

THE IMPACT OF THE DEVELOPMENT OF PERSONNEL COSTS ON THE PROFITABILITY INDICATORS OF ROAD FREIGHT TRANSPORT COMPANIES IN THE CZECH REPUBLIC

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Abstract: The paper's main objective is to investigate the effects of personnel cost growth between 2014 and 2019 on the profitability of selected large road freight transport companies based on the collection of publicly available data of these transport companies. The first sub-objective of the paper is to conduct the necessary data collection from the financial statements of road freight transport companies with more than 250 workers. The second sub-objective of the paper is to define financial ratios and to assess the impact of personnel cost growth on the profitability of these enterprises. The third sub-objective is to determine the development of selected financial ratios over the period 2014 to 2019 and to evaluate the impact of personnel cost growth on the development of these ratios for selected transport companies. As a result of the fulfilment of these goals, we identified that an increase in personnel cost led in chosen transport companies in the years 2015 – 2016 to a significant decrease in labour productivity in the form of sales per employee and decreased profit. In the years 2017 – 2018, the year-on-year increase in personnel cost slowed down with impact to improved labour productivity and improved profit. In 2019 although another increase in personnel cost occurred, the situation changed, and labour productivity and profit increased. Analysis of these data showed that an increase of labour productivity in the form of sales per employee and profit increase in 2018 and 2019 was done thanks to the increasing price of transportation that covered higher personnel costs.

1 Introduction

Reducing costs and increasing efficiency are very important objectives for all service providers, which is made possible by a thorough survey of demand in this area. The intensity of transport activities linked to production and services is constantly increasing due to the economy's inefficiency of growth and supply chains' greater interconnectedness. The importance of carrying out research studies in this area stems from the fact that at least 30% of the costs of the entire supply chain come from transport [1].

Road transport accounts for the largest share of freight performance in the EU of the three inland modes. For example, from 2014 to 2019, road transport always accounted for more than three-quarters of total land freight transport (based on tonne-kilometres performed) [2].

Cost management is becoming crucial for all transport companies, and the rational organisation of freight transport in time from A to B must be at minimum cost [3].

From the perspective of freight transport companies, the cost structure is also important. Many analyses have shown that the majority of costs in these companies are fuel costs, personnel costs and tolls [4].

Also, Sergio Camison-Haba and Jose A. Clemente-Almendros state that personnel costs (concerning transport time), energy consumption and depreciation of assets are among the significant components that have a major impact on transport costs [5].

Between 2014 and 2019, the average gross monthly wage per employee in the Czech Republic grew significantly across all economic activities [6]. This increase also applied to road freight transport companies, with a significant increase in gross wages for truck and trailer truck drivers and other overhead transport workers, see Table 3 [7].

The fact that the issue of the minimum wage in road transport and its impact on the costs of transport companies is very topical is evidenced, among other things, by the presented outputs of the analysis of taxes and fees, which

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included, among other things, the amount of the minimum wage in road freight transport in selected EU countries (12 countries, including the Czech Republic). Based on a comprehensive comparison, it can be concluded that the level of tax burden and charges on hauliers in EU countries are significantly different. Hauliers are forced to include increased taxes and charges in the prices for the services provided, which may lead to a deterioration of competitiveness on the European road freight transport market for carriers from countries with the highest tax burden and charges (among other things, the value of the minimum wage in road freight transport was analysed) [8].

An increase in average monthly gross wages without a corresponding reduction in the number of employees causes a significant increase in personnel costs for road freight transport companies. Suppose this increase in personnel costs cannot be reflected in an increase in the selling prices of transport services or an increase in the volume of such services or both. In that case, this development leads to a reduction in the profitability of the company. This has the effect of reducing Operating Profit (OP) and Earnings Before Taxes (EBT) and subsequently Earnings After Taxes (EAT), leading to a deterioration in Cash Flow. The main objective of financial management is to generate cash to meet the business's operational and strategic needs (objectives). Analyses show that cash flow forecasts encourage managers to focus on activities that significantly improve the long-term cash position of the business [9].

