

Labour market response of the Czech households to the selected tax-benefit changes

ROBERT JAHODA (*Research Institute for Labour and Social Affairs, Czech Republic, robert.jahoda@vupsv.cz*)

The combination of taxes and social benefits on the supply side of the labour market creates inactivity traps in which household resigns from seeking income on the labour market and depends more on social benefits. In order to locate those traps marginal effective tax rates – METR – have been used simply because they take into account not only the tax system but also the social benefit system. According to this analysis, the most endangered ones are the households with higher subsistence minimum and those with only one – substandard – financial income from regular work. Beside these households we can find similar problems along the whole range of social insurance benefits. The aim of the article is to analyze the labour market response of households in the Czech Republic to the selected tax-benefit system changes among affected groups. The first part of the article analyses the most endangered households by excessively high METR in the CR. We stem our analyses mainly from the data of social assistance beneficiaries. In the second part of the article we use microsimulation model for analyzing the impact of selected tax-benefit changes on the labour supply of the chosen households. In this part we are looking for changes which should help in creating motivational schemes in order to encourage the access to the labour market. Microsimulation methods are viewed as suitable means for evaluation, although we can find other factors influencing labour supply which is not covered up by the model. The article is finished by a recommendation toward changes of the tax benefit systems in the Czech Republic.

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