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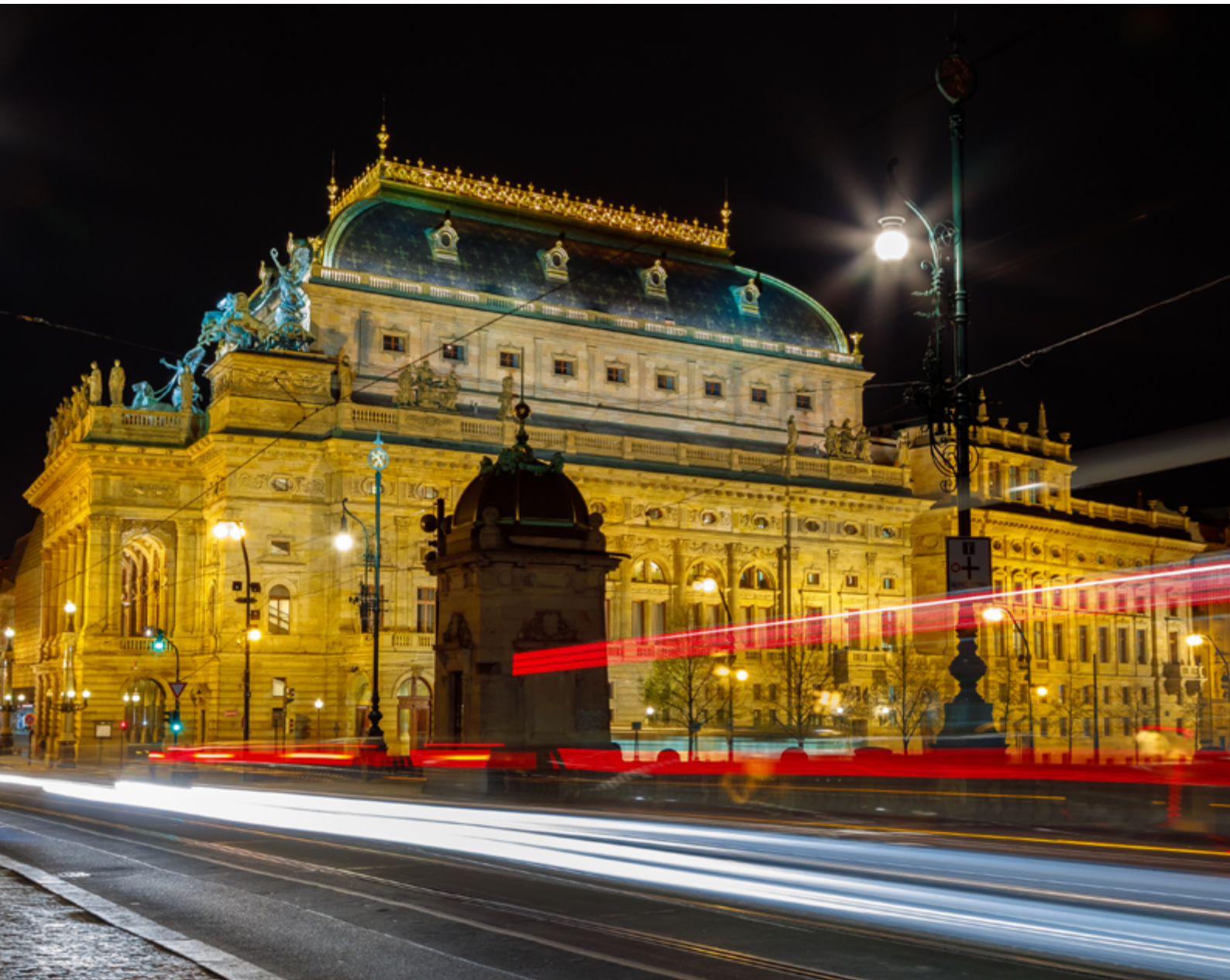
The Global Employer: Czech Republic 2021



The Global Employer

Czech Republic Guide 2021

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**Trench Rossi Watanabe and Baker McKenzie have executed a strategic cooperation agreement for consulting on foreign law*

About the guide

This guide is intended to provide employers and human resources professionals with a comprehensive overview of the key aspects of Czech labor law. It covers the entire life cycle of the employment relationship from hiring through to termination, with information on working terms and conditions, family rights, personnel policies, workplace safety and discrimination. The guide links to our global handbooks, which include information for the Czech Republic on immigration and data privacy. The guide also contains information on the employment implications of share and asset sales.

Save where otherwise indicated, law and practice are stated in this guide as at August 2021.

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1 Overview

1.1 General overview

Most provisions in the Czech Republic's labor legislation are of a mandatory nature and oblige employers to safeguard the most important labor-related principles, such as the principle of equal treatment and the prohibition of discrimination. On the other hand, the Czech Labor Code ("**Code**") respects the principle of contractual freedom of parties and thus employment relations may be varied by the provisions of a relevant employment agreement, provided the above principles, as well as the basic rights and working conditions of employees set forth in the Code, are observed.

1.2 General legal framework

1.2.1 Sources of law

The Code, which came into effect as of 1 January 2007, constitutes the principal legislative act governing employment relationships in the Czech Republic.

Other relevant legislative acts include the Employment Act, the Collective Bargaining Act, the Civil Code and a number of decrees implementing the Code.

1.2.2 Collective agreements

The Collective Bargaining Act governs the process of collective bargaining. Provided the basic rights and working conditions of employees set out in the Code are observed, wages and other labor entitlements may be regulated in employment contracts, internal regulations or in collective agreements. Collective agreements also regulate relationships between the employer and trade unions established within the employer.

Rights that individual employees acquire through collective bargaining agreements are treated the same as other employee rights arising out of the employee's employment relationship. There are two types of collective agreements:

- agreements between a trade union body (or trade union bodies) and the employer (or employers)
- agreements concluded between a higher trade union body (or trade union bodies) and organizations of employers, called collective agreements of a "higher degree"

1.2.3 Court framework

Claims in relation to employment law are handled by civil courts. The competent district court is usually determined by the place of residence or seat of the defendant. In some cases, the determination of the competent court may also depend on the workplace of the defendant or the place where the act constituting the right to compensation has occurred.

Generally, in the first instance, disputes are heard by senates of district courts consisting of a professional judge as a presiding judge and two laypersons as assessors.

Claims for unfair dismissal are the most common types of disputes heard by the courts.

1.2.4 Litigation considerations

The time limits for employment claims may vary. To claim unfair dismissal, both the employee and the employer have two months from the day the employment relationship was supposed to end to bring an action before the court. It is also necessary to give notice to the other party that the dismissal is considered invalid and that the employer/employee wishes to continue the employment with the other

party. When there is no specific time limit, the claims should generally be raised within a three-year limitation period. The expiration of this time limit does not mean the expiration of the right to bring a claim before the court, but the claim can be objected by the defendant as time barred, resulting in the loss of the claim for the claimant.

Claimants who bring a claim before a civil court are required to pay a court fee. The amount varies, depending on the claimed damages, but the minimum is currently CZK 1,000 for damages not exceeding CZK 20,000. For damages between CZK 20,000 and CZK 40 million, the court fee is 5% of the amount claimed, and for damages over CZK 40 million, it is CZK 2 million plus 1% of the amount exceeding CZK 40 million. In the case of unfair dismissals (with no claim for damages), the court fee is set as CZK 2,000. Certain claimants, as well as certain types of disputes, such as proceedings for compensation for loss sustained because of an accident at work or occupational disease, are exempt from court fees. The court may also decide to waive the court fee for some claimants due to their material and social situation.

Other costs include, for example, the cost of legal representation. Generally, the courts decide on costs based on the principle of success, i.e., the losing party is obliged to pay the winning party's costs (based on the extent of the success as well as assessment of the reasonableness of those costs).

1.3 Types of working relationship

Individuals who provide their service broadly fall into the following main groups: (i) employees in employment relationships; (ii) other employees; and (iii) agency employees. The status of an individual is important because it determines what rights the individual has. The table below provides more information on these groups.

Types of working relationship	
Employees in employment relationships	Employees in employment relationships are employed based on an employment agreement and enjoy full protection under the Code.
Other employees (not in employment relationships)	Employees that are not in employment relationships may perform work based on an agreement for the performance of work or an agreement to perform a specific working activity. These agreements are often used for part-time employees. Not all provisions of the Code apply to these employees. The scope of work for which an agreement for the performance of work is concluded may not exceed 300 working hours in one calendar year. The scope of work under an agreement for a specific working activity may not exceed one-half of the standard weekly working hours (i.e., 20 hours) on average.
Agency employees	Agency employees are individuals employed by an employment agency to work temporarily for and under the supervision and direction of a hirer. Agency employees should have the same work and remuneration conditions as comparable employees of the hirer. Agency employees can be assigned to a hirer for a maximum of 12 months — such period may be extended at the request of the agency employee.

