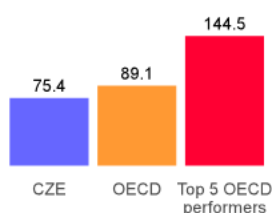# CZECH REPUBLIC

Performance gaps
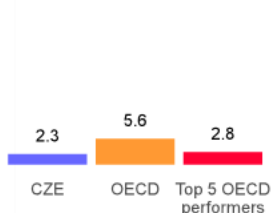
Recommendations

Product and labour markets functioning

- Procedures to obtain construction permits and to start a business are cumbersome and lengthy, inhibiting the entrepreneurial drive and the green transition.

- Streamline permitting processes and regulations in construction and reduce the time and number of procedures for starting a business.
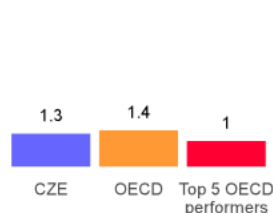
Labour productivity
GDP per employee, USD 2022

CZE	OECD	Top 5 OECD performers
75.4	89.1	144.5

Unemployment rate
%, 2022

CZE	OECD	Top 5 OECD performers
2.3	5.6	2.8

Product Market Regulation Economy-wide
From least to most restrictive
Index of 0-6, 2018

CZE	OECD	Top 5 OECD performers
1.3	1.4	1

Active labour market policies expenditure per unemployed
% of GDP per capita
2020 or latest available

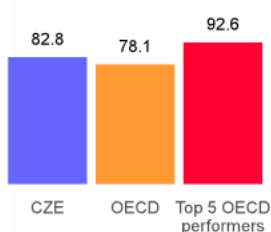| CZE	OECD	Top 5 OECD performers
23.3	17	37.5
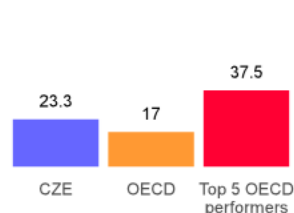
Digital transition

- Evidence points to high basic digital skills. Yet, the economy lacks information and communication technology specialists, with the share of female ICT specialists particularly low. Czech firms are slow to adopt more sophisticated technologies, lagging behind in using AI and big data, holding back their digital transformation.
- Coverage of very high-capacity networks is low, and access to internet broadband connection is unequal across regions and cities. Quality of public administration – at the local level in particular – could be strengthened by greater use of digital technologies and e-government.

- Strengthen specialised digital and IT skills by modernising education, including VET, and better adapting it to adult learning.
- Increase funding and capacity to boost investment in digital infrastructure and technologies.
- Continue rolling out of eGovernment and offer training to local public officials.

Households with broadband Internet access at home
%, 2021 or latest available

CZE	OECD	Top 5 OECD performers
89.3	88.2	98.5
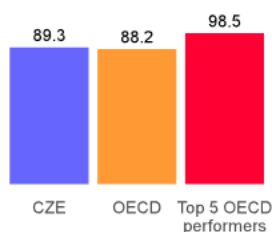
Businesses with a website or home page
%, 2021 or latest available

CZE	OECD	Top 5 OECD performers
82.8	78.1	92.6

Business R&D expenditure in information industries
% of GDP, 2019 or latest available

CZE	OECD	Top 5 OECD performers
0.3	0.4	1.4
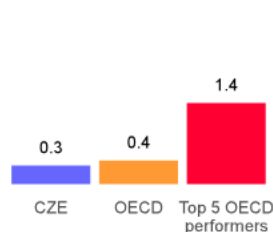
OECD Digital Services Trade Restrictiveness Index
From least to most restrictive
Index of 0-1, 2022

| CZE	OECD	Top 5 OECD performers
0.16	0.14	0.05
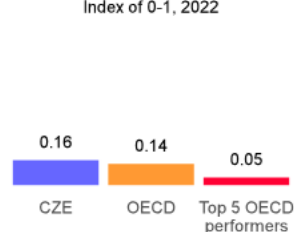
Inclusiveness, social protection, and ageing

- Population ageing will result in steep future rises in public spending. Yet, Czech workers retire too early. Early retirement is still possible from the age of 60 and employment rates fall sharply after this age.
- Childbirth has a large impact on labour market activity of mothers and the gender wage gap is sizable. Family cash benefits and tax breaks are generous while access to high-quality public childcare support is low, particularly for children under the age of three.

