BUSINESSEUROPE

SPRING 2014 REFORM BAROMETER - CZECH REPUBLIC

		Q1: the recommendation is:	Q2: implementation effort is:	Detailed comments
CSR **1**	Implement as envisaged the budget for the year 2013 so as to correct the excessive deficit in 2013 in a sustainable manner and achieve the structural adjustment effort specified in the Council recommendations under the EDP. For the year 2014 and beyond, reinforce and rigorously implement the budgetary strategy, supported by sufficiently specified measures, to ensure an adequate fiscal effort to make sufficient progress towards the medium-term objective. Prioritise growth-enhancing expenditure including committing on time remaining projects co-financed with EU funds under the current financial framework.	Important	Mixed	This recommendation is important but not very helpful as such. We know that fiscal stability is one of the key issues being reflected in prices on financial markets, public sector stability or in sustainability of existing systems. Yes, fiscal consolidation is needed to some extent and we support lowering public deficits. Nonetheless, the wording (formulation) “rigorously implement the budgetary strategy” is not quite appropriate with regard to the need for (and absence of) systemic nature of austerity measures within a more complex economic policy. The recommendation to prioritize growth-enhancing expenditure is insufficient, because it is possible to agree with it in general, but looking for particular steps is questionable and problematic. What we miss is a link to an overall economic policy with a clear vision and direction, we miss stability of proposals, long term view on business environment and investment/economic activity when suggesting and implementing concrete measures. Some measures (like decreasing investment expenditures) only create "internal debt" for the future. Some measure may discourage from investing and doing business. There is very often a short term view when talking about "growth" - just expressed by one year GDP and not by GDP potential and stable sustainable growth. We asked government to fully utilize EU funds but we find its effort as insufficient when there will be some idle money. We as well welcome the Government´s approach refraining from the original purpose of “more drastic” decrease and achievement of a balanced budget in 2016 towards, more taking into consideration of the effects on the economy – while maintaining the deficit under 3 % of GDP. In 2013 the goal of lower ratio of public deficit to GDP will be met and in this respect the effort of government was successful (but it is only a "simplified" view).

CSR **2**	Reduce the high level of taxation on labour by shifting taxation to areas less detrimental to growth, such as recurrent taxes on housing and vehicle circulation taxes. Further reduce discrepancies in the tax treatment of employees and the self-employed. Improve tax compliance and reduce compliance costs by establishing the Single Collection Point and harmonising the tax bases for personal income tax and social and health contributions.	Important	Mixed	The SP supports reduction of taxation on labour. The social contributions and taxation on labour make the Czech Republic in international benchmarking relatively expensive. In the matter of the Single Collection Point the SP continues to emphasize certain doubts concerning the system – whether it will work in time and in an effective way, whether the Government will manage proper implementation and whether the administrative burden on firms will really be lowered. Generally the SP does not contradict the recommendation to shift taxation to areas less detrimental to growth but, again, looking for particular steps is questionable. In general whatever increase in taxation decreases at least the purchasing power of the domestic entities and attractiveness of the territory. It is possible to admit that the property/housing taxes do not belong to the highest ones according to the international benchmarking. Moreover we lack concrete recommendation regarding the fight against tax evasion/tax collection. Better tax collection (due to lower tax evasion) might be one of the important tools how to secure fiscal stability without further tax increasing and securing more equal business environment. Further it is necessary to stress the necessity of the tax system stability (incessant changes and excessive complexity and proposals for changes of the tax laws) or other concrete recommendations (efficient tax collection) with the goals to support priority aims. In this context the SP supports the 22 May 2013 European Council conclusions and subsequent provisions to the Action Plan to strengthen the fight against tax fraud and tax evasion.
CSR **3**	Increase the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy, and review the indexation mechanism. Accompany the increase in retirement age with measures promoting employability of older workers and reduce early exit pathways. In particular, remove the public subsidy for the pre-retirement scheme. Take measures to significantly improve cost-effectiveness of healthcare expenditure, in particular for hospital care.	Important	Mixed	The recommendation on pension systems is sensitive for all Member States. It is an area exclusively under the responsibility of individual countries. The Czech Republic has already done many steps (including legislation) for sustainability of the pension system. Nevertheless, the European Commission again reproached the Czech Republic for low attractiveness of the second pillar for young people. This still persists. To further increase (and accelerate the pace of) the statutory retirement age and to link it properly to the life expectancy, the next steps must be based on national consensus and political will. The SP supports the Government in their objection to the criticism of so called pre-retirement scheme where the Commission misunderstood the principle of the scheme based on the unanimous social partners 'joint agreement.
CSR **4**	Take additional efforts to strengthen the efficiency and effectiveness of the public employment service. Increase significantly the availability of inclusive childcare facilities with a focus on children up to three years old, and the participation of Roma children, notably by adopting and implementing the law on provision of childcare services and strengthening the capacities of both public and private childcare services.	Helpful	Mixed	The SP repeatedly supports the Commission's recommendations for preschool childcare facilities and their accessibility. This way parents, especially mothers, will integrate into the labour market earlier and match their work and private lives. The newly adopted Law of a Children Group is a welcomed, but not sufficient measure. The SP puts emphasis on the role and quality of the preschool facilities, because it finds them to be a part of pre-school education. In 2011 adopted Labour Office reform was a right step to ensure an inclusive labour market for all, nevertheless it would need time to asses a real impact on the labour market.

