

## CZECH REPUBLIC

*Growth in GDP per capita has not been sufficiently high in recent years to allow for a significant catch-up in income.*

### Policy priorities

#### **Reduce administrative burden on start-ups**

**Challenge and recommendations:** To increase the efficiency of capital and to speed up structural change in business activities, it was recommended that bankruptcy legislation be revised, and that business registration be streamlined and shortened.

**Actions taken:** New bankruptcy legislation has recently been approved by the government but has yet to pass through parliament. Regarding business registration, actions include setting up a network of business registration offices, reduced processing time for commercial registration and amendment of the Trade Licensing Act.

#### **Ease employment protection legislation for regular workers**

**Challenge and recommendations:** Reform to the relatively strict EPL was recommended to encourage labour demand, reduce unemployment and help with re-structuring of economic activities and productivity growth.

**Actions taken:** A new labour code has been introduced, bringing a welcome modernisation of legislation, but without significant changes to some key areas of concern, notably EPL.

#### **Reduce the tax wedge for low-income workers**

**Challenge and recommendations:** It was recommended that the relatively high tax wedge on labour be cut to increase employment opportunities for low-productivity workers, though it was recognised that the need for fiscal consolidation limited the room for manoeuvre.

**Actions taken:** Reform of the sickness insurance system that would decrease employers' contributions is near approval by Parliament.

#### **Further liberalise the rental housing market**

**Challenge and recommendations:** Labour mobility is weak and this partly accounts for structural unemployment. It was recommended that the rental housing market be further liberalised to encourage labour mobility.

**Actions taken:** Some steps to alter regulation of the rental housing market have been approved by the authorities.

#### **Reduce poverty traps for non-employed households**

**Challenge and recommendations:** It was recommended that the tax-benefit system be reformed to limit the combined effects of social welfare, housing and child allowances in creating poverty traps for non-employed households.

**Actions taken:** The child tax allowance has been replaced by a tax credit. A job search allowance scheme is to be introduced and in-work benefits increased.