

Czech Business Today



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THE CONFEDERATION OF INDUSTRY OF THE CZECH REPUBLIC HAS STARTED THE COUNTDOWN FOR CHANGE AT THIS YEAR'S CONGRESS

The Confederation of Industry of the Czech Republic, at its Congress, outlined the priority areas for the Czech government to support and develop the economy in the Czech Republic. Therefore, in the middle of the current government's mandate, it launched a countdown for the implementation of urgent tasks under the slogan "Competitive Czech Republic - time for change", in the solution of which business is ready to participate together with the government. The traditional Congress of the Confederation of Industry of the Czech Republic in Brno formally opened the 64th International Engineering Fair.

The Confederation has long drawn attention to the problems affecting the work of industrial enterprises across all sectors. The Czech economy is not in good shape, and although companies are trying to cope with the difficult period in every way and are looking for solutions, they also cannot do without the active help of all departments of the government of Petr Fiala. Particularly in this difficult time caused by the accumulation of problems, the Confederation believes that the Cabinet should create conditions that will stabilize companies' working environment.

The Confederation of Industry of the Czech Republic focused on the first achievable goals and targets in the labor market, energy, exports, digitization, research and development, or the circular economy. The tasks we presented may seem partial. However, we have been drawing the attention of all governments to the problems of our

economy for at least ten years. No one has had to make major changes yet. Economies that have always been behind us are beginning to overtake us. We have to start with change sometime, even if in only smaller steps, but we must start now,' says Jan Rafaj, President of the Confederation.

The Czech Republic is beginning to lose its competitiveness in many respects, for example, in the area of energy prices, but also in terms of their affordability.

For the development of the Czech economy, it is also necessary to ensure a modern and sustainable labor market. This involves maximizing the participation of Czech workers, including parents of young children, by creating children's groups, supporting flexible working hours, and motivating people of retirement age. Simultaneously, it is important to facilitate the arrival of employees from abroad. Jan Rafaj stated, 'To simplify and streamline the employment of workers from third countries, we have developed 11 points, which we are discussing with the government. They include seven short-term goals that require minimal legislative changes and four goals that require more complex legislative solutions.

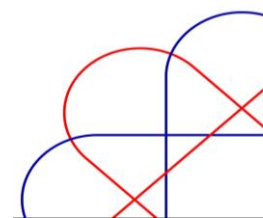
PRIORITY TASKS PRESENTED AT THE CONGRESS

- To ensure long-term competitive energy prices for the Czech industry compared to neighboring countries, based on a new state energy concept, a predictable and stable

legal framework, and with the help of the construction of new energy sources in the Czech Republic and long-term contracts.

- To ensure maximum participation of domestic workers in the labor market, it is essential to create conducive conditions. This can be achieved through various measures such as implementing fair labor laws, providing adequate protection, and ensuring equal opportunities for domestic workers. Legislative and procedural changes are also necessary to facilitate the easy and efficient employment of foreign workers.
- Declare and ensure clear support for R&D tax credits, make legislative and methodological adjustments, and promote a client-oriented approach by tax authorities so companies can use this tool without fear.
- The new law on cybersecurity and the mechanism for verifying supply chain security must not stifle the business environment.
- If necessary, increase the Ukraine Fund in next year's budget and actively assist companies in engaging in Ukraine's post-war reconstruction. As part of export promotion, also actively address steps towards introducing the Euro.
- Adopt timber as a strategic raw material and promote the use of renewable raw materials in public procurement.

Source: SPCR.cz



INCREASING QUOTAS FOR FOREIGN SKILLED WORKERS WILL HELP COMPANIES' COMPLETE CONTRACTS AND BOOST STATE BUDGET REVENUES

The Czech Chamber of Commerce appreciates that the Czech government has responded to the request of business organizations to increase the annual quota for foreign workers. It hopes that adjusting the government-regulated program will speed up processing applications for employee cards. The new workers will alleviate the decline in skilled labour caused by adverse demographic trends and early retirement. However, they will not solve the structural problem of the Czech economy, as employers are short of 300 000 employees and within ten years, there will be a shortage of over half a million of them on the labour market. However, the newly recruited employees will enable companies to complete contracts, increasing the state's revenue. According to the Chamber of Commerce's estimates, the budget will receive at least CZK 4.8 billion a year in taxes and levies on the labour of these employees alone.