Lee (2012) provides evidence in his analyses that cash flow forecasts support managerial behaviour that has a meaningful impact on reported earnings and reported cash flows [10].

Ensuring growth in the selling prices of transport outputs, or growth in these outputs to the extent that it eliminates growth in personnel costs means ensuring growth in labour productivity. Researchers define labour productivity as the total output divided by operating inputs. Huselid calculates labour productivity as the logarithm of the ratio of sales to the total number of employees. It turns out that this method of calculation is convenient because it is the only index that allows to compare the performance of enterprises and to evaluate the monetary value of the return on investment fund [11].

Labour productivity in the form of Sales per Employee has already been increased in freight transport companies to a level that is difficult to increase further, as operational downtime has already been eliminated to the maximum extent possible. Further increases are, therefore, only possible due to increases in transport prices unless they lead to a reduction in transport performance. However, in order to determine the impact of the growth in personnel costs on the profitability of transport companies, it is necessary to calculate labour productivity as a proportion of sales and personnel costs, i.e. to calculate labour productivity not per worker but per CZK of personnel costs. When personnel costs increase due to the growth in

average wages, which is no longer (cannot be) eliminated by the growth in labour productivity per worker, labour productivity is expressed as a share of sales per CZK of personnel costs logically decreases. Therefore, labour productivity expressed in this way is the right indicator for assessing the impact of average wage growth on the profitability of any enterprise.

The increase of personnel cost after 2014 in the Czech Republic impacted all areas of businesses, and each business has different possibilities to mitigate the impact of this increase on the profit. From cost reduction and productivity increase to increasing selling prices for higher personnel cost impact. As a result of the fulfilment goals defined in the abstract, we found the answer to the question of how big transport companies were mitigating personnel cost increase.

2 Methodology

2.1 Data sources

In order to ensure the objectives of this article, data obtained from the Merk [12] company database Justice [13] portal were used. From the Merk database, economic data of companies belonging to the field of activity 4941 - Road freight transport within the CZ-NACE classification of economic activities were taken. Only enterprises with 250 or more employees were selected, of which there were 33 in total. For the analysis, data of 25 enterprises were used, which fulfilled the condition of their availability for all years within the assessment period from 2014 to 2019. The economic data taken included information on costs and revenues from the Profit and Loss Statement and on assets and sources of their coverage from the Balance Sheet. Missing data for 2019, which were not yet included in the Merk company database, were taken from the Justice portal.

Data on the development of average monthly gross wages for economic activities, including transport and warehousing within the Czech Republic, were obtained from the Czech Statistical Office portal [6], and average monthly gross wages of truck and trailer truck drivers were obtained from the ISPV portal (Average earnings information system), which is managed by the Ministry of Labour and Social Affairs [7]. ISPV is a system of regular monitoring of the earnings level and working hours of employees in the Czech Republic and contains data from a regular statistical survey, which is included in the program of statistical surveys published by the Czech Statistical Office (CSO) in the Collection of Laws for the relevant calendar year.

2.2 Methodology for calculating labour productivity from the value of sales

In order to demonstrate the impact of personnel cost growth on labour productivity, the labour productivity indicator was chosen, which is based on the ratio of the value of sales to personnel costs:

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$$LP = \frac{S}{PC} \quad (1)$$

where:

LP - Labour Productivity (CZK/CZK)

S - Sales (CZK)

PC - Personal Costs (CZK)

2.3 Methodology for calculating operating profitability ratios

The following indicators were chosen to assess the impact of the growth of personnel costs on the development of operating profitability of selected transport companies:

$$ROA_{OP} = \frac{OP}{A} \quad (2)$$

where:

 ROA_{OP} - Return on Assets within Operating Profit (%)

OP - Operating Profit (CZK)

A - Assets (CZK)

$$ROE_{OP} = \frac{OP}{E} \quad (3)$$

where:

 ROE_{OP} - Return on Equity within Operating Profit (%)

E - Equity (CZK)

$$ROP_{OP} = \frac{OP}{P} \quad (4)$$

where:

