

A tax relief measure to support part-time jobs in the Czech Republic

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The government has prepared a measure to support part-time jobs for selected groups of employees. The measure reduces the employer's social security contribution rate from 24.8% to 19.8%. It aims to increase employment of people who are either in vulnerable situations/categories, face early exits from the labour market or difficulties in reconciling work and family life. Experts had long argued for greater support to these groups of people in the labour market, so the proposed measure has not been controversial. The government took advantage of the current economic situation and pushed the measure through Parliament in June 2022, for entry into force in February 2023, but the accelerated approval process did not allow for a proper discussion of some aspects of the measure.

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Description

The new government that emerged from the General Election (October 2021) has committed itself in its Policy Statement (January 2022) to "support part-time work by reducing social security contributions". The relevant bill was introduced by the government to Parliament in early June 2022.

The proposed measure consists of reducing the employer's social security contributions by 5 p.p. (from 24.8% to 19.8%) for selected groups of employees, provided that their weekly working hours are between 8 and 30 hours per week. The measure targets people who are more vulnerable in the labour market. These are people over 55 years of age; parents of children under 10 years of age (or persons replacing those involved in parental care); persons caring for a dependent person; persons studying at a secondary school or university; persons with disabilities in the non-sheltered part of the labour market and persons in retraining. The measure introduces universal support for young people – the weekly working time limit of 30 hours does not apply to people under 21 years of age. The measure contains numerous technical restrictions aimed at preventing abuse of the measure and limiting its application to employees whose wages (on a full-time basis) would not exceed twice the national average wage. An essential condition of the proposed measure is that the relief obtained will not affect future pension entitlements.

The measure aims to increase the demand for work from people in the groups mentioned above and thus motivate them to seek employment. These people are

either in vulnerable situations/categories, face early exits from the labour market or face difficulties in reconciling work and family life. The aim is also to create more favourable conditions for those who have reached retirement age, encouraging them to remain in the labour market.

According to Eurostat (see table *lfsa_eppgan*), the share of part-time jobs in the Czech Republic was significantly lower (5.5% in the 20-64 age group in employment) than the EU-27 average (17.2%) in 2021. Data from the Average Earnings Information System (Czech Statistical Office) was used to estimate impacts. These data show that, today, the measure would affect approximately 260,000 persons (less than 5% of the labour force) who work part-time and meet the specified conditions (with women three times more likely to be affected than men). The largest number of part-time workers are women aged 30-50. Part-time employment is the main form of employment for the youngest group of people, up to about 20 years of age, and also for the oldest group of people after retirement age.

In terms of budgetary costs, it is expected that the measures would reduce the revenue from social security contributions by approximately 1.9-3.2 billion CZK / €76-128 million, for eligible workers currently on the labour market. At the same time, the government expects that the measure will bring some people who were previously unemployed or economically inactive (especially those who cannot work full-time) into the labour market. This group comprises up to 1.5 million people (persons on parental leave,

inactive persons a few years before retirement age, and persons below the age of 70 receiving an old-age pension). The measure would become budget-neutral if about 50-80,000 persons enter the labour market.

Outlook and commentary

The bill was put to Parliament on 3 June 2022. In Parliament, the government took advantage of a special provision in the Rules of Procedure that allows a bill to be debated and passed at first reading. It justified it on the grounds of the current energy crisis and rising inflation. The measure also promotes labour market flexibility and employment. Finally, the government argued that, compared with other European countries, the Czech Republic still offers fewer part-time jobs. All of these arguments are important for the vulnerable groups targeted by the measure. The opposition agreed with these arguments and allowed the government to fast-track the approval process. The Chamber of Deputies approved the Act on 15 June 2022; the Senate approved it on 29 June 2022, and the President of the Czech Republic signed it into law on 11 July 2022. The Act takes effect on 1 February 2023.

The accelerated and smooth adoption of the law was made possible by the consensus in the Czech society over the need to support selected groups of employees in the labour market. The measure discussed is in line with the Council Recommendation on the 2019 National Reform

Programme of the Czech Republic. The document mentions that "the labour market potential of women with young children remains underutilised" and that "the use of flexible working arrangements has a major impact on labour market participation". Czech experts have long drawn attention to the problems faced by parents returning to the labour market after parental leave (e.g. Hašková and Kyzlinková, 2016) or the untapped employment potential of people of around statutory retirement age (e.g. Šatava, 2015). Moreover, the possibility of selective support for part-time employment is also acknowledged by trade unions. They also point to the tax-disadvantageous situation regarding health insurance payments in the case of part-time work (and low wages). During a brief parliamentary debate in June 2022, legislators raised this issue and the Minister of Labour promised to discuss it further with the Minister of Health.

The proposed measure targets only employed persons. The law does not give the same support to the self-employed. However, some self-employed workers are already supported through tax relief provided by treating their business as a secondary economic activity (mothers on parental leave, old-age pensioners, carers, students). Entrepreneurs with a low income can also make use of a single flat-tax payment introduced in 2020.

The measure increases the administrative burden on the public sector institutions but especially for employers. They need to report on the use of the measure and the eligibility criteria

applied, and to record compliance with the agreed criteria. This requires cooperation with the employee, who must report facts essential for entitlement and store the documents for ten years. It will only be possible to assess the full impact of the enhanced administrative burden once the measure has been implemented.

The expected increase in administrative complexity in the collection of social security contributions stems mainly from concerns about possible abuse of the forthcoming measure. These include fears that employment contracts will be deliberately split into multiple part-time jobs, and that there will be formal reductions in working time without an adequate reduction in duties and pay. The measure increases information obligations for the employee and makes employees responsible for the accuracy of the data. The accelerated process used to adopt the bill did not allow for a more detailed discussion of this aspect.

Further reading

Bičáková, A., Kalíšková, K. 2015. [Od mateřství k nezaměstnanosti: Postavení žen s malými dětmi na trhu práce](#) [From motherhood to unemployment: the labour market position of women with young children].

Hašková, H., Kyzlinková, R. 2016. [Life-Course Oriented Working Time Options in the Czech Republic: What Workplace Conditions Influence Their Use?](#) (pp. 100-136).

Šatava, J. 2015. [Working Beyond Pensionable Age: Institutional Incentives in the Czech Republic](#)

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