"Given the unfavourable demographic development in the Czech Republic, it is clear that we will not be able to do without the help of foreign workers in the long term. However, it is far from being only manual work, increasingly, it is also highly qualified professions, which we cannot fill with our own resources in the long term. However, it is always necessary to think simultaneously about eliminating social and security risks," said the President of the Chamber of Commerce, Zdeněk Zajíček. "We must not resign ourselves to creating even more favourable conditions for the employment of women on maternity leave or senior citizens. Equally, we must look for ways to free many workers from the debt trap and bring them out of the grey zone and back into the labour market," he added.

The Home Office is also looking to speed up and simplify the residency procedure by digitizing the entire residency agenda. The upcoming law on the entry and residence of foreigners (Aliens Act) is to create the legal basis for a new information system (Integrated Foreigners' Agenda System - ICAS),

which will allow for the electronic submission and processing of foreigners' applications for residence in the Czech Republic. The law is to newly introduce the role of the guarantor of foreigners' residence. The guarantors should be employers in case of employment or schools in case of studies. The draft legislative material should be submitted to the Government's Legislative Council by the end of 2023. It is expected to take effect on 1 January 2026.

The Czech Chamber of Commerce is the central point for collecting, checking and including employers' applications to the government's Skilled Worker Program. It handles over 80% of all applications from companies in the country. The shortage of employees in the labour market is a long-term structural problem of the Czech economy, caused mainly by demographic development. According to data from the Labor Office of the Czech Republic, employers currently lack 300,000 workers. However, over three-fifths of employers rely on other recruiting methods, so they do not even announce vacancies at Labor Office branches. The Chamber of Commerce has previously said that the state treasury lost at least CZK 84 billion in taxes and levies in 2018

alone due to the record number of unfilled jobs and that the losses will reach around CZK 110 billion in 2019. This year, the Chamber of Commerce estimates that the state's revenue losses will be around CZK 150 billion, which would solve a significant part of the public finance problem.

The most significant demand from employers is for technically oriented workers, such as metalworkers or machine workers. There is a shortage of craftsmen, but firms also lack bakers, pastry cooks, chefs, butchers, seamstresses, cattle handlers and health and social services workers. There is still a high demand for warehouse workers and drivers, e.g., forklift trucks or lorries. The quota for workers from the Philippines (3 000 per year) and Mongolia (2 000 per year) was due to increase from July this year. However, the Czech embassies are still not ready for this, so the program will not actually be extended until January 2024.

Source: komora.cz



CEBRE was founded in 2002 by the three most important Czech business organizations – Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.

The Czech Republic will deliver on its commitment to reduce greenhouse gas emissions as called in the Fit for 55 package, but the condition is to ensure sufficient and affordable energy for businesses and citizens. An update to the Czech Republic's National Energy and Climate Plan, which responds to the advancing climate crisis and developments in the energy sector following Russia's incursion into Ukraine, was approved by Petr Fiala's government at a meeting on Wednesday, 18 October 2023.

This updated energy climate plan defines the steps that need to be taken within the Czech energy sector to meet the European Union's climate and energy targets. The strategy reflects the current experience of the security and price crisis and foresees, for example, a 55 % reduction in greenhouse gas emissions by 2030 (compared to 1990) or an increase in the share of renewables in electricity generation from the current 13 % to 37 % in 2030. A fundamental condition for implementing the plan is that the Czech Republic should have sufficient energy from its sources and, where appropriate, from imports to meet the needs of the economy and Czech households.

According to the minister Jozef Síkela, electricity will gradually replace other fuels, especially coal and oil. This will

require a significant increase in electricity production from renewable sources, primarily through solar and wind energy development. The plan, therefore, envisages the construction of 10.1 gigawatts (GW) of new grid-connected photovoltaic (PV) installed capacity and 1.5 GW of new wind capacity by 2030. Hundreds of new wind power plants are expected to be built

The state also wants to gradually strengthen nuclear power. By 2030, its share in electricity production should be around 40 %, according to minister Síkela. In the following decade, the plan envisages the construction of new nuclear units, which should gradually increase the share of nuclear power to 60 %. In addition to the Dukovany unit currently under preparation, another could be built at Dukovany due to the hot pipeline to Brno, and two more at Temelín. However, nuclear energy should be the main focus of the forthcoming update of the state energy concept. According to minister Síkela, electricity production from natural gas should also increase temporarily in the coming years to supplement the less predictable production from renewable sources. The minister Síkela also believes that the Czech Republic should import more electricity from abroad.

