

**Council Recommendation  
on Access to Social Protection  
for Workers  
and the Self-Employed  
(2019/C 387/01)**

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Report of the Czech Republic

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## 1 Introduction

The Council Recommendation on Access to Social Protection of Workers and the Self-Employed (hereinafter the “Recommendation”), in force as of 15 November 2019, recommends in paragraph 19 that Member States submit a national action plan with information on appropriate measures to be taken at national level to implement the Recommendation’s objectives. The Recommendation applies to branches of social protection which are related to the economic activity of persons and provide protection against loss of income from gainful activity when a certain social risk arises. These are unemployment benefits, sickness benefits and benefits in kind, maternity and equivalent paternity benefits, invalidity benefits, old-age benefits and survivors’ benefits, and benefits in respect of accidents at work and occupational diseases. The Recommendation does not apply to the provision of access to social assistance and minimum income schemes. The Recommendation covers formal and effective social security coverage and the adequacy and transparency of the social protection scheme concerned. A separate monitoring framework has been set up and approved by the Social Protection Committee to monitor the implementation of the Recommendation.

The Czech Republic already meets most of the Recommendation’s objectives. Above all, it ensures the formal access of the vast majority of persons performing a gainful activity to all public social protection insurance schemes, regardless of the type of gainful activity and contractual relationship. Whereas access to these schemes is not differentiated, the portability of rights is guaranteed with regards a person’s change of status. With regard to the access of the self-employed persons (hereinafter the “self-employed”) to unemployment benefits and unemployment insurance, the Czech Republic goes beyond the recommendation, as this type of insurance is compulsory for the self-employed in the Czech Republic. However, the monitoring framework also defines weaknesses, i.e. differences between the recommendations and the actual state of the Member State’s social protection scheme .

For the Czech Republic, these are mainly the following:

(1) formal and/or effective coverage of “non-standard workers” (employees under agreement to perform a job or agreement to complete a working activity) who

do not have an absolute access to the social protection scheme; these employees with an income below the statutory income threshold are not insured by any scheme in relation to gainful activity or not entitled to all sickness insurance benefits.

(2) In the case of the self-employed, the monitoring framework states that there is no public scheme in the Czech Republic to cover the risk of accidents at work and occupational diseases (598,086 self-employed are not covered by the public insurance scheme for accidents at work and occupational diseases). Recital (18) of the Recommendation states that it seems less justified that insurance for the self-employed in the field of accidents at work and occupational diseases should not exist or be only voluntary, as these risks are the same as for employees. On the contrary, voluntary unemployment insurance for the self-employed is considered reasonable, because these persons make a decision to bear the entrepreneurial risk themselves.

Regarding voluntary sickness insurance for the self-employed, the recommendation states that an “opt-out” type scheme usually means that there will be many more insured persons than in the case of an “opt-in” scheme, which is applied in the Czech Republic. Statistical data show that only a minimum of the self-employed are sickness insured in the Czech Republic when compared to the total number of socially insured persons. More precisely, only about 16% of the self-employed have taken the opportunity to enter voluntary sickness insurance.

Based on Article 19 of the Recommendation, the Czech Republic submits this report, which describes in detail the Czech social protection scheme in the areas concerned, recent reforms and measures, as well as reflections on changes to address the identified challenges. Decisions on the reforms to address these challenges will be made by the government established after the October 2021 parliamentary elections. Discussions with stakeholders, in particular social partners, will continue in preparation for these measures.

## 2 Labour market and employment

In the long-term, the labour market in the Czech Republic has been in good condition and highly stable. The Czech Republic has been achieving very low unemployment rate within the EU for a long time, even as the economic consequences of the COVID-19 pandemic are affecting the labour market. The employment rate of

the 20–64 age group reached 80.3% in 2019; it is higher for men (87.7%) than for women (72.7%). The difference in the participation of women and men in the labour market in the Czech Republic constitutes a long-term structural issue related mainly to the socio-cultural environment, i.e. the dominance of women in childcare and their higher participation in education.

In the 4th quarter of 2020, the employment rate in the 20–64 age group was 79.7%, decreasing year-on-year by 0.8 pp. The employment rate of women of the same age in this period reached 71.9%, a year-on-year decrease by 1.1 pp, which was thus higher for women than for men of the same age. The year-on-year employment rate of men fell to 87.2%, i.e. by 0.6 pp.

There is a positive phenomenon of the long-lasting low unemployment rate, which was 2.0% in the age group of 20-64 years in 2019, including a low long-term unemployment rate of 0.6%; it remained at the same value in the 4th quarter of 2020, increasing more significantly for younger persons aged 15–29, by 0.3 pp to 1.1%.

Regarding the participation of the self-employed in the labour market, in 2019 self-employed persons accounted for 13.3% of total employment, with a slight increase in 2020 up to 13.5% in its 4th quarter. The share of the self-employed is higher for men: the self-employed accounted for 16.2% of all employed men in 2019, and for 16.3% in the 4th quarter of 2020. The share of women in their employment was lower, accounting for 9.7% on average in 2019 and for 10 % at the end of 2020.

