

Regional differences in purchase power: Prices, wages, salaries and pensions

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Summary

- Adjusting for regional differences in price levels can have a significant impact on the relative value of average real wages, salaries, pensions and benefits in different regions.
- Nominal salaries in the private sector may be 43% higher than the national average, but half of that apparent difference is due to the educated and professional composition of the Prague workforce, and the other half is balanced out by higher price levels in Prague. A given worker therefore in real terms earns the same amount as the average equivalent worker in the rest of the country.
- Among the other regions the highest real salaries in the private sector are found in the Central Bohemia region, while the lowest are in the Karlovy Vary and Zlín regions. Moreover, if we account for the educational qualifications and other characteristics of the regions' workers, the highest private sector salaries are in the Central Bohemia, Ústí and Plzeň regions, and the lowest in the Zlín and South Moravia regions.
- The highest real wages in the public sector are found, thanks to relatively low price levels, in the Hradec Králové, Ústí and Plzeň regions, while the lowest are in the Zlín and South Moravia regions. After adjustment for education levels, Prague very clearly has the lowest real public sector wages.
- Nominal pensions are highest in Prague, but due to the high price levels there, real pensions are in fact the lowest, 10% below the national average and 15% lower than those in the Ústí region. Real pensions are also low in the South Moravia region.
- Adjustment for regional differences in price levels when setting wage levels for state employees, state pension levels and social benefits, could reduce the regional disparities in real income between certain groups of the population, and lead to a partial recovery in the chances of recruiting high quality employees in the public sector. However it could at the same time further deepen the economic differences between the different regions and would potentially require considerable expenditure for additional administration and data collection.