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Labour Market Rigidity and High Labour Costs Hinder not only Czech Competitiveness

The Czech lab our market is under mounting pressure from structural inefficiencies, high labour taxation, and burdensome administrative processes. Without meaningful reforms, businesses warn that economic growth will stagnate, wage growth will slow, and the country's competitiveness within the EU will deteriorate further.

Participants at a recent policy roundtable hosted by the Czech Chamber of Commerce voiced strong concerns over the inflexibility of the current labour market framework. A common theme emerged: too many groups—including parents of young children, seniors, students, and people with disabilities—remain economically inactive due to legal and systemic barriers. Employers see these groups as a major untapped resource that could help mitigate growing labour shortages, provided the right legislative adjustments are made.

Several measures aimed at modernizing the labour code have already been introduced, such as a partial revision allowing more flexible contracts and a forthcoming system for unified monthly employer reporting. While these are viewed as steps in the right direction, stakeholders agree that deeper reforms are necessary to reflect the realities of a 21st-century labour market.

Another pressing issue is the slow and fragmented process for hiring foreign workers, which remains a bottleneck for Czech industry. Businesses routinely face months of delays before being able to bring in essential staff from abroad, while neighbouring countries offer streamlined processes that take weeks. For a country whose economy relies heavily on manufacturing and technical sectors, this inefficiency is unsustainable.

In this context, the President of the Czech Chamber of Commerce, Zdeněk Zajíček, highlighted the burden of labour taxation. "The Czech Republic ranks among the countries with the highest labour cost burden in Europe. And despite political promises, we fear the trend may continue in the wrong direction. Instead of reducing taxes and social contributions, we risk further increases, unless structural reforms are made," he warned.

He pointed out that unless major mandatory expenditure systems—healthcare, pensions, education, and social support—are comprehensively reformed, the fiscal sustainability of the state will be at risk. The likely outcome would be either excessive public debt or a heavier financial burden on employers and their workers, both of which would undermine competitiveness.

Zajíček also presented the Chamber's "Regulatory and Bureaucratic Detox" initiative, aimed at reducing unnecessary regulation and simplifying the legal framework. He used the example of the unified monthly employer reporting system to demonstrate what can be achieved through meaningful cooperation between public authorities and the private sector. According to him, such projects require clear political leadership, technically skilled staff within the administration, and proper public procurement practices to deliver the necessary digital infrastructure.

All political representatives present supported further digitalization of administrative processes and agreed on the importance of simplifying employer obligations. However, it was also noted that such ambitions will remain unfulfilled without strong ministerial leadership, a clear project mandate, and active partnership with the business community. While opinions differed on the balance between social support and fiscal discipline, there was consensus on one point: the Czech labour market must become more adaptable, responsive, and supportive of both employers and employees.

Source:[The Czech Chamber of Commerce.]

Czech Parliament Approves Boost to R&D Tax Incentives

The Czech Chamber of Deputies has approved a legislative package introducing a unified wage reporting system for employers and, importantly, amending the rules governing research and development (R&D) tax deductions. This long-anticipated reform is being welcomed as a step toward revitalizing the country's innovation environment.

"Innovation remains a strategic priority, and Czech companies have considerable untapped potential in this area," said Martin Jahn, Vice-President of the Confederation of Industry. "Improving the attractiveness and predictability of R&D tax incentives has long been a focus of our efforts. The recent amendments send a positive signal to the market, but further clarity and stability in the application process will be key for greater uptake."

The approved law introduces several significant changes. The rate of deductible R&D expenditures has been increased to 150 percent for costs up to CZK 50 million, while expenditures above this threshold will remain deductible at the existing 100 percent rate. The period during which companies can carry forward unused deductions has been extended from three to five years. In addition, documentation requirements have been simplified.

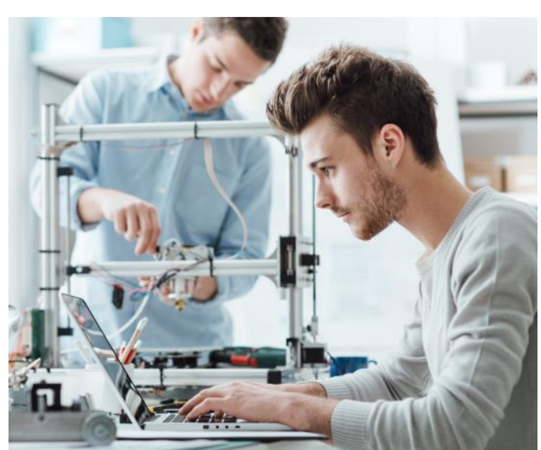
These adjustments aim to reverse a worrying trend. In 2015, over 1,300 companies in the Czech Republic used R&D deductions. By 2023, this number had fallen to just 731. The reform responds to calls for more user-friendly and predictable support mechanisms—especially given that tax incentives for R&D are now standard practice in most advanced economies. As of 2024, 24 out of 27 EU member states and 34 of 38 OECD countries offer tax relief. In the Czech Republic, however, the use of R&D tax deductions remains significantly lower in proportion to GDP than in countries such as Austria, where the uptake is four times higher.