 ROP_{OP} - Return on Personnel Costs within Operating Profit (%)

P - Personal Costs (CZK)

- C.S.CARGO a.s.
- Raben Logistics Czech s.r.o.
- NIKA Logistics a.s.
- O.K. Trans Praha spol. s r.o.
- Šmídl s.r.o.
- ANEXIA s.r.o.
- COMETT PLUS, spol. s r.o.
- FTL-First Transport Lines, a.s.
- KOUBA Trans, s.r.o.
- Logistics Solution, a.s.
- MD Logistika a.s.
- M-Logistic CZ, s.r.o.
- MOOS logistic s.r.o.
- Nagel Czech Republic s.r.o.
- CDS s.r.o. Náchod
- Georgi trasporte s.r.o.
- HÖDLMAYR Logistics Czech Republic a.s.
- Transcentrum automotive logistics a.s.
- VCHD Cargo a.s.
- NICOTRANS a.s.
- Bítešská Transport Company s.r.o.
- BODOS Czechia a.s.
- Elflein Trasport s.r.o.
- AGF Food Logistics a.s.
- ICOM transport a.s.

Based on the data obtained in this way, summary data for the selected transport companies were created using a contingency table in MS Excel, and they are included in Table 1.

2.4 Selected companies

For the purpose of this article, data for the period 2014–2019 of the 25 largest companies (over 250 employees) providing road freight transport were used:

Table 1 Total values of financial indicators from 2014 to 2019 (CZK million). Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Assets	8 364	9 537	10 044	9 871	9 831	10 457
Equity	2 893	3 506	3 695	3 385	3 717	4 182
Personnel costs	2 822	3 196	3 607	3 838	4 040	4 341
Impact of personnel costs on profit	-2 822	-3 196	-3 607	-3 838	-4 040	-4 341
Operating Profit	535	779	572	224	210	645
Operating profit before personnel costs	3 357	3 975	4 179	4 062	4 250	4 986
Sales	15 991	17 230	18 339	18 882	19 520	20 782

2.5 Comparison of labour productivity and personnel costs

For selected road freight transport companies, a comparison was made of the development of labour productivity, personnel costs and average monthly gross wages of all employees in economic activities, including

transport and warehousing, as well as of truck and trailer truck drivers between 2014 and 2019 in terms of their impact on profits.

Based on the sales and personnel costs values presented in Table 1, labour productivity was calculated in Table 2 below, expressing the ratio of sales revenue from transport performance to personnel costs.

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Table 2 Calculation of labour productivity as a ratio of the value of sales and personnel costs. Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Sales (mil.CZK)	15 991	17 230	18 339	18 882	19 520	20 782
Personnel costs (CZK million)	2 822	3 196	3 607	3 838	4 040	4 341
Labour productivity Sales/Personnel costs (CZK/CZK)	5.667	5.391	5.084	4.920	4.831	4.787

Based on labour productivity and personnel costs presented in Table 2, average monthly gross wages of all employees in economic activities, including transport and warehousing obtained from the Czech Statistical Office portal [8] and average wages of truck and trailer truck

drivers obtained from the ISPV (Average Earnings Information System) portal [9], Table 3 was created demonstrating the development of these indicators between 2014 and 2019.

Table 3 Development of labour productivity, personnel costs and average gross monthly wages of drivers. Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Labour productivity Sales/Personnel costs (CZK/CZK)	5.667	5.390	5.085	4.920	4.831	4.788
Personnel costs (CZK million)	2 822	3 196	3 607	3 838	4 040	4 341
Average gross monthly wage of drivers (CZK/month)	18 808	19 739	21 206	22 747	25 618	26 856
Average gross monthly wage in transportation (CZK/month)	23 879	24 657	25 822	27 438	29 462	31 626

Based on the values presented in Table 3, the year-on-year differences of these values were calculated in Table 4 and Table 5 in terms of their impact on profits.