Under the Code, dependent work can only be performed in a labor-law relationship (based on an employment agreement, agreement for the performance of work or agreement to perform a specific working activity). Dependent work cannot be performed by an independent contractor. This scenario could be reclassified by authorities as hidden employment and would be subject to a fine.

1.4 On the horizon

No significant changes are on the horizon.

2 Hiring employees

2.1 Key hiring considerations

The selection of employees can be carried out at the employer's discretion, but the employer should not unlawfully discriminate when selecting candidates.

An employer is only entitled to ask for information directly relating to the conclusion of an employment agreement and the employment of the candidate.

Before executing the employment agreement, an employer is required to familiarize the employee with their rights and responsibilities under the employment contract, including the conditions under which the work is to be carried out (e.g., health and safety regulations, internal regulations, collective agreement) and the terms of remuneration.

The concept of "at will" employment is not recognized in the Czech Republic.

2.2 Avoiding the pitfalls

Employers should document the recruitment process so that they have a paper trail in the event of any complaint or litigation. The most significant risk is a discrimination claim. Note, however, that such claims are relatively uncommon in the Czech Republic.

2.3 Procedural steps and key documents in recruitment

2.3.1 Advertising the job

An employer must not discriminate in its arrangements for advertising a job or by not advertising a job. The employer should aim to reach as wide a pool of potential candidates as possible, so as not to disadvantage or discriminate against particular applicants. An employer must also be careful not to include discriminatory wording in the job advertisement, as this could give rise to the risk of a discrimination claim.

2.3.2 Shortlisting and interviewing

The selection process may involve a number of stages, depending on the vacancy and the employer's size and administrative resources. These stages could involve shortlisting, selection tests, assessments and interviews. To help reduce the risk of claims, the employer should ensure that its process is fair, consistent and results in the best person being appointed for the job.

2.3.3 Making an offer of employment, subject to conditions where appropriate

Formal written offers of employment are not required under Czech law, and, in practice, they are only used for employees in managerial positions. Blue-collar employees usually directly sign the employment agreement.

2.3.4 Involvement of trade unions or works councils

The employer is obliged to consult with employee representatives (from either a trade union or a works council) about the latest number and structure of employees and probable employment development. However, employee representatives are not involved in the hiring process of individual employees.

3 Carrying out pre-hire checks

3.1 Background checks

Pre-hire background checks are not required by law and are relatively uncommon for most employers in the Czech Republic (except for some international companies).

Please note that, according to the Code, employers may not require their employees to provide any information that does not immediately relate to the performance of work and the employment relationship.

Thus, background checks must be proportionate to the nature of the position and the check must be limited only to such information that is directly related to the job position (and so may have a direct impact on the employment decision).

With respect to criminal checks, employers can request information about the criminal record of an employee only if (i) there is a justified reason for it relating to the nature of work to be performed, and (ii) the requirement is reasonable.

Generally, criminal background checks of employees are permitted solely for employees in specific positions, with respect to the nature of the work (e.g., managing positions, employees dealing with cash/valuables or confidential data, etc.). They are not permitted as a regular tool for hiring, although some larger employers do sometimes undertake them anyway.

The same above principles and limitations apply to checks performed by third parties.

3.2 Reference checks

In practice, before conducting a reference or background check, an employer should inform the applicant on how it intends to conduct the check (i.e., the process and methods it intends to use). This can be done by including the information on the application form that is to be acknowledged by the applicant.

The same above principles and limitations apply to checks performed by third parties.

3.3 Medical checks

An employee must pass an entry medical check before they start performing work.

If the applicant fails to undergo the entry medical check, they will be deemed medically unfit to perform the work. If, regardless of this, the employer assigns work to the employee, then the employer would be in breach of the statutory obligation not to allow the employee to perform work for which the employee is unfit due to their abilities and health condition.

There are also other types of medical checks, specifically: periodical medical checks; extraordinary medical checks; exit medical checks; and medical checks following the termination of risky work (so-called "subsequent medical check"). The scope and frequency of different types of medical checks is largely dependent on the classification of the type of work performed by an employee.

4 Immigration

Please refer to our Handbook — The Global Employer: Focus on Global Immigration and Mobility, which is accessible here, for information about the immigration system that applies in the Czech Republic.

5 The employment contract

5.1 Form of the employment contract

An employment contract must be in writing.

In the employment contract, the employer must agree the following with the employee, at minimum:

- the type of work the employee should perform for the employer
- the place or places of performing work
- the date of commencement of the work

The employment contract may also contain additional terms and conditions as agreed by the parties, including certain information on the employee's rights and responsibilities under the employment contract.

When an employment contract does not contain information on the employee's rights and responsibilities under the employment contract, the employer is obliged to inform the employee of this in writing, no later than one month after the employment relationship commences. This also applies when there are changes to the employee's rights and responsibilities. This does not apply to employment relationships agreed for a term shorter than one month.

This information to be provided to the employee must at least include the following:

(a) the employee's name and the employer's business name and business address

(b) further details on the type of work and place of work

(c) annual leave (vacation) entitlement of the employee or the manner in which such entitlement will be determined

(d) information about notice periods relating to termination of the employment

(e) weekly working time and its schedule

(f) information about the wage and remuneration system, due date of wage, payment dates and place and method of payment

(g) information about collective agreements regulating working conditions of the employee and identification of the contractual parties to those collective agreements

(h) information about contemplated business trips abroad and about the currency in which the employee will receive their salary or compensation

The information under (c), (d), (e) and (h) above (the latter regarding currency) can be replaced by a reference to the relevant labor legislation (regulations) or collective bargaining agreement, or to the internal policies issued by the employer.

The employment relationship commences on the date set out in the employment contract (even if the employee does not actually commence their work on that date). The employer may withdraw from the

employment contract if the employee does not commence work on the agreed day (exceptions apply if the employee was prevented from doing so by an obstacle to work).

The employment agreement may only be amended if such amendments are agreed upon by the employer and the employee, and any amendments must be in writing. However, in certain limited cases, employees can be temporarily transferred by the employer to other work or to another workplace without their consent.

5.2 Types of contracts

There is only one type of employment contract, albeit the length of employment and the working hours may vary.

Part-time employees also often perform work outside of the employment relationship, based on an agreement for the performance of work or an agreement to perform a specific working activity (so-called agreements on work performed outside the employment relationship).

The table below provides further information:

Types of contracts	
Indefinite-term employees	Employment contracts are usually deemed to be for an indefinite period unless the employment contract expressly stipulates otherwise. The length of employment and the working hours of an employee may vary.
Fixed-term employees	A fixed-term (defined-term) contract may be agreed for a maximum of three years. Generally, a fixed-term contract may be renewed (or extended) twice at most. If a period of three years has expired from the end of the previous employment period, any previous fixed-term employment relationship between the same parties should not be taken into account. The limitation with respect to renewing or extending the contract does not apply in cases of serious operational reasons or reasons relating to a special nature of work, provided the employer enters into a written agreement with a trade union, or unilaterally issues an internal policy, specifying terms and conditions of employment for a fixed term. Please refer to **15.1** in relation to the termination of fixed-term contracts.
Agreement for the performance of work	The scope of work for which an agreement for the performance of work is concluded may not exceed 300 working hours in one calendar year. Such scope also includes hours of work performed by the employee for the employer in the same calendar year under another agreement for the performance of work. The agreement must state the period for which it is concluded. An agreement for the performance of work must be concluded in writing. This agreement is governed by provisions relating to the employment relationship except for: (a) transfer to another role; (b) temporary assignment; (c) severance; (d) working hours and rest periods (however, performance of work may not exceed 12 hours within 24 consecutive hours); (e) obstacles to work on the employee's side; (f) vacation; (g) termination of employment relationship; (h) remuneration (except for the minimum wage); and (i) reimbursement of travel expenses. An agreement for the performance of work is also much easier to terminate than a standard employment agreement.

Types of contracts	
Agreement to perform a specific working activity	The average scope of working hours may not exceed one-half of the employee's standard weekly working hours (i.e., 20 hours) on average. The scope of working hours is assessed for the entire period for which the agreement to perform the specific working activity has been concluded, up to a maximum of 52 weeks. The agreement to perform the working activity must specify the agreed type of work, the agreed scope of working hours and the period for which it is concluded. The agreement to perform a specific working activity must be concluded in writing. This agreement is governed by provisions relating to the employment relationship, except in cases of: (a) a transfer to another role; (b) temporary assignment; (c) severance; (d) working hours and rest periods (however, performance of work may not exceed 12 hours within 24 consecutive hours); (e) obstacles to work on the employee's side; (f) vacation; (g) termination of employment relationship; (h) remuneration (except for the minimum wage); and (i) reimbursement of travel expenses. An agreement to perform a specific working activity is also much easier to terminate then a standard employment agreement.