CSR **5**	Ensure implementation of the anti-corruption strategy for 2013-2014. Adopt a Public Servants Act that should ensure a stable, efficient and professional state administration service. Improve the management of EU funds in view of the 2014-2020 programming period. Strengthen the capacity for implementation of public tenders at local and regional level.	Extremely important	Unsatisfactory	In January 2013 the Czech Government adopted the Anti-corruption Strategy for 2013-2014, but its implementation is not sufficient. The Public Procurement Act has been adopted, but its quality is not satisfactory. SP welcomed the Government effort to speed adoption of the Public Servants Act. Nevertheless the act is of a very low quality, approaching ex ante condition for the European structural funds, rather than guaranteeing an efficient and stable public administration.
CSR **6**	Establish a comprehensive evaluation framework in compulsory education and take targeted measures to support schools that rank low in educational outcomes. Adopt measures to enhance accreditation and funding of higher education. Increase the share of performance-based funding of research institutions.	Important	Unsatisfactory	The SP supports peer reviews (nationwide testing) of the outcomes of primary schools and at the same time agrees that it must be supplemented with efficient help to schools with poor results. Beyond the recommendations the SP notes that it is necessary to link the evaluation of the 5th – 9th grades to the entrance examination to the secondary schools (GCSE branches of study in the first place) in terms of both terms and processes. The SP also lacks an appeal to implement elements of the dual learning (co-operative models) into the vocational education, including tax advantages/concessions for employers investing in education (Amendment to the Taxation Law was adopted by the Parliament of the Czech Republic and entered in force on 1th January 2014). In the area of universities the SP would like rather to support a higher (not only formal) participation of employers in the steering and decisive bodies on the universities, increase scope of the work-based practice within employers and coefficients of preferential treatment of funding of universities. Regarding the European Commission's recommendation on science, research and innovations, the SP agrees and calls for higher volume of funds for applied (company) research. We consider this recommendation as important and the effort of our government is unsatisfactory. The SP supports increase the share of performance-based funding because it increases efficiency and brings greater applicability of the results. This is related to the development of excellent institutes and termination of the "weak" institutes.
CSR **7**	Drawing on the on-going review, proceed with a reform of regulated professions, by reducing or eliminating entry barriers and reserves of activities where they are unjustified. Take further measures to improve energy efficiency in the buildings and industry sectors.	Helpful	Unsatisfactory	The SP agrees that the Czech Republic has a high number of regulated professions (highly over the EU average). In the context of the review of the directive on recognition of professional qualifications the Czech Republic however adopted measures to reduce the number of regulated professions. The SP supports this effort in relation to the implementation of the provisions adopted within the Single Market Act I. b) We consider the recommendation to improve energy efficiency in building and industry sectors as appropriate and important, but, however, the Czech Government makes a mistake in concentration of most sources in energy efficiency of buildings – too much money will be spent, too low energy savings will be reached. So we assess the reform effort of our government regarding this recommendation as unsatisfactory.

Note: There is a new government forming these days and there might be some changes next year (they may have and have some different opinions on some proposals of the current/former government).We do not know specific proposals of a new government. There is a new "coalition contract" including priorities and goals