Table 4 Year-on-year differences in labour productivity, personnel costs and average gross monthly wages in terms of their impact on profits. Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Labour productivity (Sales/Personnel costs)	0.0%	-4.9%	-5.7%	-3.2%	-1.8%	-0.9%
Personal Costs	0.0%	-13.3%	-12.9%	-6.4%	-5.3%	-7.5%
Average gross monthly wage of drivers	0.0%	-5.0%	-7.4%	-7.3%	-12.6%	-4.8%
Average gross monthly wage in transportation	0.0%	-3.3%	-4.7%	-6.3%	-7.4%	-7.3%

Table 5 Cumulative annual differences in labour productivity, personnel costs and average gross monthly wages in terms of their impact on profits. Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Labour productivity (Sales/Personnel costs)	0.0%	-4.9%	-10.3%	-13.2%	-14.7%	-15.5%
Personnel costs	0.0%	-13.3%	-27.8%	-36.0%	-43.2%	-53.8%
Average gross monthly wage of drivers	0.0%	-5.0%	-12.8%	-20.9%	-36.2%	-42.8%
Average gross monthly wage in transportation	0.0%	-3.3%	-8.1%	-14.9%	-23.4%	-32.4%

The data in Table 4 were used to create the graph in Figure 1 and the data in Table 5 were used to create the graph in Figure 2.

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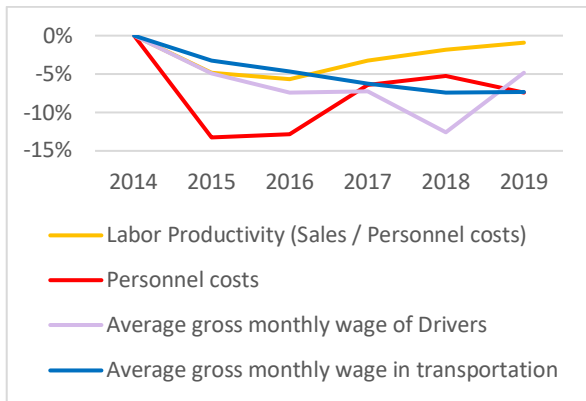


Figure 1 Year-on-year increases in labour productivity, personnel costs and average gross monthly wages in terms of their impact on profits

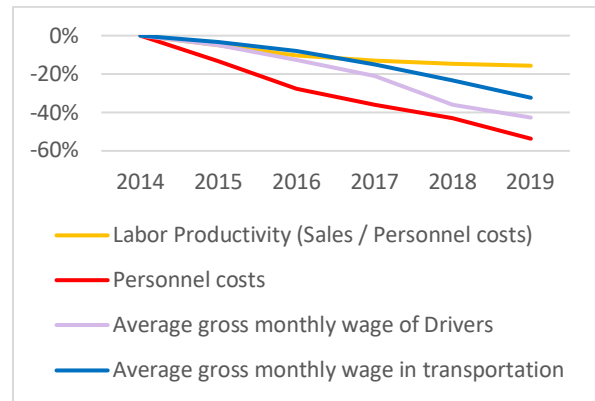


Figure 2 Cumulative annual increases in labour productivity, personnel costs and average gross monthly wages in terms of their impact on profits

From the tables 2-5 and from pictures 1 and 2 for years 2015-2018 we can identify correlation between increasing negative impact of higher personnel cost and decreasing labor productivity. In 2015 there was significant increase of negative impact of higher personnel cost to profit that lead to decrease of labor productivity. In 2016 increase of personnel cost slightly slow down and labor productivity increase also slow down slightly. In 2017 and 2018 year-on-year decrease of both these indicators reduced by 50%. In 2019 year-on-year decrease of labor productivity again

slow down even negative impact of personnel cost increase.

2.6 Comparison of the development of personnel costs and operating profit

Based on the values presented in Table 1, Table 6 below was created with the data necessary to determine the development of operating profit after excluding personnel costs, the development of the impact of personnel costs on profit and the development of operating profit.