5.3 Language requirements

The employment agreement does not have to be in Czech, provided the employee is fully proficient in the language in which the agreement is written. However, it is strongly recommended to use bilingual versions in case of an inspection by the Czech authorities.

6 Working terms and conditions

6.1 Trial periods

An employment agreement may include a trial, or probationary, period of up to:

- three consecutive months following the date of commencement of the employment relationship in cases of non-managing employees
- six consecutive months following the date of commencement of the employment relationship in cases of managing employees

Nevertheless, the trial period may not be agreed upon for a longer time than for one-half of the agreed period of employment. The trial period may only be agreed upon in writing in the employment agreement and prior to the commencement of work.

The trial period is automatically extended for the period of any daylong obstacle to work (i.e., a period when the employee cannot perform their agreed work) and for any period of entire-day vacation(s) of the employee. The agreed trial period cannot otherwise be extended.

6.2 Working time

Length of normal weekly working hours

Normal weekly working hours are 40 hours per week. The length of normal weekly working hours of certain categories of employees (e.g., on a two-shift, three-shift or continuous work schedule) is reduced by the Code.

A reduction in normal weekly working hours below the statutory limits, without a concurrent reduction in salary, may only be introduced by a collective bargaining agreement or internal regulations.

Schedule of working hours

The employer is obliged to schedule working hours and determine the start and end of shifts. As a rule, working hours are scheduled over a five-day workweek. In scheduling working time, the employer is also obliged to ensure that the schedule is not contrary to health and safety requirements. The employer must draw up a written schedule of weekly working hours and inform its employee of this (or its change) no later than two weeks in advance.

Generally, the maximum length of a shift must not exceed 12 hours.

The employer may adopt an even schedule of working hours or an uneven schedule of working hours. A special method of applying an uneven schedule of working hours, known as an account of working hours, may be applied.

The employer and employee may also agree on a flexible schedule of working hours, composed of both core and flexible working hours. Core working hours are determined by the employer and the employee is obliged to be at the workplace during these times. The employee may also choose flexible working hours. The total length of each shift for both core and flexible working hours may not exceed 12 hours.

Work and safety breaks

After an employee has worked continuously for six hours (four-and-a-half hours for adolescents) at the most, they must be given a break for food and rest lasting at least 30 minutes.

A break for food and rest may be divided into two (or more) parts of a minimum duration of 15 minutes; however, it may not be provided at the start or end of working hours. Breaks for food and rest are not included in working hours.

If an employee performs work that cannot be interrupted, the employee must be granted reasonable time for rest and food without interrupting working operations. In such a case, the time for rest and work is considered as working time. An adolescent employee must always be granted a break for food and rest.

Where, under other statutory provisions, an employee is entitled to a safety break (i.e., a break for safety reasons, e.g., in cases of drivers) during performance of their work, these breaks are included in their working hours. Where a safety break falls at the same time as a work break for food and rest, this work break is included in working hours.

Continuous rest period between two shifts

The employer must schedule working hours in such a way that the employee has a minimum rest period of 11 hours (12 hours for employees under 18 years of age) between the end of one shift and the start of a subsequent shift within 24 consecutive hours.

This rest period may be reduced for certain categories of employees (e.g., working in continuous operations, with unevenly scheduled working hours, performing overtime work) to a minimum period of eight hours within a consecutive 24-hour period, provided the employee is over 18 years of age and their subsequent rest period is extended by the time for which their preceding rest period was reduced.

Rest days

Rest days are (i) days on which an employee's rest falls during the week and (ii) public holidays. The employer may only order employees to work on rest days in exceptional circumstances.

Continuous rest period per week

The employer must schedule working hours in such a way that the employee has one continuous rest period of 35 hours per week, in each period of seven consecutive calendar days. In cases of adolescent employees, such continuous rest period per week may not be less than 48 hours. The employer must schedule a continuous rest period per week for all employees to fall on the same day and in such a manner that it includes Sunday, if allowed by the operations of the employer.

Exceptions apply for certain categories of employees (e.g., those working in continuous operations, with unevenly scheduled working hours, performing overtime work) and in cases of technological processes that cannot be interrupted.

Working time records

An employer is obliged to keep records of working time for each individual employee covering the following information: the beginning and end of worked shifts; overtime work; stand-by periods; and additional agreed overtime work for healthcare, night work and work performed during a stand-by period.

It must also be clear, from such evidence of working time, when the employer provided the employee with mandatory breaks at work.

6.3 Wage and salary

The minimum wage in the Czech Republic is fixed from time to time by the government. In general, the amount of the minimum wage can be proportionally decreased for part-time employees. From 1 January 2021, the minimum wage for employees working 40 hours per week is CZK 15,200 per month or CZK 90.50 per hour.

In addition to the minimum wage, the Code recognizes the "guaranteed wage." There are eight levels of guaranteed wage, depending on the complexity, responsibility and difficulty of work performed. The lowest level of the guaranteed wage corresponds to the minimum wage.

Employees are further entitled to wage premiums as follows:

- for work performed between 10 pm and 6 am (night work) — at least 10% of the average earnings of the employee (however, it is possible to agree on a different minimum amount and manner of determining the wage premium)
- for work performed during national holidays — at least 100% of the average earnings of the employee or paid time in lieu
- for work performed during Saturdays and Sundays — at least 10% of the average earnings of the employee (however, it is possible to agree on a different minimum amount and manner of determining the wage premium)
- for work performed under especially dangerous or difficult circumstances (e.g., heights) — this depends on government decrees
- for overtime work — at least 25% of the average earnings of the employee or unpaid time in lieu up to the amount of overtime hours (see further at **6.5**)

Wages should be payable after the performance of the work and must be paid by the end of the month following the month for which the wage is being paid. Wages that would become due and payable during vacation must be paid prior to the vacation, unless the employer and employee have agreed otherwise. If employment is terminated, the employer is generally, upon the request of the employee, required to pay all due wages by the date of termination of the employment.

Employers generally must consult with trade unions and works councils on wage-related matters.

6.4 Making deductions

The Code specifies the cases and scope of wage deductions made by the employer. Deductions may only be made (i) in the cases laid down by the Code; (ii) based on agreement on the wage deductions concluded with the employee; or (iii) to satisfy the employee's obligation to pay the member's contribution to the trade union of which the employee is a member. Deductions may also be made based on the execution of an order of the court, a distrainer or other administrative body.

The employer is entitled to make the following deductions from an employee's income: employee's personal income tax, social security insurance, state employment policy and general health insurance contributions, advance on wage or travel expenses or some other advance or compensatory wage, or wage paid in lieu of (annual) leave to which the employee has lost entitlement. Wage deductions for damages are only allowed if there is a prior agreement for such deductions with the employee.

6.5 Overtime

For overtime work, employees are entitled to their salary for the work performed, and in addition either of the following:

- a premium of at least 25% of their average earnings
- instead of the premium for overtime work, unpaid time in lieu up to the amount of overtime hours

It may be agreed in the employment contract that an employee's wage already includes overtime work. In the case of ordinary (i.e., other than managing) employees, such overtime work is limited to 150 hours per calendar year and in the case of managing employees by, on average, eight hours per week in 26 consecutive weeks (unless a collective bargaining agreement stipulates a longer period of up to 52 consecutive weeks).

6.6 Bonus and commission

Employees may be paid a bonus or commission (or both) as part of their remuneration. The bonus may either be a discretionary annual bonus based on the overall profits of the company, or it may be part of a formal bonus scheme entitling the employee to a contractual bonus based on the attainment (either by them and/or the company) of certain specified objectives.

6.7 Benefits in kind

Customary voluntary benefits, which depend on the seniority of the employee and which are not mandatory, include:

- a car for private and business usage
- life and accident insurance
- pension supplementary insurance

- extended vacation (minimum requirement is four weeks per calendar year, in many cases extended as a benefit to five weeks per calendar year in total)
- stock option/purchase plans
- petrol spending up to a certain limit
- American Express, Diners Club or other credit cards for private usage with mandatory later repayment of private costs
- discounted products or services of the employer
- increased healthcare
- meal vouchers or meal contribution
- social fund contributions (contributions for sport, culture, etc.)

6.8 Equity incentive plans

Equity incentive plans offered by Czech entities are uncommon. However, plans are often offered by parent companies overseas.

6.9 Pensions

There are two types of pension provision in the Czech Republic: state pensions and private pensions. Private pensions are arranged on an individual basis, i.e., the employee enters into an agreement with the pension insurance company. The contribution of the employer to the private pension of the employee is a common benefit.