The business community has consistently highlighted that uncertainty in the system deters many potential users. Small and mid-sized companies, in particular, express concern about unclear compliance requirements and the risk of unpredictable audits. Despite these concerns, the latest reforms bring the Czech R&D support system more in line with practices seen in countries like Germany, Finland, and Poland, where similar instruments have recently been expanded.

Looking ahead, the goal of the Confederation of Industry is to increase the number of companies benefiting from R&D tax deductions to 3,000 by 2029. This will require ongoing cooperation between policymakers, tax administrators, and the business sector to ensure that the system is transparent, consistent, and trusted.

For the Czech Republic, which seeks to strengthen its position as a modern and innovation-driven economy, this legislative step is a move in the right direction. The next phase will be crucial—ensuring the system works effectively in practice and builds long-term confidence among companies.

Sorce: *Confederation of Industry of the Czech Republic*



FLASHNEWS

Czech Minister Meets Korean Prime Minister, Confirms Nuclear Support

Czech Industry and Trade Minister Lukáš Vlček concluded his Asian mission in Seoul, becoming the first foreign politician received by South Korea's new Prime Minister Kim Min-seok. The two reaffirmed strong Czech-Korean relations, particularly in nuclear energy, with the Korean side confirming full support for KHNP's involvement in the Dukovany nuclear project. Discussions also covered cooperation in semiconductors, automotive, and higher education. Vlček also met with Korean trade ministry officials and leading companies, while the accompanying Czech parliamentary delegation engaged with both ruling and opposition lawmakers in the National Assembly. *Source:* *Ministry of Industry and Trade of the Czech Republic*

Government Approves Action Plan to Accelerate High-Speed Internet Rollout

The Czech government has approved Action Plan. The new strategy responds to EU Gigabit Infrastructure Regulation and aims to reduce investment costs, remove administrative barriers, and eliminate connectivity gaps across the country. The plan supports high-speed internet rollout using EU funds and national programs, with the goal of achieving nationwide very high-capacity network coverage by 2030. Source: *Ministry of Industry and Trade of the Czech Republic*

CZECH EMPLOYERS CALL FOR STRONGER ROLE IN EMPLOYEE HEALTH AND HEALTHCARE SUSTAINABILITY

Czech employers are increasingly stepping forward as active partners in promoting the health and well-being of the working population. Their growing engagement reflects not only their role as key contributors to the public health insurance system, but also their recognition that employee health is directly linked to productivity, competitiveness, and economic resilience.

Health-related challenges among the working-age population are becoming more pressing. Nearly 900,000 individuals aged 20–64 in the Czech Republic live with hypertension, while over two-thirds of men and half of women are overweight or obese. These risk factors significantly contribute to chronic illnesses, particularly cardiovascular and oncological diseases, which are leading causes of premature death. For employers, the impacts of rising illness levels are tangible: increased absenteeism, reduced performance, and growing costs for businesses and society.

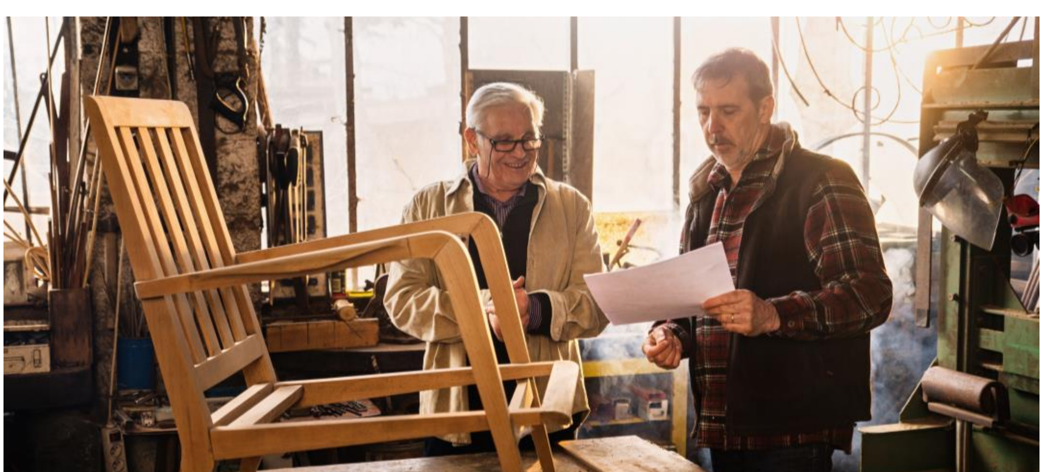
Thanks to advances in national health data systems, it is now possible to quantify not only the medical burden but also the social and economic effects of chronic conditions such as diabetes or heart failure. These insights underscore the urgency of shifting towards a preventive approach and enhancing health promotion strategies at the workplace.

Employers are calling for closer cooperation with public institutions and health insurance funds to support preventive care, early interventions, and programs targeting both physical and mental health. Topics such as workplace ergonomics, stress management, burnout prevention, and the development of healthier work cultures are increasingly part of corporate agendas.