Source: MPO.cz and E15.cz

1.5 MILLION CZK TO SUPPORT THE DIGITALIZATION OF SMEs

The Ministry of Industry and Trade has announced a call from the OP TAK to support the digitalization of SMEs. The aim is to increase the competitiveness of companies by investing in digital transformation and purchasing technologies. Digitization is essential, and support is available until the end of June 2026. It depends on the size of the company and can reach 30-60 % of the costs. The Agency for Enterprise and Innovation helps with funding applications.

NEW JANUARY 2024 SUSTAINABILITY REPORTING OBLIGATION

One in eight large companies in the Czech Republic is ready for the new January 2024 sustainability reporting obligation. Small and middle-sized enterprises are not yet addressing the further obligation. The Chamber of Commerce stresses the need for an information campaign for businesses. The directive of the CSRD (Corporate Sustainability Reporting Directive) will apply from January 2024 for companies with more than 500 employees and from 2025 for companies with more than 250 employees.



EESC: COHESION POLICY 2.0

In an ever-changing landscape marked by economic shifts, technological advancements, and demographic transitions, the European Economic and Social Committee (EESC) will put forth a comprehensive set of recommendations aimed at revitalizing cohesion policy. The EESC's upcoming opinion underscores the enduring importance of the policy's core principle: "no one should be left behind." Despite the policy's imperfections, it remains a valuable tool for bolstering regional convergence and addressing disparities.

In a dynamic landscape marked by economic shifts, inequalities of opportunity can stifle long-term growth and hinder competitiveness not only at the regional level but also nationally and across the EU. Organized civil society calls for a more adaptable and diverse cohesion policy that pays closer attention to citizens, particularly those who are most vulnerable.

During the preparation of the new cohesion policy, we should advocate for the broadening, modernization and revision of existing instruments and approaches. The upcoming opinion underscores the importance of a flexible and renewed cohesion policy that transcends mere investment and delves into areas such as capacity-building, interregional cooperation, effectiveness of outcomes, and opportunities for beneficiaries. To this end, several key recommendations are proposed in the opinion:

- **Territorial Strategies and Citizen Participation:** The report proposes a stronger emphasis on territorial policy strategies, such as Integrated Territorial Investment (ITI) and Community-Led Local Development (CLLD). This approach empowers citizens to define development projects and set their own priorities, while also enhancing the fund management capabilities of local authorities.
- **Support for SMEs and large-scale companies:** The EESC recommends innovative yet simplified utilization of existing European instruments, such

as the European Social Fund and the European Regional Development Fund (ERDF), to support small and medium-sized enterprises (SMEs). The financing of large-scale companies, particularly in strategic technologies, is also regarded as pivotal for achieving convergence.

- **Cross-border Labour Markets and Innovation:** The report highlights the potential of cross-border labour markets, particularly those hindered by legal and administrative barriers. Cross-border and interregional cooperation is deemed essential, especially for infrastructure development and fostering innovation.
- **Focus on Vulnerable Groups:** Recognizing the significance of inclusive growth, the EESC calls for tailored training, reskilling, and support programs for individuals facing lower employment rates. This includes women, young people, immigrants, and those with lower education levels.
- **Rural Development and Demographic Changes:** The EESC emphasizes the creation of new economic prospects for less developed rural areas, EU islands, and outermost regions. Bridging gaps between rural and urban areas, and addressing demographic changes, is deemed essential.
- **Integration of Cross-cutting Policies:** The report encourages synergy between EU cross-cutting policies and cohesion policy to enhance regional convergence. Alignment with national policies is also deemed crucial.
- **Synergy with Recovery and Resilience Facility (RRF):** The EESC stresses the compatibility of RRF investments with future cohesion policy. Disruptions to ongoing projects due to changes in financing could have detrimental effects on regional development and vulnerable groups, necessitating careful coordination.

- **Digital Investments and Skills:** In response to the digital transition's challenges, the EESC urges increased investment in digital skills training to bridge gaps and ensure equitable distribution of benefits across regions and demographics.
- **Inclusive Just Transition:** The EESC underscores the importance of social partner involvement in territorial just transition plans. Creating quality jobs and maintaining working conditions during climate-related transitions is a priority.
- **Strengthening Administrative Capacity:** To ensure effective policy implementation, the EESC advocates for enhancing the administrative capacity of various government levels and providing tailored technical support.

As the European Union navigates challenges like climate transition, demographic shifts, and technological evolution, Cohesion Policy 2.0 emerges as a potent tool for steering the course toward a competitive, inclusive and forward-looking Europe.



Source: David Sventek, EESC Member of Employers' Group