6.10 Annual leave

The basic annual leave period is four weeks (20 working days) for all categories of employees employed in the private sector; however, in many cases this period is voluntarily extended by the employer to five weeks. A collective agreement or internal regulations or an employment contract may extend the period of vacation by additional weeks and, as a matter of practice, companies in most industries increase the vacation period by one week.

During the vacation period, the employee is entitled to receive compensation in the amount of their average earnings.

6.11 Sick leave and pay

There is no statutory limit on the amount of time which employees may take off due to illness or injury. Employees are obliged to prove the sick leave by means of a special form of medical certificate.

The employee is entitled to receive a salary reimbursement from the employer (the salary reimbursement is based on a significantly capped salary) for the first 14 calendar days of the sick leave.

From the 15th calendar day of sickness of the employee, the employee receives a sickness payment from the Czech Social Security Office.

In respect of sick leave that is often provided as a benefit by the employer, there is no reimbursement from the social security system.

6.12 Taxes and social security

Personal income tax

The income of employees (including both financial income and benefits in kind) is subject to personal income tax and is generally taxed by a 15% or 23% payroll withholding. The 23% tax rate applies on total income (i.e., including income other than employment income) exceeding the annual cap stipulated for social security contributions. This annual cap for 2021 amounts to CZK 1,701,168.

The general annual tax base may be reduced by certain tax allowances such as charity contributions of up to 15% of the individual's tax base.

Tax itself may be reduced by several tax reliefs, the most common of these being annual personal tax relief (CZK 27,840 for 2021).

Payment of personal income tax

Personal income tax is generally collected in the form of monthly advance payments, which are withheld from the employee's income as of the date of payroll accounting and paid to the Czech financial authorities by the 20th day of the calendar month in which the obligation to withhold the tax arose.

Advance payments are subject to annual reconciliation, which is performed either via the personal income tax return of the employee or via the annual reconciliation made by the employer. The latter should be filed by the employer with the Czech financial authorities by the end of February of the following year. When the reconciliation is submitted electronically, the deadline is extended to 20 March of the following year.

Personal income tax returns are filed, and tax liability is paid, by the end of the third month following the taxable period (calendar year), i.e., by 1 April if the tax return is submitted in paper form. In the case that the tax return is submitted electronically, the deadline is extended by another month, i.e., by 1 May. Finally, should the tax return be prepared by a registered tax advisor or an attorney, the deadline for submitting the tax return and paying the tax due is extended by another two months, i.e., by 1 July, provided that the power of attorney is submitted to the relevant tax office.

Mandatory contributions to the social security and health insurance system

The income of employees is also subject to mandatory contributions to the social security and health insurance systems. A portion of the contribution amounts is borne directly by the employer and paid on top of the gross income of the employee to the state or health insurance company; another part is subject to withholding from the income of employees and is deducted by the employer.

The following social security and health insurance rates apply for the year 2021 from the gross income of an employee:

	Employer	Employee	Total
Social security	24.8%	6.5%	31.3%
Health insurance	9%	4.5%	13.5%
Total	33.8%	11%	44.8%

Social security contributions mentioned in the above table consist of the following three components:

- pension insurance

- sick leave insurance (this includes insurance against lost income in case of sickness or injury)
- unemployment insurance

These contributions can be further broken down as follows:

	Employer	Employee	Total
Pension insurance	21.5%	Not divided into categories — 6.5%	
Sick leave insurance	2.1%		
Insurance against unemployment	1.2%		
Total	24.8%	6.5%	31.3%

Only certain items, such as severance payments, are not included in the basis for calculating mandatory contributions to the social security and health insurance systems.

Annual cap for calculating mandatory social security and health insurance contributions

Social security contributions are not applicable if the employee's remuneration has exceeded the applicable annual cap, i.e., the cap is achieved once the social security contributions are made by the employer and the employee from the assessment base (gross income of the employee) of CZK 1,701,168 for the year 2021.

Basis for calculating mandatory health insurance contributions

The minimum basis for calculating health insurance contributions of employees corresponds to the minimum wage.

There is no maximum annual cap for the health insurance contributions.

Payment of mandatory social security and health insurance contributions

In the year 2021, payment of social security contributions is due within 20 days following the end of the calendar month to which they relate.

Health insurance contributions are due within 20 days following the end of the calendar month to which they relate.

7 Family rights

7.1 Time off for antenatal care

Czech law does not specifically regulate time off for antenatal care, thus the general provisions regarding important obstacles to work due to a medical examination or treatment will apply (see further at **8.2**). The employer is obliged to provide time off for a strictly necessary period of time.

The employee is entitled to a compensatory wage, provided the following conditions are met:

- The examination or treatment could not be performed outside the working hours.
- The examination or treatment was carried out in the medical facility nearest to the residence or workplace of the employee.

- The facility is contracted with the employee's healthcare insurance company and is able to provide the examination or treatment.

A female employee usually commences maternity leave six weeks prior to the planned birth of her child (the earliest possible date is eight weeks before the planned birth).

7.2 Maternity leave and pay

An employee is entitled to 28 weeks' maternity/paternity leave to care for the employee's newly born child. If the employee has given birth to two or more children from a single pregnancy, the employee is entitled to 37 weeks' maternity/paternity leave. The maternity leave cannot be shorter than 14 weeks and cannot be terminated earlier than six weeks following the birth of the child.

A male employee commences "paternity leave" at the earliest date upon the birth of the child. A female employee usually commences maternity leave six weeks prior to the planned birth of her child (the earliest possible date is eight weeks before the planned birth).

Employees on maternity leave are not entitled to any salary or salary reimbursement. They receive a payment from the Czech Social Security Office.

7.3 Paternity leave and pay

The father of a newborn child is entitled to a special leave of up to seven calendar days, which must start within the first six weeks following the birth of the child. In this situation, employees are not entitled to a salary or salary reimbursement; they are entitled to a payment from the Czech Social Security Office.

7.4 Parental leave and pay

An employee is entitled to unpaid parental leave (at their discretion) up to the child's third birthday. The period of leave provided depends on the parent's request and does not have to be taken as a whole (i.e., if a woman returns to work after being at home with a child for one year, this woman can still request parental leave until the child is three years old).

Employees on parental leave are not entitled to any salary or salary reimbursement. They may be entitled to a payment from the Czech Social Security Office.

7.5 Adoption leave and pay

There is no regulation in the Code specifically governing adoption leave, but the general provisions of parental care apply to taking a child into care.

A female employee is entitled to maternity leave, which is granted for 22 weeks from the date of taking the child into care, however this leave cannot extend beyond the child's first birthday. If the female employee has taken two or more children into care, she is entitled to maternity leave of 31 weeks.

Parental leave is granted to an employee as of the day the child has been taken into care until the day when the child reaches the age of three years. A female employee who has been on maternity leave is granted parental leave upon termination of the maternity leave.

7.6 Other family rights

Generally, women, and especially pregnant women, are protected by various sections of the Code.

For example, women may not be employed in jobs that are not physically appropriate for them or that are harmful to their bodies, especially jobs that threaten childbirth. The Ministry of Healthcare

periodically publishes a list of jobs that may not be performed by pregnant women, breastfeeding women and/or any mother in the first nine months after childbirth ("**Protected Women**"). A Protected Woman may also not be employed in jobs that a doctor believes may endanger her pregnancy/health. Similarly, where a Protected Woman performs work that is forbidden to pregnant women or threatens, according to medical opinion, her pregnancy (or health), the employer is required to transfer her temporarily to work that is suitable for her and allows her to maintain the same pay as her normal position.

If a Protected Woman working at night requests that she be assigned to a daytime position, the employer must comply with her request. If a woman earns less in the position to which she has been transferred, an adjustment should be made for the difference, pursuant to regulations on temporary disability insurance.

Pregnant women cannot perform overtime work. Men or women caring for a child who is less than one year of age may not be ordered to work overtime by the employer.

If a pregnant employee or an employee taking care of a child under 15 years of age requests shortened working hours or another suitable arrangement of their working time, the employer is obliged to accommodate such request, unless there are serious operational reasons that do not allow it.

8 Other types of leave

8.1 Time off for dependents

An employee is, among other things, entitled to time off to care for a sick child under 10 years or to care for another household member.

The employee must submit a special confirmation of the existence of the reason, issued by a medical doctor.

The employee does not have a right to salary or salary compensation during the care leave. Care benefit is provided by the Czech Social Security Office.

8.2 Time off for medical treatment

Time off for medical examination and treatment

The employer is obliged to provide time off for a strictly necessary period of time. The employee is entitled to a compensatory wage, provided the following conditions are met:

- The examination or treatment could not be performed outside the working hours.
- The examination or treatment was carried out in the medical facility nearest to the residence or workplace of the employee.
- The facility is contracted with the employee's healthcare insurance company and is able to provide the examination or treatment.

