



Sick pay waiting days have been abolished in the Czech Republic

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A group of social democratic parliamentarians proposed a bill to abolish the three-day sick pay waiting period. After a year-long legislative process, the bill was adopted on 22 January 2019. This significant change in social policy has triggered quite intensive disputes between the main social policy actors as well as among the public. This move towards increased social protection for employees was strongly opposed by employers.

Description

A three-day sick pay waiting period (the period of time between the occurrence of the social security risk and the onset of the benefits) was introduced into Czech legislation in 2008, during the last serious recession, as part of a state budget stability package. Since 2009, sickness benefits have been provided only from the 15th calendar day of temporary sick leave. During the first 14 calendar days, employees on sick leave receive wage compensation from their employer equivalent to 60% of their Average Hourly Earnings. However, for the first three working days of sick leave, no sick pay is payable. In order to finance sickness benefits, premiums are paid by employers and the self-employed. Since 2009, the contribution rate for sickness insurance has been 2.3%.

The intention to “reintroduce salary compensation during the first three days of sick leave, at a level of 60% of the daily base, and to discuss possible ways of compensating employers” was included in the Government Programme Declaration (Vláda/Cabinet 2018a:10). In February 2018, in line with this declaration, a group of social democratic parliamentarians proposed a bill to abolish the three-day sick pay waiting period. The government agreed in principle to this proposal in March, adding that specific parametric changes to the sickness insurance system (premium rates as well as levels of benefits) had to be further discussed in order to avoid a substantial impact on

the system (Vláda/Cabinet, 2018b). The Chamber of Deputies passed the bill in October 2018. The Senate (where opposition parties hold the majority) rejected it in December. The chamber finally completed the legislative process on 22 January 2019 and passed the bill with an overwhelming majority (129:31).

As a result, from July 2019, employees will be entitled to receive wage compensation equal to 60% of their average hourly earnings from the very first day of their sick leave. The premiums paid by employers will be reduced by 0.2 percent points, from 2.3% to 2.1%, to compensate for their extra costs. A subsequent drop in government budget revenue is expected, amounting to CZK 2.6 billion/€101 million (Poslanecká sněmovna/Chamber of Deputies, 2018).

Employers expressed their disapproval. The Confederation of Industry has predicted a 2-3% increase in employees’ incapacity to work, which would generate approximately CZK 5 billion/€195 million net extra costs for employers.

Outlook & commentary

This measure, in our view, is not merely a routine or even technical change in legislation. The bill stirred up a fierce political battle involving all the main political actors (political parties, trade unions, employers, business, and the media), and the result should ultimately be seen as a strong move towards

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increased social protection of employees, although employers fear a worsening of their position. The bill was passed mainly with a view to achieving social justice for a large group of employees, despite many quite reasonable arguments (see below). It will be interesting to see whether some of the predicted risks and threats really materialise. And it will be interesting to find out whether there will be any further steps towards a more protective social policy in the country.

The supporters of the bill claimed that its aims were two-fold: to improve the social situation of low-income and socially disadvantaged workers (particularly single mothers and people with disabilities), and to reduce the risk of health deteriorating due to a lack of care during the very first days of illness. They often repeated the slogan "workers must not be punished for their illness".

The opponents mainly pointed out that the introduction of the waiting period in 2008 had reduced incapacity to work in the Czech Republic by nearly half, from more than 60,000 cases per 100,000 population in 2007 to 30,000 cases per 100,000 population in 2013 (UZIS, 2017). The country figures have also come closer to the EU average (for data see Spasova, 2016). A new increase in the rates of incapacity to work could be

expected. Business representatives refer to the abolishment of the waiting period as "bad news for the economy" given the already tight labour market and lack of capacity.

The risk of people fraudulently claiming sick leave and salary compensations was mentioned very often in recent discussions. Business representatives pointed out that the process of introducing "electronic sick notes" (i.e. electronic evidence of persons on sick leave) was not yet complete. They claimed that the conditions for effective monitoring and control are not yet met.

Some opponents also expressed concern that the change would disrupt existing employee benefits. Many firms have been offering benefits such as sick days, extra vacation days, working from home, as well as, indeed, wage compensation in the first three days of illness etc. Some workers could then be actually worse off after the new law is applied.

Last but not least, the critics of the bill suggested that much criticism of the waiting days expressed by the bill's advocates was an exaggeration and not fully fair, since more than half of European countries do apply waiting periods in some way (Spasova et. al, 2016).

Further reading

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