Table 6 Development of operating Profit and personnel costs from 2014 to 2019 (CZK million)

Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Operating profit before personnel costs	3 357	3 975	4 179	4 062	4 250	4 986
Impact of personnel costs on profit	-2 822	-3 196	-3 607	-3 838	-4 040	-4 341
Operating profit	535	779	572	224	210	645

Based on the values presented in Table 6, the year-on-year increments of operating profit excluding personnel costs, the impact of personnel costs on profit and operating

profit (see Table 7) and the cumulative year-on-year increments of these indicators (see Table 8) were calculated.

Table 7 Year-on-year differences in operating profit and personnel costs from 2014 to 2019 (CZK million)

Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Operating profit before personnel costs	0	618	204	-117	188	736
Impact of personnel costs on profit	0	-374	-411	-231	-202	-301
Operating profit	0	244	-207	-348	-14	435

Table 8 Cumulative differences in operating profit and personnel costs from 2014 to 2019 (CZK million)

Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Operating profit before personnel costs	0	618	822	705	893	1 629
Impact of personnel costs on profit	0	-374	-785	-1 016	-1 218	-1 519
Operating profit	0	244	37	-311	-325	110

The data in Table 7 were used to create the graph in Figure 3, and the data in Table 8 were used to create the graph in Figure 4.

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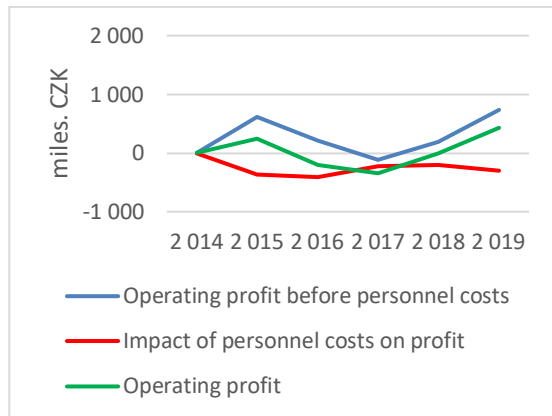


Figure 3 Year-on-year increases in operating profit personnel costs

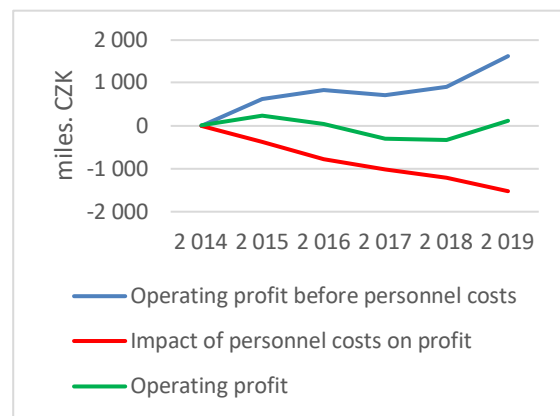


Figure 4 Year-on-year cumulative increases in operating profit and and personnel costs

From the tables 6-8 and from pictures 3 and 4 is visible that in 2015 increase of personnel cost did not negatively impact operating profit yet. But in 2016 operation profit drop significantly. In 2017 is operation profit further reduced and increase of personnel cost slow down slightly. From 2018 operating profit is improving even personnel cost continued to increase. From picture 3 correlation between operating profit before personnel costs and final operation profit is obvious. Cumulative amounts in picture 4 shows that negative impact of increasing personnel cost

is growing continually. Operating profit starting in 2018 is back on 2014 level and continue growth despite increasing personnel cost in 2019.

2.7 Operating profitability ratios

Based on the values shown in Table 1, the operating profitability ratios within Return on Assets, Equity and Personal Costs within Operating Profit were calculated (see Table 9, Table 10 and Table 11).