A medical certificate is required as proof. The medical certificate should also state the time necessary for the medical treatment.

In the case of occupational medical control, medical examination and vaccination related to performance of work (i.e., special examinations only related to work), the employer must provide the employee time off for the necessary period and the employee must receive their salary for such a period.

Accompanying a relative to a healthcare center

The employee accompanying their husband/wife, partner or child, as well as parents and grandparents of the employee or a husband/wife of them, is entitled to time off for the necessary period with salary compensation (maximum one day) for accompanying such relatives, and time off for the necessary period without salary compensation (maximum one day) for accompanying any other relatives. The above is not applicable if the employee is entitled to a care benefit from the state's sickness insurance system.

8.3 Public duty leave

An employer must grant an employee time off, to the extent necessary, to enable their performance of a public office role (e.g., in the municipality, parliament), civic duties (e.g., a voting committee in case of elections) and other acts in the public interest where it is not feasible to perform the activity outside working hours.

Civic duties also include the duties of witnesses, court interpreters, certified court experts and other persons called to a hearing in court or to proceedings at an administrative authority, etc.; activities related to providing first aid, combating contagious diseases, and providing personal assistance related to fire-fighting, natural disasters or similar extraordinary events; and granting personal assistance under statutory provisions.

Unless the Labor Code or an internal policy of the employer provides otherwise, or unless it has been agreed with the employee otherwise, the employee is not entitled to salary compensation from their employer.

With respect to other acts in the public interest, an employee is entitled to time off, for instance, to exercise the office of a member of a trade union body under the Labor Code, a works council, the activity of a representative for safety and protection of health at work, or the activity of a member of an election committee under the Labor Code, as well as to exercise the office of a member of a negotiating body or European Works Council, or office of a member of a body of the legal entity (which is the employer) voted for by employees. Such time off must be granted with salary compensation.

In the case of donating blood (or other biological materials), the employee is entitled to time off and to salary compensation for a period including their journey to the donation center, the donation itself, the return journey and recovery after the donation, if these activities interfere with the employee's working hours and are within 24 hours (or in the case of other biological materials 48 hours) of the start of their journey to the said donation.

Time off related to conscription

An employer must excuse an employee's absence from work, to the extent necessary, if the employee is obliged to report to the competent military administrative authority in connection with the exercise of military service (conscription).

An employer must also excuse an employee's absence from work, to the extent necessary, for the time required to travel to the place of drafting and to undertake military exercises.

Considering the current military system, such leave is very unusual.

Salary compensation for time off relating to conscription is paid by the competent military administrative authority, rather than by the employer.

8.4 Time off for training and studies

The employee is entitled to time off to participate in certain training courses or other forms of training or studies, where such training interferes with their working hours. The training must be necessary to acquire the knowledge or skills required by law to properly perform the agreed type of work for the employer and must conform to the employer's needs.

In the case of studies for the purpose of maintaining or improving a qualification, undertaken upon the instruction of the employer and to the extent required by the employer, the period of absence is considered as work and the employee receives their salary.

In the case of studies for the purpose of upgrading or increasing a qualification, the employee is entitled to time off with salary compensation only if a special qualification agreement has been concluded between the employer and employee.

An employee is entitled to time off to the extent necessary to sit an entry school examination. However, the employee is not entitled to salary compensation for time off granted for sitting an entry school examination, re-sitting a certain examination, or attending a graduation or similar ceremony.

8.5 Bereavement leave

Death of a close relative of the employee

In the case of a death of a husband or a wife, a partner or a child, the employee is entitled to two days off with salary compensation, and an additional day off with salary compensation for the attendance of the funeral.

Death of another relative of the employee

In the case of the death of an employee's parent or sibling, a parent or a sibling of their spouse, a spouse of their child, or a spouse of their sibling, the employee is entitled to one day off with salary compensation to attend the funeral ceremony and an additional day off with salary compensation if the employee is arranging the funeral.

In the case of a death of an employee's grandparent, grandson or granddaughter, a grandparent of their spouse, or other "non-relative" person who lived at the time of their death with the employee in their household, the employee is entitled to time off for a necessary period with salary compensation (maximum one day) to attend the funeral ceremony and an additional day off with salary compensation if the employee is arranging the funeral.

Death of a fellow employee

In the case of a death of a fellow employee, employees are entitled to time off for a necessary period with salary compensation to attend the funeral ceremony. Attending employees are determined by the employer itself or upon agreement with the trade union organization.

8.6 Other types of leave

Marriage leave

In the case of the official marriage of an employee (civil or church), the employee is entitled to two days off for their own wedding, out of which one day is for participating in the wedding ceremony. Salary compensation is provided for one day only.

One day off with salary compensation is provided for attending the wedding of an employee's own child.

One day off without salary compensation is provided for attending the wedding of an employee's own parent.

Unforeseen delay of public transport

In the case of an unforeseen delay in public transport, the employee is entitled to time off for the necessary period, without salary compensation, provided the employee was not able to arrive at the workplace in another appropriate manner.

Moving house

In the case of the employee moving residency, the employee who has their own flat/house is entitled to: (i) time off for a necessary period without salary compensation (maximum two days); or (ii) time off for a necessary period with salary compensation (maximum two days), if the moving is in the employer's interest.

Searching for a new job

In the case of termination of employment (by either the employee or employer), for the purposes of searching for another job the employee is entitled to: (i) time off for a necessary period without salary compensation (maximum half-day) during each week for the period of a two-month notice period; or (ii) time off for a necessary period with salary compensation (maximum half-day) during each week before termination of the employment relationship in the case of termination by notice given by the employer or mutual agreement under Section 52 a) to e) of the Labor Code.

Activities related to employee representatives and disputes

In the case of trade union activity, such as attending meetings or conferences or acting as a mediator or arbitrator in collective bargaining, the employee is entitled to time off for a necessary period without salary compensation.

Long-term care leave

Employees are entitled to up to 90 days of care leave to take care of a sick family member. Employers are only able to refuse to grant leave if they can prove that the leave cannot be granted to the employee due to serious operational reasons. Employees are entitled to a long-term care benefit provided by the Czech Social Security Office (i.e., not paid by the employer) while on care leave.

Any important personal reason for which the employee requests time off

This depends on the agreement between the employer and the employee.

9 Termination provisions and restrictions

9.1 Notice periods

Please refer to **15.5**.

9.2 Payment in lieu of notice

Payment in lieu of notice is not possible in the case of termination by a unilateral termination notice.

9.3 Garden leave

Garden leave relates to the situation where the employer requires an employee not to attend work during their period of notice, but to stay at home due to an obstacle to work on the employer's side (the employer is not able to assign work to the employee). The employee is entitled to salary compensation in the amount of their average earnings. Such leave is often used where the employer

does not want the employee to be on the employer's premises, and therefore have access to confidential information and customers, during their notice period.

9.4 Intellectual property

The employer, in accordance with applicable laws, is eligible for all intellectual property rights to the employee's inventions (in particular patent rights, utility model rights and rationalization proposal rights). The employer also exercises the employee's economic rights to employee works, holds the special right of the database maker to employee databases, and is eligible for all intellectual property rights to the employee's designs. The moral rights of the employee remain unaffected.

9.5 Confidential information

Employers are advised to include express clauses in the employment contract protecting trade secrets and confidential information both during and after termination of employment. These are sometimes set out in a specific confidentiality agreement. However, it is not possible to agree on a contractual penalty in the case of a breach of the confidential information — the employer can only claim damages incurred in connection with such a breach. Please note that, in practice, it is often difficult to prove the amount of the damage incurred to the employer.

9.6 Post-termination restrictions

It is possible to conclude a non-competition agreement, under which the employee may not, for up to one year after termination of the employment, perform any activities identical or competitive to those performed by the existing employer, with the option to agree upon a contractual penalty paid by the employee to the employer in the case of a breach of their obligation arising from the non-competition agreement. Please note that a court may decrease an inappropriately high contractual penalty. If a non-competition agreement is concluded, the employer is obliged to pay to the employee a special monetary remuneration (equal to at least 50% of the employee's average earnings) during the non-competition period.

The employer may unilaterally withdraw from the non-competition agreement only during the term of employment.

9.7 Retirement

The retirement age in the Czech Republic depends on various factors, such as the employee's birth date or — in the case of a female employee — number of children.

However, retirement is not a legitimate termination reason and standard termination reasons are instead applicable.

10 Managing employees

10.1 The role of personnel policies

Employers can adopt internal policies, however these are voluntary, not mandatory (i.e., there are no policies required by law). Generally, policies outlined in a staff handbook are there as a matter of good practice to set out the standards expected of employees, to help the running of the business and to reduce legal risk by making sure that employees and managers understand their respective legal rights and responsibilities in the employment context.