The basic legal regulation on access to the employment and support in the loss of employment (including financial security in unemployment) is Act No 435/2004, on Employment, as amended. In case they lose their job, i.e. their gainful activity, the self-employed may also become job seekers and use the services provided by the Labour Office of the Czech Republic and receive unemployment benefits or retraining support. For the entitlement to the unemployment benefits is crucial to obtain a period of social insurance of at least 12 months in the last 2 years preceding the person's inclusion in the register of job seekers. The length of the support period does not depend on the nature of the previous gainful activity, but on the person's age. It is 5 months for persons under 50 years of age, 8 months for persons to 55 years of age and 11 months for persons over 55 years of age, the decisive date being the submission date of the application for unemployment benefits.

One of the forms of support for job seekers' access to the labour market is also support for starting a self-employed activity. The Labour Office of the Czech Republic may provide a financial contribution to a job seeker who decides to create a job for himself or herself in order to start a self-employed activity. Such a job can also be supported by the Labour Office of the Czech Republic with a financial contribution (bridging allowance) for certain additional operating costs.

### 3 Social insurance

Social security insurance includes pension insurance premiums, sickness insurance premiums and contributions to the State employment policy, which are regulated by Act No 589/1992, on Premiums for Social Security and Contribution to the State Employment Policy, as amended. The payers of social security contributions and contributions to the State Employment Policy (hereinafter the "insurance premiums") are employers, employees who participate in sickness insurance, self-employed persons, foreign employees and persons voluntarily participating in pension insurance. In the Czech Republic, compulsory insurance premiums are paid for employees by their employer. The employee, as the payer of the insurance premiums, has no obligations in relation to such payment – these obligations are fulfilled by the employer on the employee's behalf – the employer deducts and pays the insurance premiums from the employee's eligible income. Any non-payment of the insurance premiums by the employer does not harm a specific employee, does not affect his or her participation in the insurance scheme and the prospective provision of sickness and pension insurance benefits. Insurance premiums are calculated as the product of the assessment basis and the percentage rate. This calculation must be performed by the employer. Employees' premiums are always calculated and paid for each calendar month. The employer's assessment basis is the amount corresponding to the sum of the assessment bases of its employees participating in sickness insurance. Pension and sickness insurance is based on the regular payment of a contribution – a premium in accordance with Act No 589/1992, on Premiums for Social Security and Contribution to the State Employment Policy. The insurance premium is an income of the State budget and the decision on assessment and the eligibility of payment may be subject to judicial review.

## 4 Sickness insurance

### 4.1 Employees in an employment relationship

In order for employees to participate in sickness insurance, two basic conditions must be met:

- employment in the Czech Republic (possibly temporary performance of work outside the Czech Republic, if the permanent place of employment remains in the Czech Republic);
- agreed or achieved decisive income.

If the stipulated conditions are met, the employees' participation in sickness insurance is mandatory. Employees are considered to be persons performing a dependent activity from which they receive income paid by their employer. These income are subject to income tax in accordance with a special legal regulation and are not exempt from this tax.

Employees in an "ordinary"<sup>1</sup> employment, who have an agreed (guaranteed) eligible income for each calendar month in the amount of the decisive income (in 2019 and 2020 at least CZK 3,000, in 2021 at least CZK 3,500), participate in sickness insurance from the beginning of employment until its end, regardless of the amount of income charged to them within individual calendar months. Participation in sickness insurance from employment arises on the day on which the employee began to perform work. The insurance terminates on the day of the end of employment that established participation in sickness insurance.

Furthermore, there are two more specific forms of employment.

- agreement to perform a job
- small-scale employment

### 4.2 Employees working under an agreement to perform a job and in a small-scale employment

In the case of employment performed under an agreement to perform a job, the fulfilment of the conditions of participation in sickness insurance is assessed separately in each calendar month. Such an employee participates in sickness insurance only in

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<sup>1</sup> Other than small-scale employment (income over CZK 3,500 per month)

the calendar month in which an income over of CZK 10,000 was settled. If there were several such agreements between the employee and the same employer within calendar month, the income from all agreements is sum up and if the total income exceeds CZK 10,000, the employee participates in sickness insurance under all the agreements to perform a job.

In the case of a small-scale employment, the conditions for assessing participation in sickness insurance apply by analogy to agreements to perform a job, i.e. participation in sickness insurance is assessed on a monthly basis – incomes from all small-scale employments in one calendar month with one employer are sum up. In the case of small-scale employment, participation in sickness insurance is based on income settled within a calendar month in the amount of decisive income, i.e. at least CZK 3,000 in 2019 and 2020, and CZK 3,500 in 2021.

When assessing participation in sickness insurance arising from small-scale employment, the eligible income charged by the employer only after the end of the small-scale employment is considered as an income for the purposes of this insurance charged in the calendar month in which the period of employment ended. The same applies in the case of an agreement to perform a job.

