

CZECH REPUBLIC

Growth in GDP per capita has not been sufficiently high in recent years to allow for a significant catch-up in income. Strong productivity growth has been partly offset by falling employment rates.

Priorities supported by indicators

Reduce administrative burden on start-ups

Cumbersome bankruptcy proceedings reduce the efficiency of capital and the pace of structural change. Complex and sometimes lengthy procedures to enter the commercial registry dissuade business start-ups.

Actions taken: The government is in the process of putting together reform proposals for improving bankruptcy legislation and the commercial registry.

Recommendations: The intended reforms need to be implemented, and continued efforts are required to shorten the length of bankruptcy proceedings and lighten the administrative burden of business registration.

Ease employment protection for regular workers

Relatively strict EPL is contributing to weak labour demand and inefficient employment practices. This is hindering progress in reducing unemployment and limiting re-structuring and productivity growth.

Actions taken: Employment protection legislation is currently under review by the authorities.

Recommendations: Significant reform efforts are needed, in particular to reduce overall costs associated with individual dismissal.

Reduce the tax wedge for low-income workers

A high tax wedge on low-paid jobs restricts employment opportunities for low-productivity workers that have lost their job as a result of industrial restructuring.

Actions taken: Employers' contributions to the active labour market policy funds have been reduced by 2 percentage points, but contributions to social insurance were increased by the same amount, leaving the wedge unchanged.

Recommendations: While the need for fiscal consolidation is limiting the room to manoeuvre, the authorities should nevertheless put priority on cutting back social contributions on low-paid jobs.

Other key priorities

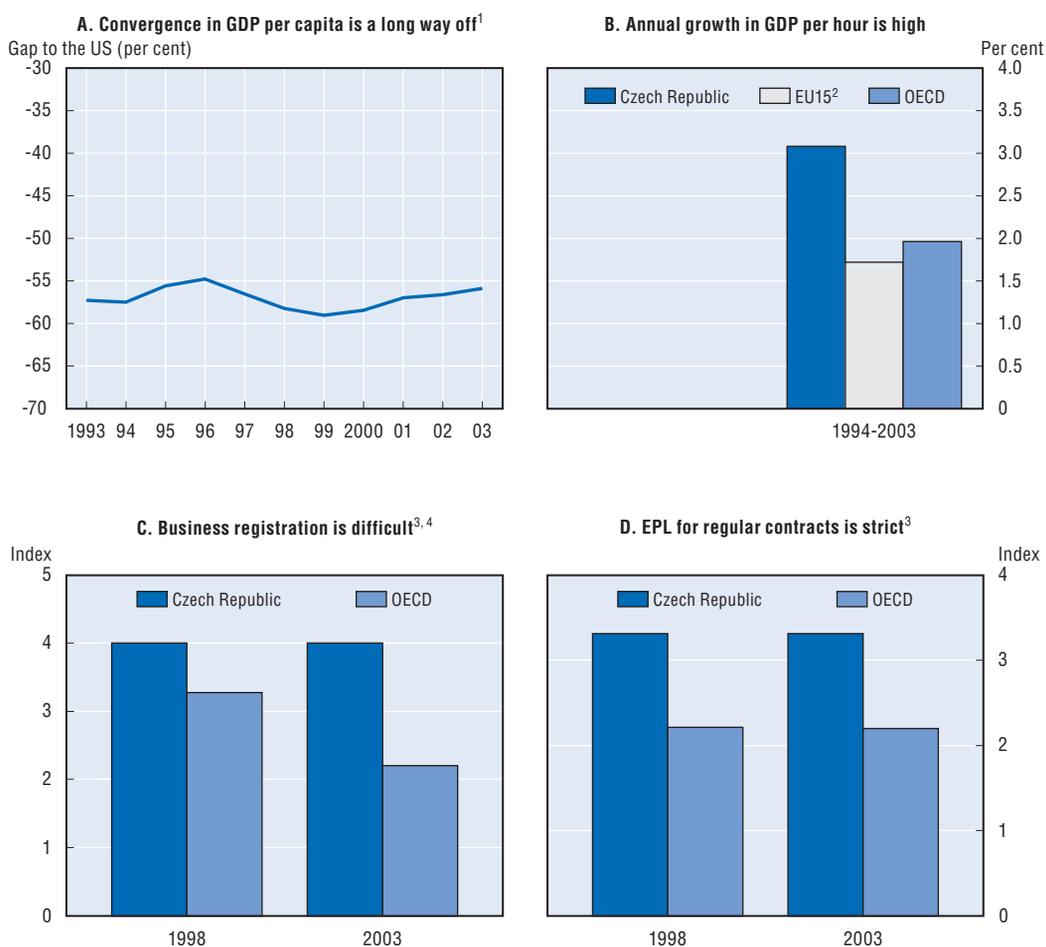
- Increase labour mobility through further liberalisation of the rental housing market.
- Reduce poverty traps for non-employed households generated by the combined effects of social welfare, housing and child allowances in the tax-benefit system.

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Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	..	2.4	2.3	2.7
Trend employment rate	..	68.8	66.9	66.0
Trend participation rate	..	72.6	71.8	71.4
Structural unemployment rate (NAIRU)	..	5.3	6.9	7.6

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).

2. Excluding Austria and Luxembourg.

3. Index scale of 0-6 from least to most restrictive.

4. Business registration refers to licences and permits.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Chart C: OECD Regulation database; Chart D: OECD Employment Outlook, 2004.