An internal policy cannot impose new obligations on the employee or grant to the employee fewer rights than the Code.

10.2 The essentials of an employee handbook

If the employer decides to adopt an internal policy, such policy must be adopted in a written form and the employer must ensure that the employees are familiarized with the policy within 15 days from its adoption/change/termination. The employer must archive internal policies for 10 years following the termination of their effectiveness.

10.3 Codes of business conduct and ethics

Codes of business conduct are not obligatory, but they are common, particularly in multinational companies.

11 Data privacy and employee monitoring

Please refer to our Global Privacy Handbook, which is accessible here, for information on data privacy and monitoring requirements in the Czech Republic.

12 Workplace safety

12.1 Overview

An employer must ensure the health and safety of employees at work in relation to risks that may pose a danger to life and health. The employer's obligation to ensure health and safety also relates to all persons who are present at its workplace within its knowledge.

12.2 Main obligations

The Code stipulates certain obligations of the employer regarding health and safety, such as the following:

- the obligation to provide and record all training, information and instructions to employees
- ensuring entry and periodic medical examinations of its employees, as well as departure (final) medical examinations where applicable
- providing drivers' training to all employees using a company or private car for business purposes
- ensuring safety breaks and appropriate equipment

The employer must provide the health and safety employee representative with all information, regulations and documents related to health and safety at work. The appointment of such a representative is not, however, obligatory. To the extent that there is no such representative or trade union at the respective workplace, the employer must then fulfill all stipulated obligations individually to each employee.

All work-related injuries of employees must be included in the record of injuries. The employer is also obliged to report an injury at work and send a copy of the record of such an injury to all prescribed authorities and institutions.

Under a special legal regulation, smoking in areas where non-smokers work is also prohibited.

12.3 Claims, compensation and remedies

Employers are generally liable in the case of a work injury or occupational disease. However, all employers who employ at least one employee are insured by virtue of law against payment of

compensation in the case of an accident at work or an occupational disease. The insurance arises automatically as a matter of law with the insurance company Kooperativa, a.s.

13 Employee representation, trade unions and works councils

Information about working with trade unions and works councils can be found throughout this guide. For more information about this subject in the Czech Republic, please contact us. See Key contacts for contact details.

14 Discrimination

14.1 Who is protected?

The Code reflects the principle of equal treatment for women and men with respect to accessibility of employment, professional training, promotion and working conditions, as well as prohibiting discrimination. Any discrimination due to one's race, color, sex, sexual orientation, language, belief, religion, political or other opinions, activity in political parties, political movement, trade unions and other associations, nationality, ethnic or social origin, property, descent, health, age, marital and family status or obligations to one's family is prohibited.

Employers must ensure that men and women be treated fairly and have equal opportunities. Sexual harassment is prohibited. In sexual harassment cases, the employer has the burden of proof that the challenged treatment is not sexual harassment. In addition, there is a special Anti-discrimination Act defining discrimination-related concepts, regulating in detail the principle of equal treatment and legal remedies of protection against discrimination.

14.2 Types of discrimination

Czech law distinguishes between direct and indirect discrimination. Harassment, sexual harassment, victimization, instruction to discriminate and inciting discrimination are also considered acts of discrimination.

Direct discrimination is an act or omission where one person is treated less favorably than another person is in a comparable situation on the grounds of race, ethnicity, nationality, gender (including pregnancy, motherhood and parenthood), sexual orientation, age, disability, religion, faith or belief. This also involves cases when any of the aforementioned grounds of discrimination are purported.

Indirect discrimination is an act or omission where a person is put at a disadvantage compared to others on the grounds specified above based on a seemingly neutral provision, criterion or practice. It is not considered indirect discrimination if this provision, criterion or practice is objectively justified by a legitimate aim and the means to its achievement are appropriate and necessary.

14.3 Special cases

14.3.1 Disability discrimination

Indirect discrimination on grounds of disability also means refusal or failure to take appropriate measures to enable a person with a disability to have access to certain employment, working activities, career progression or other promotion, to use employment advice, or participate in other vocational training, or to use services available to the public, unless such a measure represents an unreasonable burden on the employer.

14.3.2 Equal pay

All employees employed by the same employer are entitled to receive an equal wage or remuneration for the same (equal) work, or for work to which equal value has been attributed. Equal work, or work to which equal value has been attributed, means work of the same or comparable:

- complexity
- responsibility
- strenuousness
- working conditions
- working efficiency
- working results

14.4 Exclusions

14.4.1 Exceptions relating to age, professional experience or period of employment or retirement age

Difference in treatment on the grounds of age in accessing employment or an occupation does not constitute discrimination if a specific minimum age, type of professional experience or period of employment is essential for the proper exercise of the employment or occupation, or for access to certain rights and obligations connected with the employment or occupation.

14.4.2 Occupational requirements

Difference in treatment in general matters of employment does not constitute discrimination, provided it is based on substantive grounds related to the nature of the performed work or activities, and that the requirements are appropriate to that nature.

14.4.3 Churches or religious activities

Difference in treatment applied in matters of the right to employment, access to employment or occupation in the case of paid employment performed in churches or religious communities, does not constitute discrimination where, by reason of the nature of these activities or of the context in which they are carried out, a person's religion, belief or opinions constitute a genuine, legitimate and justified occupational requirement, having regard to the ethos of the given church or religious community.

14.4.4 Positive action

The employer can take specific types of measures that are not considered discriminatory if they are aiming to ensure the following. Furthermore, the adoption of the following measures does not lead to the favoring of less qualified persons over persons that are more qualified:

- prevent or compensate for disadvantages arising from a person's gender, race, disability, sexual orientation, age or religious belief
- ensure equal treatment and equal opportunities of such a person

The basic prerequisite to implement positive measures is the existence of a disadvantage for certain groups of people. This disadvantage may stem from history or from persisting stereotypes, e.g., regarding "typically male" or "typically female" professions (such as a locksmith, seamstress or driver).

14.5 Employee claims, compensation and remedies

Court proceedings relating to discrimination are based on the fact that an employee who believes that they are discriminated against must support their claim with convincing evidence. The mere claim of alleged discrimination is not enough. Only if the employee is able to adequately demonstrate that they are or have been discriminated against by the employer does the burden of proof pass to the employer, who must disprove the discrimination.

The employee is entitled to claim before a court, in particular, that the discrimination be refrained from, that the consequences of the discriminatory act be remedied and that they be provided with appropriate compensation. Should this remedy not appear sufficient, particularly because a person's reputation, dignity or respect in society has been harmed, the person also has the right to monetary compensation for non-material damage. The amount of this compensation will be assessed by the court, taking into account the seriousness of the damage and the circumstances under which the right was violated.

If the discrimination occurred outside the employment relationship (e.g., during the process of recruitment or its promotion, when the discriminated against person did not yet have the status of an employee), the discrimination may also be a subject of complaint at the Labor Inspection Office, possibly leading to an inspection at the workplace and eventually to an administrative fine of up to CZK 1 million and/or the imposition of remedial measures.

14.6 Potential employer liability for employment discrimination

Employers may be liable for actions committed by their employees in the course of their employment. These actions can include bullying and harassment, violent or discriminatory acts, etc. It is also possible to take action against an employer for the behavior of third parties, such as clients and customers, provided these parties are deemed to be under the control of the employer ("vicarious liability").

The key question in any case of vicarious liability is whether the employee was acting in a personal capacity, or in the course of their employment. This can often be difficult to determine. Similarly, an employer's liability does not end once the employee leaves the organization; as the law stands, action can still be taken against an employer, even though the person in question no longer works for them.

The amount of detected breaches of obligations by employers in the field of equality and discrimination is more or less negligible compared to breaches detected for "traditional" and administrative offenses involving, e.g., the formation, modification and termination of employment, remuneration, working hours, etc. With respect to judicial practice, there is a very limited amount of final decisions from the higher courts in the Czech Republic in which employees have succeeded in discriminatory labor disputes.

14.7 Avoiding discrimination and harassment claims

The most important thing that employers can do to avoid (vicarious) liability is to take all reasonable steps to prevent such acts or omissions from occurring. For example, maintaining an up-to-date equal opportunities policy and providing anti-discrimination training to staff demonstrates an active commitment on the part of the employer toward combating discriminatory practices in the workplace. This would then reduce the likelihood of an employer being held vicariously liable for any discriminatory acts committed by its employees.

Employers should establish rules in the workplace (especially a list of rights and obligations in labor relations and a mechanism for resolving complaints) that are anchored in working regulation. Such rules should be known to employees as well as to managers at various levels of management.

Furthermore, employers should carry out recruitment procedures in such a way that they comply with all legislation and that candidates are selected based on pre-set professional requirements and/or practice. The decision should be based on an assessment of requirements that are necessary to perform the position, as well as the skills, experience and qualifications of the candidate.