- Continue raising the retirement age and link it more tightly to increases in longevity. The minimum age of early retirement should also be increased.
- Keep expanding the supply of affordable and high-quality childcare facilities. Lower untargeted family cash benefits and gradually reduce the maximum duration of parental leave.
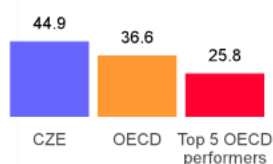
Mean poverty gap after taxes and transfers
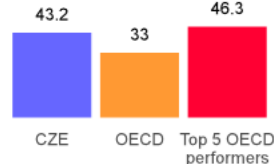Line at 60% of median disposable income
2021 or latest available

	CZE	OECD	Top 5 OECD performers
	22	28.7	21.2
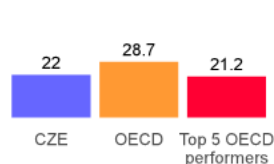
Impact of socioeconomic background in PISA reading score
%, 2018

|	CZE	OECD	Top 5 OECD performers
	44.9	36.6	25.8

Strength of redistribution
Differences in Gini coefficients between market & disposable income relative to coef. on disposable income
%, 2021 or latest available

	CZE	OECD	Top 5 OECD performers
	43.2	33	46.3

Income levels provided by cash minimum-income benefits
% of median disposable income, 2021 or latest available

|	CZE	OECD	Top 5 OECD performers
	14.5	26.4	43.1
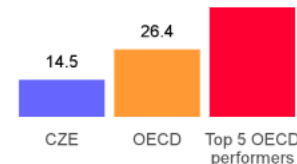
Climate transition

- Extensive use of coal for electricity production and heat generation contributes to high greenhouse gas emissions. Reliance on heavy industry coupled with older and poorly insulated dwellings make the Czech economy highly energy intensive.
- Current environmental policies are not stringent enough to effectively curb emissions. Effective carbon rates are among the lowest in the OECD. Tax exemptions are applied on various fuels, which decreases end-use prices and limits incentives to save energy or to switch to cleaner fuels.

- Scale up investment in renewable and low-emissions energy sources and boost energy efficiency, notably in the residential sector, including by drawing on the NextGenerationEU financing.
- Introduce an explicit carbon price (with a pre-announced price trajectory) to cover all emissions for sectors outside the EU's ETS.
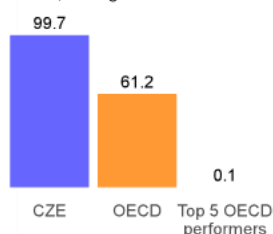
Share of renewables in the energy mix
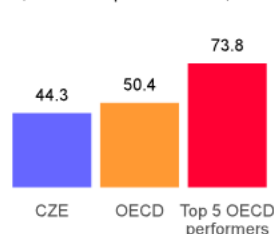%, Average over 2019-21 or latest available

	CZE	OECD	Top 5 OECD performers
	11.7	22.1	55.5
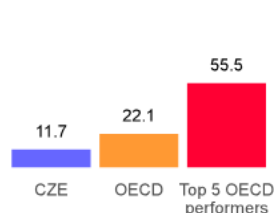
Share of population exposed to more than 10 μg/m3 of PM2.5
%, Average over 2017-19

	CZE	OECD	Top 5 OECD performers
	99.7	61.2	0.1

Carbon pricing score
%, at EUR 30 per tonne CO_2, 2018

	CZE	OECD	Top 5 OECD performers
	44.3	50.4	73.8

Environmentally-related government R&D budget
% of total government R&D 2021 or latest available

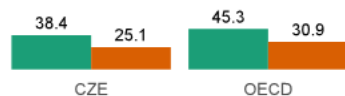|	CZE	OECD	Top 5 OECD performers
	2.1	2.8	8.4
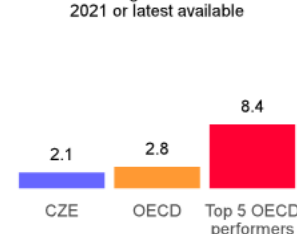
Overall performance

Economy
Thousands USD per capita
2022 or latest available
- Gross Domestic Product
- Household gross adjusted disposable income

	CZE	OECD
Gross Domestic Product	38.4	45.3
Household gross adjusted disposable income	25.1	30.9

Inequality and poverty
2021 or latest available
- Gini coefficient after taxes and transfers (index of 0-100)
- Poverty rate, line at 60% of median disposable income (%)

	CZE	OECD
Gini coefficient	25.5	32
Poverty rate	10.7	18.1

Environment and climate
1 unit of GDP, 2021

0.3 GHG emissions
0.24 (OECD)

Welfare cost of premature deaths due to ambient particulate matter
% GDP equivalent, 2019

CZE	OECD
5.9	2.9

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Going for Growth

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