Table 9 Calculation of ROA_{OP} - Return on Assets within Operating Profit from 2014 to 2019

Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
A - Assets (mill. CZK)	8 364	9 537	10 044	9 871	9 831	10 457
OP - Operating Profit (mill. CZK)	535	779	572	224	210	645
ROA _{OP} = OP/A·100 (%)	6.40%	8.17%	5.69%	2.27%	2.14%	6.17%

Table 10 ROE_{OP} - Return on Equity within Operating Profit from 2014 to 2019

Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
E - Equity (mill. CZK)	2 893	3 506	3 695	3 385	3 717	4 182
OP - Operating Profit (mill. CZK)	535	779	572	224	210	645
ROE _{OP} = OP/E·100 (%)	18.49%	22.22%	15.48%	6.62%	5.65%	15.42%

Table 11 Calculation of ROP_{OP} - Return on Personal Costs within Operating Profit from 2014 to 2019

Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
P - Personal Costs (mill. CZK)	2 822	3 196	3 607	3 838	4 040	4 341
OP - Operating Profit (mill. CZK)	535	779	572	224	210	645
ROP _{OP} = OP/PE·100 (%)	18.96%	24.37%	15.86%	5.84%	5.20%	14.86%

Based on the values presented in Tables 9, 10 and 11, a summary table of Return on Assets, Return on Equity and

Return on Personal Costs within Operating Profit was created (see Table 12).

Table 12 Operating profitability indicators from 2014 to 2019 Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
ROA _{OP} - Return on Assets within operat. profit	6.40%	8.17%	5.69%	2.27%	2.14%	6.17%
ROE _{OP} - Return on Equity within operat. profit	18.49%	22.22%	15.48%	6.62%	5.65%	15.42%
ROP _{OP} Return on Personal Costs within OP	18.96%	24.37%	15.86%	5.84%	5.20%	14.86%

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Based on the values presented in Table 12, the annual percentage increases of the selected operating profitability ratios were calculated (see Table 13 and 14).

Table 13 Year-on-year differences in operating profitability ratios between 2014 and 2019

Source: author's calculations

Indicator	2014	2015	2016	2017	2018	2019
Return on Assets (ROA _{OP})	0.00%	1.77%	-2.47%	-3.43%	-0.13%	4.03%
Return on Equity (ROE _{OP})	0.00%	3.73%	-6.74%	-8.86%	-0.97%	9.77%
Return on Personal Costs (ROP _{OP})	0.00%	5.42%	-8.52%	-10.02%	-0.64%	9.66%

Table 14 Annual cumulative differences in operating profitability ratios between 2014 and 2019

Source: author's calculation

Indicator	2014	2015	2016	2017	2018	2019
Return on Assets (ROA _{OP})	0.00%	1.77%	-0.70%	-4.13%	-4.26%	-0.23%
Return on Equity (ROE _{OP})	0.00%	3.73%	-3.01%	-11.88%	-12.84%	-3.07%
Return on Personal Costs (ROP _{OP})	0.00%	5.42%	-3.10%	-13.12%	-13.76%	-4.10%

The data in Table 13 were used to create the graph in Figure 5, and the data in Table 14 were used to create the graph in Figure 6.