The employer may create a "checklist" containing the definitions of attributes it must assess, such as ability, skill and knowledge, and on which it can record in writing various comments, including strengths and weaknesses of candidates. These records should be discussed in the group after the recruitment process (or its round) is finished. This approach avoids a stereotypical evaluation of the candidates based on unjustifiable grounds, ensures an ex-post comparison of the candidates and reinforces the candidates' strengths and weaknesses.

The employer should also set out clear criteria for internal filling of vacant positions, and should strive for clear and transparent communication to all employees.

An important tool to ensure a non-discriminatory working environment is the continuous training of managers and employees in non-discrimination and equal opportunities, as well as internal rules of companies that are related to these areas. Such training can be done internally or by a representative of a reputable non-profit organization that deals with this issue.

15 Termination of employment

15.1 General overview

The Code, which came into effect as of 1 January 2007, constitutes the principal legislative act governing employment relationships in the Czech Republic.

Under the Code, an employment relationship may be terminated by agreement, termination notice, immediate cancellation or by termination during the trial period. These circumstances of termination are explained in more detail below. An employment relationship concluded for a fixed term may also be terminated by the expiry of the agreed term.

15.1.1 Termination by agreement

If an employer and employee agree to terminate an employment relationship, the employment relationship ends on the agreed upon day. Agreements to terminate an employment relationship must be made by the employer and employee in writing (otherwise they are null and void). The employer and the employee must each receive one copy of the relevant termination agreement.

15.1.2 Termination during the trial period

During the trial period, either the employer or employee may cancel the employment relationship in writing for any reason or without giving a reason. Written cancellation of the employment relationship should be delivered to the other party; the employment relationship ends on the day of delivery of the written cancellation of employment to the other party, unless the cancellation states a later day during the trial period. However, the employer cannot cancel an employment relationship during the first 14 days of an employee's sickness.

15.1.3 Other termination circumstances

A fixed-term contract ends with the expiration of the employment term. If, after the expiration of the fixed term, the employee continues to carry out work and the employer is aware of this, the employment relationship changes to an employment relationship agreed upon for an indefinite period, unless the employer agrees otherwise with the employee. A fixed-term employment relationship may also be terminated in any of the four manners set out in **15.1** above.

In addition, an employment relationship:

- expires on the death of an employee
- with a foreign employee, terminates on the day on which the employee's residence in the territory of the Czech Republic is to end according to an enforceable decree depriving them of permission to reside (if such permission is required)
- expires on the day on which a sentence imposing the punishment of deportation from the territory of the Czech Republic on a foreign employee takes legal effect
- terminates upon the expiration of a foreign employee's work permit

15.2 By the employer

15.2.1 Termination by notice

The Code sets out the following permitted reasons for terminating an employment relationship by the employer's notice:

- if the employer or a portion of the employer's organization is dissolved
- if the employer or a portion of the employer's organization is relocated
- if the employee is made redundant due to a decision by the employer or the respective body to change the employer's tasks or technical set-up, to reduce the number of employees for the purpose of raising work productivity, or to make other organizational changes
- if the employee cannot (based on a medical opinion or based on a decision by a relevant state administration authority) continue to perform their previous work due to a work injury, occupational disease or threat of occupational disease, or if the employee has reached the highest allowable exposure at the workplace, as determined by the appropriate health service authority
- if the employee has lost, on a long-term basis, the ability to continue to perform their previous work because of a health condition (based on a medical opinion or based on a decision by a relevant state administration authority)
- where the employee does not meet the legally required qualifications to perform the agreed upon work or, through no fault of the employer, does not fulfill the requirements to properly perform the work, and if the failure to fulfill these requirements takes the form of unsatisfactory work results, the employee may be given a termination notice only if they were called upon in writing by the employer within the previous 12 months to eliminate such deficiencies, and the employee did not do so within a reasonable period
- if there are reasons for which the employer could immediately cancel the employment relationship with the employee, or if there is a serious breach of obligations arising from legal regulations relating to work performed by the employee; for ongoing but less serious breaches of legal regulations relating to work performed by the employee, the employee may be served a termination notice if, during the previous six months in connection with this breach of obligations arising from legal regulations relating to performed work, they were notified in writing of the possibility of being given a termination notice
- in the case of a violation of the regime of a temporarily unfit-for-work insured person in an especially gross manner (for example, where such an employee does not remain, during the first 14 calendar days of an illness, at their residence and/or does not observe the time period and extent of permitted errands); the termination notice for such a violation must be served on

the employee within one month from the date of learning of the violation of the treatment regime; however, at the latest, within one year from the date when such reason for termination notice occurred

15.2.2 Immediate cancellation

An employer may immediately cancel an employment relationship only exceptionally and only in the following cases:

- if the employee has been sentenced for an intentional crime to an unconditional prison term of at least one year and such sentence is final, or if the employee has been sentenced to an unconditional prison term of no less than six months for an intentional criminal act committed during the course of performing their work tasks or in direct connection therewith and the sentence is final
- if the employee has breached the obligations arising from legal regulations relating to the work performed by them in an "especially gross manner"

Special rules apply to this type of termination. As a practical matter, unless an employee clearly breaches the obligations arising from legal regulations relating to the work performed by them (e.g., regularly appears at work intoxicated, steals/embezzles or continuously fails to follow the instructions of their superiors), it is often difficult to argue that an employee has breached the obligations arising from the legal regulations relating to the work performed by them "in an especially gross manner." Moreover, the definitive answer to the question of whether the standard of an "especially gross manner" was met can only be given by a relevant court deciding on a particular case.

15.2.3 Participation of trade unions

Under the Code, the employer must discuss all termination notices and immediate cancellations in advance with the competent trade union body.

If a notice of termination or immediate cancellation concerns an individual who is a member of a competent trade union body (during such member's term of office and/or for a period of one year thereafter), the employer is required to obtain the prior consent of the competent trade union body before serving a notice of termination on the employee, or before the immediate cancellation of their employment relationship. The trade union is deemed to have consented to such termination if it did not refuse, in writing, to grant its consent to the employer within 15 days of receiving a request. The employer may make use of such consent within two months from the day it is granted.

If the competent trade union body refuses to grant its consent under the conditions stated above, a notice of termination or immediate cancellation is generally deemed invalid. However, if other conditions of termination or immediate cancellation are met, and if a court determines that it would be unjust to require that the employer continue to employ the employee, termination or immediate cancellation would then be valid.

An employer is required to notify the trade union in those circumstances as agreed between the employer and the trade union. Special rules may also be agreed upon in a collective bargaining agreement.

15.3 By the employee

15.3.1 Termination by notice

An employee may serve a notice of termination upon their employer for any reason or without giving any reason. Please refer to **15.5**.

15.3.2 Immediate cancellation

An employee may immediately cancel an employment relationship if:

- according to a medical opinion issued by a facility of occupational medical care or a decision of a relevant state administrative authority that revises a medical opinion, they cannot continue to perform their work without a serious threat to their health, and the employer did not allow the employee, within 15 days of the opinion's submission, to transfer to other suitable work
- the employer did not pay the employee their salary or compensation for salary or any part thereof within 15 days after the date when that payment was due

15.4 Employee entitlements on termination

On termination, an employee is entitled to receive their statutory or contractual (if longer) notice period; payment in lieu of any accrued but unused holiday entitlement; and, if applicable, a severance payment — see further at **15.9**.

After the employment relationship is terminated, the employer must also provide to the employee a confirmation of employment, which includes information required by the Code. In addition, if the employee so requests, the employer must provide them with a reference letter and an "opinion" on the employee's working performance. If the employee disagrees with the content of such a reference letter or opinion, they may file a challenge with the court within three months of receiving such reference letter or opinion.

15.5 Notice periods

An employer may give an employee notice of termination only for the reasons stated in the Code — see further at **15.2.1**. An employee may serve a notice of termination upon their employer for any reason or without giving any reason.

This notice period is a minimum of two months for both the employer and employee. Notices of termination must be given in writing and delivered to the other party; otherwise, they are null and void.

If a notice of termination has been given, the employment relationship ends with the expiration of the notice period. Generally, the notice period begins on the first day of the calendar month following delivery of the notice of termination and ends on the last day of the appropriate calendar month. A notice of termination that has been delivered to the other party may only be revoked with that party's consent. Such revocation and consent must be executed in writing.

15.6 Terminations without notice

Please refer to the circumstances of immediate cancellation at **15.2.2** and **15.3.2**.

15.7 Form and content of notice termination

Notices of termination must be given in writing and delivered to the other party; otherwise, they are null and void. A notice of termination served by the employer must clearly state the termination reason — the termination reason cannot be amended later.

