees who are predominantly employed by the state, that most significantly lowered the national average in 2024.

In terms of median wages, which have a higher predictive value than average wages, and better reflect the reality of most employees, the median income in Q4 2024 was CZK 41,739. For men it was CZK 45,004, for women CZK 38,643. The median wage increased by 4.2% year-on-year (CSO, 2025).

Graph 1: Nominal wages (in CZK)

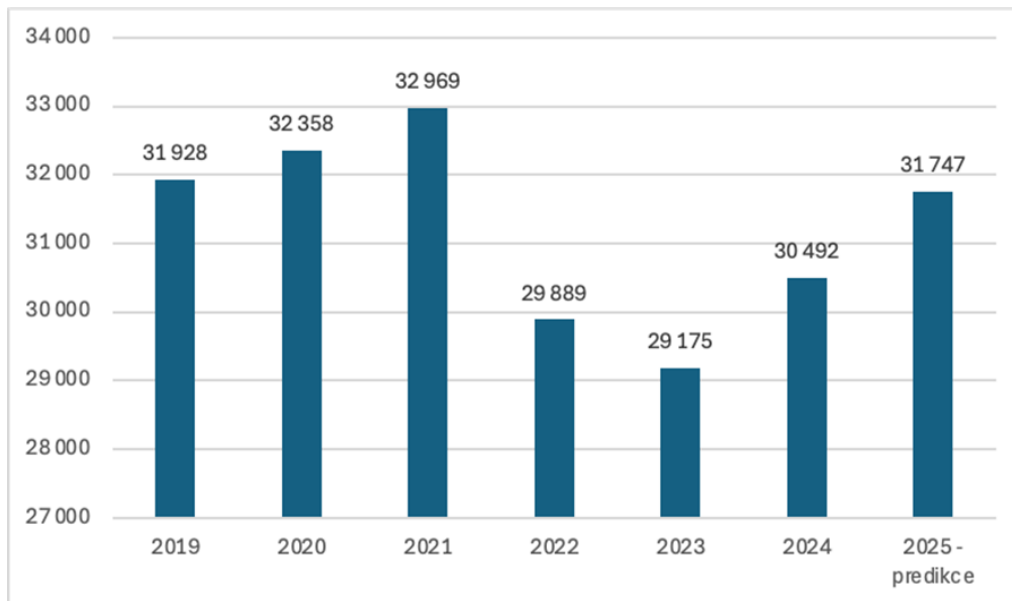


Source: MF ČR, 2025, own elaboration

Nominal wage growth (Graph 1) was supported by a very tight labor market over the long term. The Czech Republic has had the lowest unemployment rate in the European Union for a long time, which has not been significantly impacted by the integration of Ukrainian refugees (while employment among men has stagnated, women have added 118,000 workers). Long-term low unemployment has increased the upward pressure on wages, while rising labor productivity has also had a positive effect. From this point of view, wage growth in monetary terms is natural and expected; indeed, the decline in wages itself is quite exceptional in the history of the modern Czech Republic. However, nominal wage growth alone may not be sufficient to maintain or improve living standards. The real value of earnings is fundamentally affected by inflation. That is why economists distinguish between nominal and real wages. Nominal wages represent the amount of money that an employee receives on account,

while real wages account for the purchasing power of this money, i.e. the rate of inflation and the rise in the prices of goods and services. Real wages are therefore a key indicator of the standard of living of the population.

Graph 2: Real wages in 2015 prices (in CZK)



Source: MF ČR, 2025, own elaboration.

In the last 20 years, real wages have fallen only twice. The first time was after the global financial crisis and subsequent economic turmoil in 2012 and 2013. In 2013, there was even an exceptional phenomenon in which not only real wages, but also nominal wages fell. The second case is the situation in 2022 and 2023. While there was a slight increase in nominal wages in this period, prices increased unprecedentedly (by 15.1% in 2022 and 10.7% in 2023). This eventually translated into a significant drop in real wages. By 9.3% in 2022 and by a further 2.4% in 2023. Moreover, even moderate wage growth in the following years will not compensate for this decline (Chart 2). Average real gross monthly wages will remain below 2019 levels at the end of 2025. This development illustrates how long the economy can take to recover from a deep economic crisis. Not only have we lost six years of growth, but we have also lost the multiplier effects associated with increased consumption.