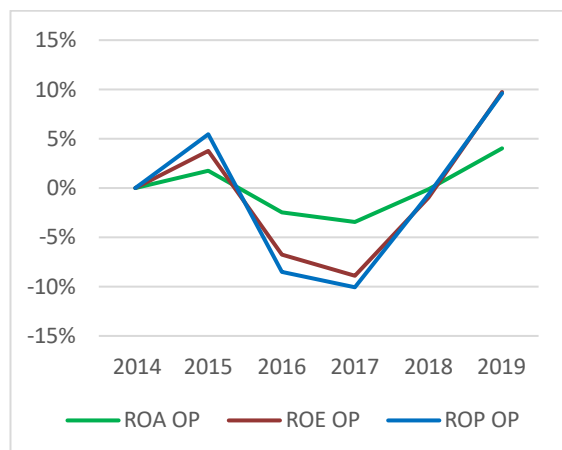


Figure 5 Year-on-year increases in operating profitability ratios

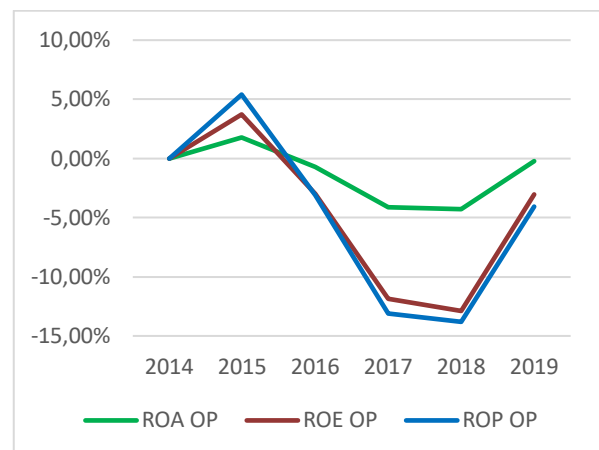


Figure 6 Year-on-year cumulative increases in operating profitability ratios

From the tables 9-14 and pictures 5-6 for year 2015-2018 is obvious correlation between evolution of chosen rentability indicators which are directly impacted by evolution of operating profit. Almost the same evolution of ROE and ROP indicators is because of similar level of personnel cost and equity.

3 Result and discussion

From Tables 2 to 5 and the graphs within Figures 1 and 2, it is clear that in 2015 and 2016, the decrease in labour productivity expressed as a ratio of sales to personnel costs, was due to the negative impact of the increase in personnel costs. Their growth was higher than the growth in the average gross monthly wages of all employees in transport and warehousing activities as well as truck and trailer truck drivers. Since 2017, this labour productivity has been declining more slowly year-on-year, despite the continued

increase in personnel costs and average gross wages of employees. However, even in 2019, labour productivity expressed as sales per CZK of personnel costs did not reach the level of 2014. Reducing the decline in labour productivity since 2017 is logically due to the increase in sales, which could have been due to either an increase in freight volumes, an increase in the price of transport or both. Within Figure 1, it can be seen that while the negative impact of personnel cost growth on operating profit slowed in 2018, the growth in average driver wages continued and only slowed in 2019. According to economic principles, personnel cost growth should not have a negative impact on operating profit, which can only be achieved by higher transport volumes or higher utilisation of own capacity if the transport price is not increased. However, further increasing the use of own capacity (increasing its yield) already faces technical and legal constraints, and the

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possibilities of significantly increasing efficiency (savings) are almost exhausted. The only way forward, in this case, is to reflect the increase in personnel costs in transport prices gradually, which raises considerable problems, resulting in a time lag in the increase in transport prices against the increase in personnel costs, as can be seen in the graphs in Figures 1 and 2 in 2018.

Tables 6 to 8 and the graphs within Figures 3 and 4 show that the year-on-year increase in personnel costs in 2015 has not yet led to a reduction in operating profit. It only occurs from 2016 onwards, with a de facto halt to the reduction in operating profit in 2018 and a return to growth in 2019. This development is consistent with the observed evolution of labour productivity. This means that the increase in personnel costs started to be reflected more strongly in the prices of transport performance in 2018. Among other things, this led to an increase in operating Profit of CZK 645 million (at the EUR / CZK 25.50 exchange rate it does so EUR 25.3 million) in 2019. This is despite a further increase in personnel costs of CZK 301 million (EUR 11.8 million) in comparison to 2018.

From Tables 9 to 14 and the graphs within Figures 5 and 6, it is clear that there are relationships between the ROA_{OP} , ROE_{OP} and ROP_{OP} operating profitability ratios. This is due to the interesting fact that the value of equity in the base year 2014 (CZK 2 893 million, EUR 113.5 million) is almost the same as the value of personnel costs (CZK 2 822 million, EUR 110.7 million). This can be considered as a random relationship within 2014. However, the very similar changes in the values of these indicators in the following years make their correlation quite obvious.

