

CZECH REPUBLIC

Priorities supported by indicators

Reduce barriers to business entry (2007, 2009, 2011)

Recommendations: Reduce minimum capital requirements for business start-ups. Speed up and cut the costs of judicial proceedings for contract and bankruptcy enforcement. Strengthen competition in electricity and telecommunications.

Actions taken: A significant decrease in capital requirements for start-ups is being debated in Parliament. Business registration and notification of sole proprietors were streamlined in 2008 and 2009, supported by wider use of electronic communication channels. An improved bankruptcy law has been in force since 2008. The EU third Energy Package was implemented, enhancing competition in electricity market.

Enhance education outcomes (2007, 2009, 2011)

Recommendations: End too-early streaming in secondary schools and introduce a fee system for tertiary courses backed by income-contingent student loans. Enhance schools' accountability.

Actions taken: No action taken on early streaming. A first nation-wide school-leaving exam was carried out in 2011. The authorities have presented blueprints for tertiary education reform and a new system of financial assistance for students. Both should be legislated during 2012 and take effect the following year.

Relax employment protection legislation (2007, 2009, 2011)

Recommendations: Link severance pay and the notice period to job tenure, and make dismissal simpler more broadly, in particular for regular contracts.

Actions taken: An amendment to the labour code addressing the issue of severance pay came into effect in 2012.

Reform the tax-benefit system (2007, 2009, 2011)

Recommendations: Cut the high tax wedge on low earnings and reduce activity disincentives for second-income earners. Ensure better co-ordination of tax and benefit systems across the government.

Actions taken: A flat tax system was introduced in 2008 reducing the tax wedges, including for lower income earners. Benefits have been reformed, reducing average effective tax rates but spikes at benefit withdrawal points remain, and further system streamlining is scheduled for 2013-14.

Other key priorities

Improve the efficiency of public expenditure (2007, 2009, 2011)

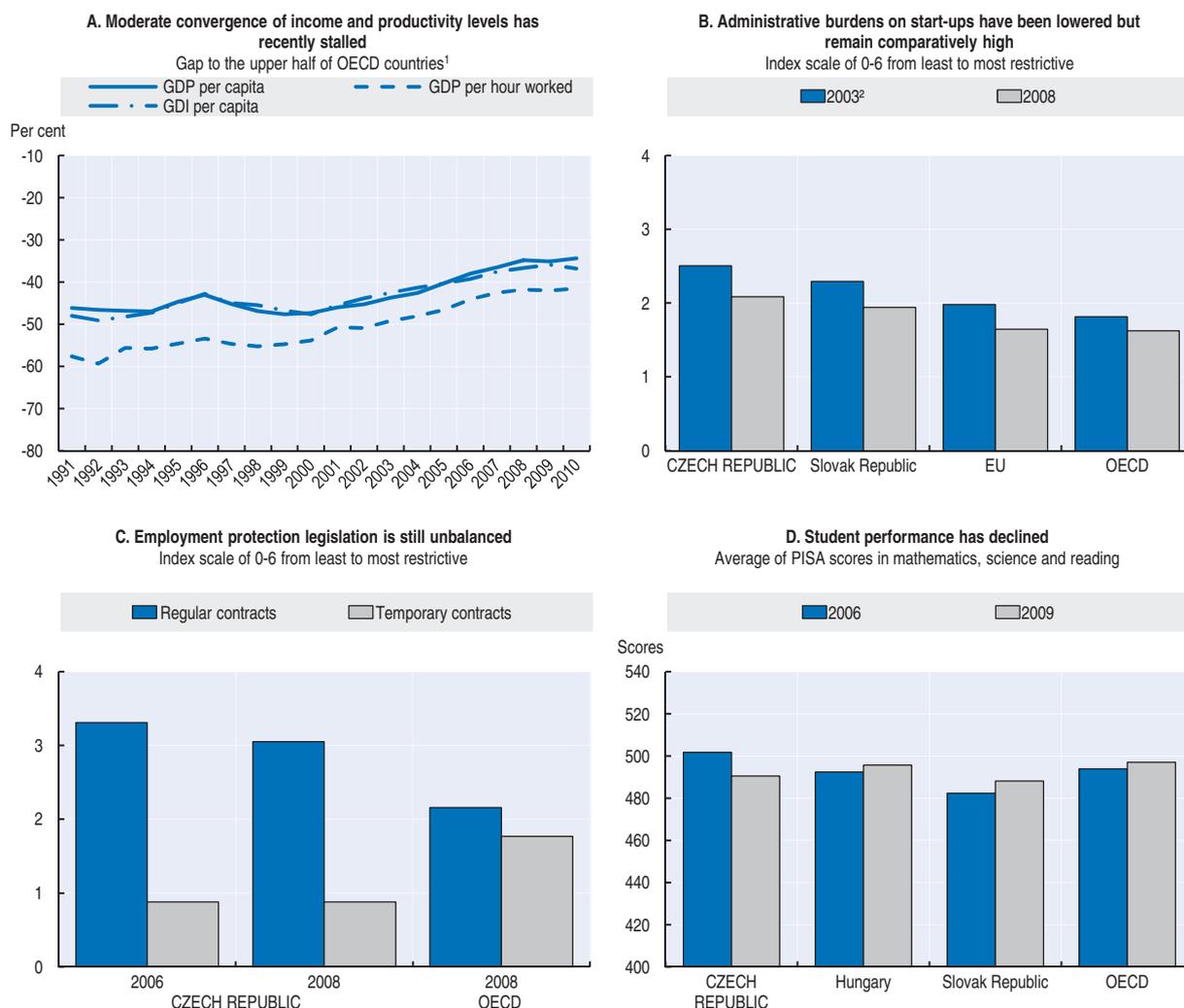
Recommendations: Implement health care reform, focusing in efficiency savings within the existing system.

Actions taken: Patient co-payments were introduced in 2008. Reform in drugs price setting, and tightening of the regulatory framework is currently debated in the Parliament and should take effect in 2012. The authorities are reviewing the in-patient capacities with a view to streamlining them.

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- The GDP per capita gap relative to the upper half of OECD countries remains sizeable due to a large labour productivity shortfall. Both gaps narrowed prior to the crisis, but convergence has essentially stalled since 2008. Labour utilisation remains high.
- A number of reforms have been implemented in most of the priority areas, with the strongest progress achieved in increasing tertiary education graduation rates and reducing administrative burdens on start-ups.
- In other areas, a flexible working-time arrangement introduced in the labour code in 2007 proved very popular during the downturn and helped mitigate lay-offs.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.

Source: Chart A: OECD, National Accounts and Economic Outlook 90 Databases; Chart B: Product Market Regulation Database; Chart C: OECD, Employment Database; Chart D: OECD, PISA 2009 Database.

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