Employment in the Czech Republic

Insights
4.17.12

This is the fifth article in a series about East European employment law issues.

Bordered by Germany, Austria, Poland, and Slovakia, the Czech Republic occupies an important position in Europe. Following the Velvet Revolution of 1989, and its return to liberal democracy, the Czech Republic quickly became re-integrated into Europe and is a strong economic force in the region. The Czech Republic ranks 64 out of 183 economies for "ease of doing business" and boasts a highly-educated and developed workforce. For employers looking to do business from a strategic, centralized location, the Czech Republic offers many advantages.

Background
The Czech Republic came into existence on January 1, 1993, following the Republic of Czechoslovakia's peaceful split into two countries: the Czech Republic and The Republic of Slovakia. The Czech Republic is a parliamentary representative democracy, led by a Prime Minister. The head of state is the President, who serves for a five-year term, and has limited powers. Although the Czech Republic has made great strides in privatizing most of its industry, the country is still hampered by a relatively high rate of corruption, which can provide challenges to running a business in the country. The Czech Republic is a relatively affluent country, with its per capita GDP approximately 80% of the European Union average. Although a member of the European Union since 2004, the Czech Republic has not yet adopted the Euro, and there is no set timeframe in which it will do so. Most observers believe that 2013 would be the earliest date that Czech citizens would vote to adopt the Euro. The currency unit is the Czech koruna (CZK). As of December 2007, the Czech Republic became a Schengen country, doing away with border controls with its neighboring countries.

The Labour Code
In the Czech Republic, the Czech Labour Code, along with The Collective Bargaining Act, and the Employment Act, are the primary sources of labor and employment law. Because the Labour Code has been updated at least ten times since 2007, employers are advised to review relevant Code provisions on a regular basis.

The latest revisions to the Labour Code took effect on January 1, 2012, and were generally welcomed by employers. The Labour Code governs most aspects of the employment relationship, from minimum wage, severance pay (governed by length of service), overtime pay and maximum hours (limited to 416 hours annually for managers, 150 hours annually for non-management employees)

(limited to 416 hours annually for managers; 180 hours annually for non-management employees), outsourcing, terms and conditions of employment, to annual leave (a minimum of four weeks of paid leave - longer for certain professions/industries - with at least one block of leave taken in a two-week increment). It is important to note that "employment-at-will" as permitted in the United States is not recognized under the Labour Code. Employee terminations are limited to certain specific reasons, and the employer must be careful to follow required notice and severance requirements.

The employment contract

The Labour Code requires that the terms of the employment relationship must be outlined in a written employment contract at the outset, and should address the following topics:

- A description of the job, including duties required;
- The start date for the job, including the time;
- Location of the work.
- Additional information that is recommended, but not required, includes information regarding
- Holidays – length of leave;
- Any required notice periods;
- Weekly schedules/hours to be worked;
- Wage and salary information, including date for payment and method for calculation;
- Collective bargaining information; and
- Whether there is any trial period. Under the Labour Code, trial periods can last up to three months for non-management employees and up to six months for managers. Importantly, the trial period must be in writing and agreed to prior to the commencement of employment, or will be invalid.

Non-competition agreements valid

Pursuant to the January 2012 revisions to the Labour Code, employees may agree to accept a non-competition agreement, provided the agreement does not exceed one year, and the employer is able to show there is a valid reason for such an agreement. During the non-competition period, the employee must be paid one-half of his or her average monthly wage.

Equal Treatment under the Labour Code

Under the Labour Code, equal treatment of all employees, with respect to pay and benefits, training and advancement opportunities, is guaranteed to all employees, with special protection guaranteed to pregnant women and new mothers. Employees complaining of unfair treatment may bring a complaint to the local labour office or in a court of law. Discrimination on the basis of race, color, gender, sexual orientation, creed, religion, language, political opinions, membership in political parties or movements, trade union membership, nationality or ethnic/social origin, property status, health status, family extraction, marital or family status or responsibilities is also prohibited, as is sexual harassment. "Mobbing," which is defined as "any behavior perceived by the employee as

unwanted, unsuitable or offensive, and which could affect personal dignity or create a humiliating or unpleasant work environment" is also prohibited.

Although this is only a brief overview, it is important to note that trade unions, collective bargaining, and employee work councils are also permitted under the Labour Code, and foreign employers doing business in the Czech Republic should take care to review all potential contracts and agreements pertaining to its operations before taking any actions that may affect employee rights, or the terms and conditions of employment.

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