As there were no significant changes in Equity between 2015 and 2019 due to owner contributions or profit-sharing (dividends), Equity values were affected by the impact of the economic result in those years. There is a clear correlation between the changes in Return on Equity (ROE_{OP}) and Return on Personnel Costs (ROP_{OP}), which is due both to the common numerator for these ratios, which is Operating profit, and the fact that the increase in personnel costs was significantly reflected in a decrease in Operating Profit in 2016 and 2017. Given the fact that there was an increase in sales volume in each year during the period under review, the increase in labour and the associated increase in personnel costs has its own logic. However, the percentage increase in personnel costs over the period was higher than the percentage increase in sales, which translated into a reduction in operating profit in those years. This faster growth in personnel costs against the increase in sales was mainly due to the increase in average wages of both truck and trailer truck drivers and other transport workers, as shown in the previous findings.

From the development of Return on Assets (ROA_{OP}), it is clear that the value of assets did not decrease as significantly as the value of equity, thanks to the increase in the share of foreign capital in the given period.

4 Conclusions

The main objective of the paper was to analyse and evaluate the effects of personnel cost growth on the profitability of selected road freight transport companies. As already mentioned, between 2014 and 2019, a very significant factor in the growth of personnel costs in road freight transport companies in the Czech Republic was mainly the growth of average wages of truck and trailer truck drivers. The paper presents the outputs of the analyses and quantifies the impact of the growth of personnel costs on the development of selected indicators, and also evaluates them in terms of their possible causality.

The Czech Republic is one of the countries with the fastest-growing wage costs. The average monthly gross wage in 2020 has also increased compared to 2019, with the average monthly wage for the Czech Republic rising by 4.4 % to CZK 35,611 (at the EUR / CZK 25.50 exchange rate it does so EUR 1,397), and for transport and storage activities by 1.6 % to CZK 31,931 (EUR 1,252). [14] Wage growth against the 2020 average stopped in the first quarter of 2021 when the average monthly gross wage for the Czech Republic was CZK 35,285 (EUR 1,384) and for transport and storage activities, it was CZK 31,556 (EUR 1,237). However, compared to the first quarter of 2020, wages for the Czech Republic grew by 3.2 %, and for transport and storage activities by 0.9 % [15]. David Marek, an economist at the company Deloitte, says that "As the pandemic fades and the economy accelerates again, there will be room for faster wage growth. For this year as a whole, average monthly gross wages can be expected to grow by 3 to 4 %" [16].

It follows from the above that enterprises providing road freight transport in the Czech Republic will have to continue to count on the growth of personnel costs due to the increase in average monthly gross wages. Over the last ten years, the average monthly wage in the Czech Republic has risen by 51 %, the highest of any neighbouring country, and this trend is not slowing down. Given the findings made in this paper, it is safe to assume that further wage increases in transport will be reflected primarily in price increases for transport services.

However, there is a risk that the capital-intensive transport companies may take advantage of this situation to "significantly slow down" the growth in the prices of their services in order to liquidate the capital-weak competitors. Once this "task" has been accomplished, it can be assumed that the subsequent rise in these prices will catch up with this delay.

Capital-weaker companies have no choice but to:

- Maximise the use of all its current labour and transport capacity, thereby ensuring fixed cost utilisation at a higher rate than is and will be the case for capital-intensive companies. In principle, there is now a no more effective tool for reducing costs than better use of own capacity.

THE IMPACT OF THE DEVELOPMENT OF PERSONNEL COSTS ON THE PROFITABILITY INDICATORS OF ROAD FREIGHT TRANSPORT COMPANIES IN THE CZECH REPUBLIC

Josef Kutac; Kamila Janovska; Tomas Kutac; Petr Besta

- Ensure maximum utilisation of its capacities to offer comprehensive services with the highest possible value for customers.
- Create favourable working conditions, including various benefits that will reduce the pressure on employees to increase wages.
- Make every effort to find other possible cost savings that do not result in reduced sales.

The methods used in this article have some limitations. For example, using ROE indicator works well when comparing companies in similar business areas. However, using ROE for comparison for different business areas has limited objectivity.

Analysis from this article can continue with the focus on other types of cost and their impacts on operating profit. The study was done for 2014-2019 without the impact of the Covid pandemic. Therefore, the study for 2020-2021 is a reasonable next step with the opportunity to evaluate the impact of the Covid pandemic on increasing personnel cost and its impact on operating profit.

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