

# The Czech government's income and employment protection measures in response to COVID-19

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*The state of emergency declared in the Czech Republic from 12 March is accompanied by income compensation measures, focused above all on families with children and self-employed persons, employment protection measures and measures to address the risk of evictions. Since it seems likely that the epidemic will be brought under control and the economy kick-started, these measures could prevent social exclusion risks, which are among the lowest in Europe.*



## Description

The Czech Republic declared a state of emergency from 12 March (Government Decree No. 69/2020 Coll. and further regulations), closing schools, restaurants, accommodation facilities, most shops, workshops and services, and significantly restricting domestic and cross-border movement of persons. Companies in leading industries and most businesses suspended or limited their activities, which resulted in losses of business and earnings. By the end of April, the unemployment rate was only 3.4% but was expected to grow.

In response to the threat of a declining economy, the government adopted between 19 and 23 March several income- and employment-protection measures in addition to measures to prop up the economy. First, care benefit (*ošetřovné*) for family carers was extended - it used to be limited to 9 days and can now cover the entire duration of the current state of emergency - and the age limit for eligibility of a child was increased from 10 to 13 years. The same applied to sickness benefit, which is calculated as 60% of the daily calculation base (earnings-related). The self-employed were also made eligible for this allowance (a fixed amount of 13,000 CZK [€481] monthly). Next, the self-employed will receive a lump sum of 25,000 CZK [€926] for the period between 12 March and 30 April if they have been affected by the COVID-19 crisis. All self-employed persons have been exempted from having to pay pension and health insurance premiums for a period of six months: these amount to about 30,000 CZK (€1,111) in total.

In addition, all self-employed and business persons can delay submitting their tax return and tax payment by three months (until 30 June). Persons as well as businesses facing insolvency problems are allowed to ask banks for extensions of deadlines to pay mortgages and loans, which will be assessed individually.

The Ministry of Labour and Social Affairs/MLSA has opened access to discretionary/non-regular lump sum social assistance benefits intended to support families in severe need, even if they are not eligible for regular social assistance benefits. Coincidentally, in February, the government decided to increase the subsistence minimum (SM) level within the Minimum Income Scheme by 13% from 1 April. The SM had not been indexed since 2012: even though this increase only compensates for inflation, it still improves the living standard of vulnerable families in times of the COVID-19 crisis; not only will social assistance benefits have increased but also more families will be eligible for child allowance and the birth grant, which are income-tested and tied to the SM.

One key measure was adopted to save existing jobs, known in the Czech Republic as "part-time employment" since the 2008 economic and financial crisis. Businesses that have closed due to the COVID-19 crisis and have continued to pay their employees their full wage instead of dismissing them get 80% of these wage costs back from the state. If their employees are shifted to a part-time regime due to COVID-19, they are paid 60% of their wage and the state compensates half of these costs.

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On 17 April, the government decided to adopt new measures, as the main features of the state of emergency were expected to continue during May and June, and the government will only lift it step by step.

Family carers' care benefit (*ošetřovné*) will be increased to 80% of the daily calculation base from 1 May until the end of June and, on 21 April, the Parliament decided to increase it retroactively from 1 April and make parents eligible under non-standard employment contracts (agreement to perform a task, agreement to perform work). For most families the level of this benefit will represent about 90% of the net wage, while currently it is about 70%. This measure reflects an original proposal of the MLSA from March, which then did not make it through government coalition negotiations.

Self-employed persons affected by the COVID-19 crisis will be provided with a benefit of 500 CZK (€18.5) daily in May and June, which is about 15,000 CZK (€556) per month. This is above the minimum wage of 14,600 CZK (€541). The opposition parties did not agree with this proposal, criticising the low level of the compensation: they called for 700 CZK (€26) per day during May and 900 CZK (€33) per day during June.

The government also suggested protecting tenants who are in insolvency problems due to COVID-19 against evictions, by suspending any evictions until the end of year. The Senate rejected this proposal and sent it back to the government on 17 April, suggesting that the state should guarantee the owners 80% of the rent due in such cases. On 22 April, the Parliament outvoted the Senate's decision and established that rent due should be paid by the end of the year at the latest, including any delayed interest. At the same time, rents must not be increased during 2020.

Indebtedness and evictions are a major source of homelessness (e.g. Baptista, I. and Marlier, E. 2019, Sirovátka et al. 2019). For this reason, the Agency for Social Inclusion has published a recommendation to municipalities on how to proceed with tenants if they do not pay rent on time because of the impact of COVID-19.



## Outlook and commentary

The above measures alleviate the most apparent impacts of the COVID-19 crisis on income and employment. The risk of poverty and social exclusion in the Czech Republic is one of the lowest among EU countries, as is also the unemployment rate. Although the income compensation measures adopted may protect households against sudden material deprivation, there is a danger of increasing indebtedness among the population (due to an inability to pay rent/mortgages, utility bills, repayments of consumer goods or other loans) and, in the long run, a risk of evictions for similar reasons. Two groups particularly vulnerable to these risks are people on short-term contracts and single parents. Many of the former, who are often low-skilled workers, may become unemployed. As for the latter, mostly women, the care benefit is often their only income source (see above). Both groups lack the financial resources to bridge the crisis period.

The opposition parties criticise, in particular, the government support to the self-employed as inadequate, since the lost revenues/profits due to closure of shops and services are not compensated for; they are calling for stronger support. On 15 April, the government published a timetable to gradually end the lockdown between 23 April and 8 June when all businesses would resume activity, as long as the epidemic situation remains under control. Since the current figures

on the epidemic are promising in the Czech Republic, there is less of a prospect of negative social impacts of the COVID-19 crisis: the government changed its decision on 23 April and announced an even earlier complete lifting of the lockdown: by 25 May. On 30 April, as a result of Parliament's approval, this date was changed to 17 May.

## Further reading

Agentura pro sociální začleňování & Ministerstvo pro místní rozvoj [Agency for Social Inclusion & Ministry of Regional Development] 2020, "Doporučení obcím k postupu při ztrátě či snížení příjmu obyvatel města v souvislosti s nouzovým stavem" (only in Czech), <https://www.socialni-zaclenovani.cz/doporuzeni-obcim-k-postupu-pri-ztrate-ci-snizeni-prijmu-obyvatel-mesta-2/>

Baptista, I. and Marlier, E. 2019, "Fighting homelessness and housing exclusion in Europe: A study of national policies", European Social Policy Network (ESPN), Brussels: European Commission.

Government/Vláda 2020. Regulations and news on epidemic, <https://www.vlada.cz/cz/epidemie-koronaviru/>

MF Ministry of Finance 2020. Press releases, <https://www.mfcr.cz/cs/aktualne/tiskove-zpravy>

MLSA/MPSV 2020. Ministry of Labour and Social Affairs. Press releases, <https://www.mpsv.cz/web/cz/tiskove-zpravy-mpsv>

Sirovátka, T., Jahoda, R. and Malý, I. 2019, "ESPN Thematic Report on National strategies to fight homelessness and housing exclusion - Czech Republic", European Social Policy Network (ESPN), Brussels: European Commission.

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