15.8 Protected employees

Subject to some exemptions in the Code, an employer may not serve a notice of termination:

- when the employee is designated as temporarily incapable of work (if the employee did not bring about this incapability intentionally or if such incapability did not arise as an immediate

result of a state of intoxication or addictive drug abuse) and during the period when the employee is referred for inpatient treatment, or from the date of commencing therapeutic spa treatment to the day when the treatment is completed (the period is extended for six months after discharge from inpatient treatment in cases of tuberculosis)

- when an employee is engaged in military service or emergency military service, from the date when the draft order was delivered to the employee until two weeks after the employee's release from service
- when the employee is on a long-term leave of absence to serve in a public office
- when an employee is pregnant or on maternity or parental leave (the latter including male employees)
- if an employee has been declared temporarily unfit for night work (by a doctor)
- if an employee is on a care leave to take care of a sick family member

15.9 Mandatory severance

An employee is entitled to a severance payment when their employment is terminated in one of the following situations (under Section 52 (a), (b) and (c) of the Code):

- if the employer or a portion of the employer's organization is dissolved
- if the employer or a portion of the employer's organization is relocated
- if the employee is made redundant due to a decision of the employer or the respective body to change the employer's tasks or technical set-up, to reduce the number of employees for the purpose of raising work productivity, or to make other organizational changes

In these situations, an employee is entitled to a severance payment in the following amounts:

- one of their average monthly earnings, if the employment relationship lasted for a period of less than one year
- two times their average monthly earnings, if the employment relationship lasted for a period of at least one year, but less than two years
- three times their average monthly earnings, if the employment relationship lasted for a period of at least two years

The above stated time periods for these purposes also include previous employment relationships of the employee with the employer, if the period between termination of the previous employment relationship and commencement of the following employment relationship did not exceed six months.

If the reason for employment termination (by agreement or notice) is a work-related injury, work-related sickness/disease or threat of work-related sickness/disease (see further at **15.2.1**), the employee is entitled to severance payment in the amount of at least 12 times their average monthly earnings.

A higher severance payment amount may be agreed upon in a collective bargaining agreement or an employer's internal regulations or in an employment contract. Additional conditions for payment of the increased severance payment may also be agreed.

15.10Collective redundancy situations

Collective or "mass" redundancy is defined as the termination of employment agreements within a 30-day period on the basis of termination notices served by the employer under Section 52 (a), (b) and (c) of the Code (see **15.9** above) of at least:

- ten employees, if the employer employs between 20 and 100 employees
- 10% of employees, if the employer employs between 101 and 300 employees
- 30 employees, if the employer employs more than 300 employees

In addition, if a termination notice is served by the employer to at least five employees under Section 52 (a), (b) or (c) of the Code during a 30-day period, all employees whose employment agreements were terminated by means of mutual agreement (instead of by means of a termination notice served by the employer) on the basis of reasons under Section 52 (a), (b) or (c) of the Code during such 30-day period are added to the number of employees terminated by notice and, if such resulting aggregate number reaches the thresholds in the above bullet points, a mass redundancy will be deemed to have occurred.

The following conditions must be met in the event of a mass redundancy:

- Notification to the appropriate trade union authority or works council (both referred to in this point as the "trade union") of such intention at least 30 days prior to serving the termination notices. Such notifications must also include information on the reasons of the mass redundancy, number and professional composition of employees to be served termination notices, number and professional composition of all employees employed by the employer, term during which the termination is to take place, criteria designed for the selection of employees to be served a termination notice, and severance payment and/or other rights of employees to be served termination notices.
- During negotiations with the trade union authority, measures to be taken by the employer to prevent or limit the mass redundancy and to mitigate the unfavorable consequences of redundancy for its employees (in particular, measures to provide the employees with suitable employment in another workplace of the employer) should also be discussed.
- At the same time as notifying the trade union, notification in writing must be sent to the relevant regional branch of the competent labor office, based in the place of activity of the employer, of the measures taken as described above, including in particular the reasons for such measures, the total number of employees, the number and professional structure of the employees affected by such measures, the time periods for the mass redundancy, the proposed criteria for the selection of employees to be served a termination notice, and the introduction of discussions with the trade union and works council. A copy of such written notification to the labor office must be delivered to the trade union.
- Upon conclusion of negotiations with the trade union, the employer is required to provably deliver to the regional branch of the competent labor office, based on the place of activity of the employer, a written report regarding the decision on the mass redundancy and the results (success or failure) of negotiations with the trade union. The report must include information on the total number of employees and the number and professional structure of the employees affected by the mass redundancy. A copy of such report must also be delivered to the trade union. The trade union has the right to comment independently on the report and to deliver its opinion to the respective labor office. As an exception, a bankrupt employer has an obligation to deliver such a report to the respective labor office only upon the office's request.

- The employment relationship of a redundant employee may terminate based on a termination notice not earlier than 30 consecutive days from the date of delivery of the second written report referred to above by the employer to the regional branch of the competent labor office, based on the place of activity of the employer, unless the employee indicates a willingness to terminate the employment relationship earlier. This 30-day period does not apply to employers who are bankrupt or subject to insolvency proceedings. The employer has an obligation to notify the employee of the date of delivery of the employer's report to the regional branch of the competent labor office, based on the place of activity of the employer.
- If no trade union or works council has been established in the company, the employer is then required to directly carry out the actions outlined above with each of the redundant employees.

15.11 Claims, compensation and remedies

If the dismissal is unlawful, the possible consequences are:

- reinstatement of the dismissed employee to the original position (provided that the employee expressed their intention to continue with the employment relationship)
- reimbursement of the lost income of the dismissed employee and any other damages proven by the dismissed employee
- payment of legal costs
- a penalty from the Labor Inspectorate (up to CZK 2 million — approximately USD 91,000)

In the case of reinstatement, the employee will be entitled to back pay of lost income from the date of dismissal until the court date. The court can limit this payment to a maximum of six months.

The employee cannot file a claim for unlawful dismissal after the lapse of two months following the last day of employment.

15.12 Waiving claims

An employee cannot waive claims to receive a salary, salary reimbursement, severance payment, remuneration for stand-by and reimbursement of expenses incurred in connection with the performance of work.

16 Employment implications of share sales

16.1 Acquisition of shares

Share sales do not create any particular employment law issues since the legal identity of the target company as employer is not affected.

16.2 Information and consultation requirements

There is a general duty to inform the employees/their representatives of any substantial change in the employer's shareholder structure or business activities (see below).

17 Employment implications of asset sales

17.1 Acquisition of assets

If the activities and tasks (or part of them) of the seller are transferred to the buyer, the seller's employees participating in the transferred tasks and activities (or part) automatically transfer to the buyer subject to the following conditions:

1. The activity is carried out after the transfer in the same or similar manner and extent.
2. The activity does not consist wholly or mainly in the supply of goods.
3. Immediately prior to the transfer, there is a group of employees that was deliberately created by the transferring employer for the sole or predominant performance of the activity that is to be transferred.
4. The activity is not intended to be short term or does not consist of a one-off task.
5. Assets essential for the performance of the transferred activity (or the right to use such assets) are transferred, or a substantial number of employees used by the transferring employer for the performance of the transferred activity are transferred, if the transferred activity depends substantially on employees and not on specific assets.

Then, certain information and consultation duties apply. The buyer is not required to conclude new employment contracts with these employees. The consent of the transferred employees to the transfer is not required; however, certain information and consultation duties apply. If no activities and tasks (or their part) of the seller are transferred to the buyer, employees of the seller are not transferred.

Transfer of an enterprise

On acquisition of an enterprise (or part of one), employment contracts are, as a matter of law, transferred to the buyer. As a result, the rights and duties of employees of the enterprise sold will pass from seller to buyer by operation of law. The buyer is not required to conclude new employment contracts with these employees. The consent of the transferred employees is not required; however, certain information and consultation duties apply (see **17.4**).

Mergers

Employment contracts of all employees of merged entities are, as a matter of law, transferred to the successor entity. The consent of the transferred employees is not required; however, certain information and consultation duties apply (see **17.4**).

17.2 Automatic transfer of employees

Please refer to **17.1**.

17.3 Changes to terms and conditions of employment

Please refer to **17.1**.

17.4 Information and consultation requirements

The transferring and acquiring employer must inform employee representatives about the automatic transfer and consult with them at least 30 days prior to the transfer. If there are no employee representatives, all transferred employees must be informed individually.

The Labor Inspectorate can fine both the transferring employer, the "transferor," and the acquiring employer, the "transferee," up to CZK 200,000 if the obligation to inform and consult employee representatives about the automatic transfer of employees has been breached.

17.5 Protections against dismissal

There is no special protection against dismissal applicable in the case of an automatic transfer of employees. Please refer to **15.8**.

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