The private sector's willingness to invest in employee health—beyond legal obligations—signals a broader shift in understanding: sustainable healthcare is not the sole responsibility of the state. Businesses are ready to co-create solutions, provided there is a stable policy framework and institutional support.

This evolving approach offers valuable lessons for other EU countries facing similar demographic and economic pressures. A healthier workforce is not just a social goal—it is a strategic economic asset. Strengthening the role of employers in health promotion can be a win-win for citizens, businesses, and public budgets alike.

Source: Confederation of Employers' and Entrepreneurs' Unions of the Czech Republic



FLASHNEWS

Czech Senate Approves Law to Speed Up Renewable Energy Development

The Czech Senate has approved a new law establishing a clear process for designating areas where new renewable energy projects can be approved more easily. Developed by the Ministry of Industry and Trade in cooperation with the Ministries of Environment and Regional Development, the legislation introduces "acceleration zones"—locations where solar and wind power projects can be permitted through a simplified procedure. The goal is to speed up renewable energy development, boost energy self-sufficiency, and provide clearer guidelines for investors while ensuring cooperation with local authorities and communities.

The new law implements the revised EU Renewable Energy Directive and positions the Czech Republic among the EU's frontrunners in streamlining permitting procedures. Within acceleration zones, projects that meet legal criteria will not require environmental impact assessments, although strict safeguards will be applied during the zoning phase. In addition to renewable power plants, related infrastructure such as grid connections, storage systems, and mitigation measures can also be approved in these zones. The designation process will occur on local, regional, and national levels. The Czech Republic has been recognized by the European Commission as an example of best practice in this area.

Source: Ministry of Industry and Trade of the Czech Republic

EESC CORNER: The EU Should Take Inspiration from the Czech Model in Tackling Bureaucracy

In the era of cloud computing and AI, it is paradoxical that Europe's legislative machinery still functions with a mindset rooted in Napoleonic times. Today, laws are drafted on computers, stored in official journals, and published online. Yet despite these modern tools, the approach to regulation remains stubbornly analogue. Over decades, laws have accumulated, creating unintended bureaucratic burdens and rendering the system opaque. Neither citizens nor lawmakers can easily track how rules interact, making compliance difficult and trust in institutions fragile.

Simplification is now firmly on the EU's agenda — and rightly so. At its core, simplification is not about deregulation, but about making rules more effective, more consistent, and easier to apply. Too often, burdens arise not from the substance of regulations, but from how they are designed and implemented. Take reporting obligations: much of the data requested from businesses already exists in public registers. Yet under different legal acts, the same information is often requested multiple times — each time with different formats and criteria.

In 2022 alone, recurring administrative costs across the EU were estimated at €150 billion. This is a clear signal: our legal framework remains too complex, too fragmented, and too difficult to navigate.

The solution lies in smarter tools and better design. That is why the European Economic and Social Committee (EESC) adopted an opinion on the use of digital tools and artificial intelligence in EU law-making.

It proposes that every new legal act include a clear summary of obligations — written by regulators for clarity and structured in a way that supports digital processing. With this approach, AI can identify overlaps, inconsistencies, and gaps by linking related provisions and tracking their interactions. But to fully realize this potential, the EU needs a unified, interoperable digital platform for EU legislation — a space where institutions can collaboratively draft, amend, and monitor laws.

This opinion, requested by the Danish Presidency, is a call to action. As a new interinstitutional agreement is being prepared, the EESC urges Member States to seize this opportunity to modernize EU law-making — building trust, increasing compliance, and reinforcing democratic legitimacy. Under the leadership of the Danish Presidency, this transformation can — and must — be delivered.

By Alena Mastantuono, EESC rapporteur on RegTech opinion

FLASHNEWS

Government Launches IPO Fund to Boost Capital Market Access for SMEs

The Czech government has approved the creation of IPO Fund 2025+, a new financial instrument proposed by the Ministry of Industry and Trade to support small and medium-sized enterprises (SMEs) and mid-cap companies in accessing capital markets. Managed by the National Development Investment agency, the fund will help firms enter the Prague Stock Exchange and attract private investors while boosting the Czech capital market. With an allocation of CZK 360 million through 2030, it builds on a successful predecessor program and introduces new pre-IPO investment opportunities. The fund is designed to be self-sustaining, using returns from previous investments.

Source: [Ministry of Industry and Trade of the Czech Republic]

AI Innovation and Challenges in Energy Sector

The Ministry of Industry and Trade hosted the conference “Artificial Intelligence in Energy: Opportunities and Challenges” in collaboration with ČEPS, CTU LIMESS, and prg.ai, providing a platform to share trends, practical experience, and discuss future opportunities and regulatory aspects of AI in the energy sector. Bringing together experts from academia, government, and industry, the event highlighted how Czech energy and IT companies are actively integrating AI, covering topics like consumption forecasting, automation, data processing, and cybersecurity. Panel discussions emphasized the need for updated regulatory frameworks, data sharing, and stronger public-private cooperation, confirming AI’s growing role as a key driver of innovation in Czech energy.

Source: [Ministry of Industry and Trade of the Czech Repub]