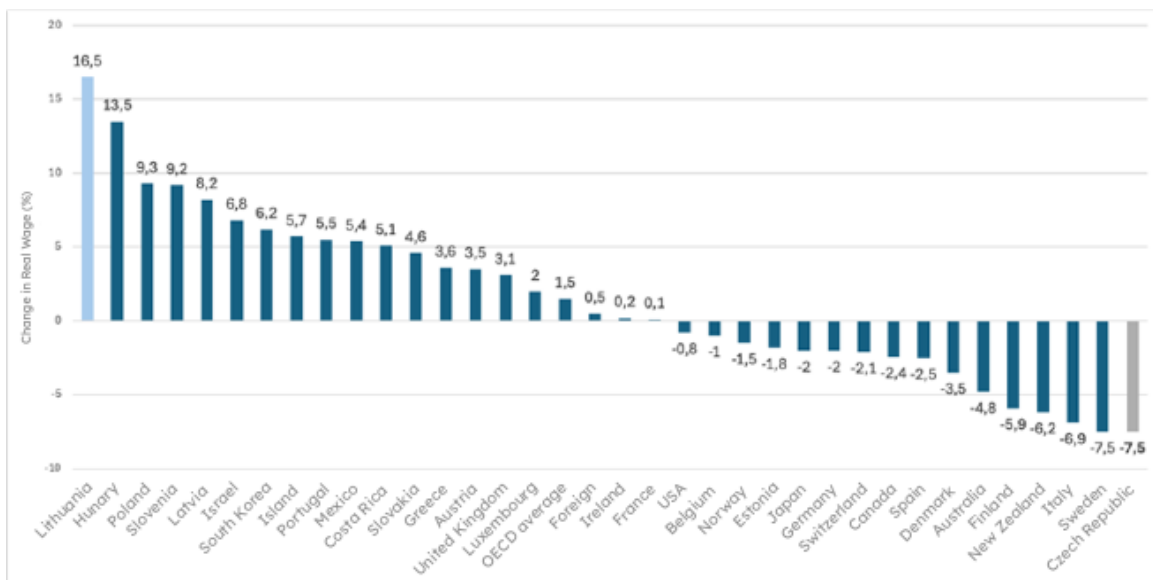
The decline in real wages has a direct impact on households' quality of life. Rising food, energy, and housing prices all lead to depreciation of savings, reduced consumption, and higher debt. This development has also been reflected in the final balance of the state budget, as lower consumption has led to a fall in the collection of indirect taxes, mainly value added tax but also excise duties. At the same time, labor is taxed significantly more than capital in the Czech Republic. Labor taxation includes not only income tax but also high social and health insurance contributions. For example, in 2025, labor taxation accounts for 48% of all state budget revenues. Therefore, if wages do not grow sufficiently, there are logical shortfalls on the revenue side of the budget. Insufficient wage growth has also significantly affected the ability of some people to meet their basic living needs. The number of people dependent on social benefits and state support is increasing; for instance, the number of housing allowances paid out has risen from 169,000 in March 2022 to 303,000 in March 2025 (MoLSA, 2025). Thus, the effect of insufficient growth in citizens' incomes is reflected not only on the revenue side of the state budget, but also on the expenditure side.

International Comparison

International comparisons show that the Czech Republic was one of the countries with the most significant decline in real wages. In other countries, the fall in wages was dampened by the higher bargaining power of trade unions and targeted state support, but in the Czech Republic this effect was absent. In addition, this period saw the abolition of the institution of guaranteed wages, which allowed the state to intervene in the wage valuation of various professions. Although this system was not entirely effective, it is fair to ask whether its abolition was appropriate at a time of a historically unprecedented decline in real wages.

The cumulative change in real hourly wages between 2019 Q4 and 2024 Q1 is very unfavorable for the Czech Republic. According to data from the Supreme Audit Office (2025), real wages fell by 7.5% over this period, the deepest decline of any OECD country surveyed. Lithuania, in contrast saw a rise in real wages of 16.5% over the same period.

Graph 3: Real wage developments in OECD countries between Q4 2019 and Q1 2024, (in %)



Sourcej: NKÚ, 2025, own elaboration.

Moreover, the development of net income of employees in the Czech Republic was also affected by numerous changes in labor taxation. The abolition of the super gross wage and its replacement by the standard gross payroll tax calculation, also in Europe, had a positive impact on people's wallets. The gradual increase in the personal income tax allowance also contributed to the positive development. On the other hand, the increase in social insurance paid by the employee under the consolidation package and the reduction of the threshold for applying the higher income tax rate from four times the average wage to three times the average wage had a negative impact on net wages.

Future Outlook

A gradual recovery of real wages to their original level is expected in the future, but only if inflation can be kept under control and labor productivity growth is supported. The first signs of stabilization are already appearing, but a return to the real level of 2021 may take several more years, primarily if the competitiveness of the Czech economy is not strengthened. Government policies in the areas of taxation, public budgets and support for key sectors affecting living standards will play a key role.

Restoring citizens' confidence in improved living conditions will be essential for long-term prosperity and social cohesion.

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