Employers are obliged to keep the necessary records of the facts decisive for entitlement to pension insurance benefits, their amount and payment and submit them to the relevant social security authorities. The employer notifies the authorities about the employee's date of commencement of small-scale employment or employment under agreement to perform a job up to the 20th calendar day of the calendar month following the calendar month in which the employee's participation in sickness insurance arose. Therefore, if participation in sickness insurance does not arise during employment under such agreements or if there are no decisive facts for entitlement to pension insurance benefits, the employer is not obliged to inform the social security authorities. Because of this, the social security authorities do not know the exact number of employees working under such agreements.

#### 4.2.1 Identified differences

Agreements to perform a job are a relatively wide-spread employment relationship, especially with regard to their flexibility, i.e. the possibility of flexibility involving the employee to perform work based on the employer's needs and also with



regard to the relatively low costs thereof and the possibility of easy creation and termination of this labour-law relationship. However, the agreement to perform a job is limited by the maximum allowed scope of the performed activity, which may not exceed 300 hours in a calendar year under one employer. Workers performing activities under an agreement to perform a job are not guaranteed full social protection and the same working conditions as employees in a “ordinary” employment relationship.

In the case of an agreement to perform a job, the employee is entitled to sickness insurance benefits, namely sickness benefits, maternity and paternity benefit, if the general conditions are met only in months when the insured person has already reached the amount of decisive income, i.e. at least CZK 10,001. However, such person is completely excluded from the entitlement to an attendance allowance, a long-term attendance allowance and a compensatory benefit in pregnancy and maternity. There is also no protection period attached to this labour-law relationship, i.e. the right to sickness benefits and maternity benefit does not arise after the end of this employment. Therefore, there may be issues with entitlement to benefits especially for pregnant women who would like to claim the right to maternity benefit, or to sickness benefits and subsequently to maternity benefit. In such cases, entitlement to the benefit often does not arise simply because the illness occurs or the maternity benefit are taken up at the beginning of the month when, for logical reasons, the insured person has not yet been able to reach a decisive amount. However, months when an employee has not earned more than CZK 10,000 are not counted as a working (insured) period for the purposes of assessing entitlement to a pension.

The Czech Republic is of the opinion that access to social insurance scheme depending on a certain amount of income from gainful activity is in line with the spirit of the Recommendation, which allows such a possibility in recital (20) and it also calls for reassessing the amount of such income so as to lead to transition of employees to less precarious forms of employment and the elimination of segmentation on the labour market. In this regard, it is appropriate to assess the extent of the use of these flexible forms of employment and the setting of appropriate limits (income from gainful activity or the working period) for participation in social insurance schemes.

Practical experience shows that this instrument<sup>2</sup> is fully used by some employers in order to avoid paying insurance premiums, even though the nature of the activity performed corresponds more to an “ordinary” employment relationship. This has a long-term negative impact not only on State budget revenues, but also on employees’ pension entitlements.

From this point of view, the decisive amount to enter sickness insurance appears to be disproportionately high and it would be appropriate to consider its reduction as one of the options that could lead to a reduction in the overuse of this employment relationship and strengthen social protection for employees. Therefore, it would be appropriate to start a discussion on lowering the current limit and setting a new, more optimal amount for entry into insurance of employees working under agreements to perform a job. However, the new setting must take into account that a relatively small reduction will be met by the employers quickly responding to the situation (e.g. by spreading the employee’s income over several months). However, if, on the other hand, the relevant amount were reduced relatively sharply, for example to the level used for small-scale employment (i.e. most agreement to complete a working activity), the concept of agreements to perform a job would lose its importance and attractiveness. Next possibility could be to reduce the limit of worked hours under an agreement to perform a job from 300 to 150 hours in a calendar year. Reduction of the maximum allowed number of hours worked under such agreement could reduce the interest in using this instrument, which could lead to the conclusion of another forms of employment relationships (“ordinary” contract of employment, agreement to complete working activity).

On the other hand, it should be noted that it is not desirable to completely eliminate agreements on work performed outside the employment relationship, because, for example, a flexible form of the basic labour-law relationship would cease to exist. And the flexibility of these relationships is currently very desirable. Job opportunities would also be reduced, especially for students and pensioners. We could also expect pressures to reduce the protection of employees under contract of employment. It would increase the use and replacement of labour-law relationship by contracts under the Civil Code (contract for work, mandate), and the creation and termination of

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<sup>2</sup> Agreement to perform a job

employment and the assignment of work would be less flexible. It would result in an increased administrative burden for employers.

In light of the above, it is recommended to keep the agreements on work performed outside the employment relationship and to subject the relevant provisions of the Labour Code to discussion and, if necessary, amend them to match the current situation.

#### 4.3 Self-employed persons

Participation in sickness insurance is voluntary for self-employed persons. A self-employed person participates in sickness insurance to meeting the following conditions:

- he or she pursues activity as a self-employed in or outside the territory of the Czech Republic but based on authorisations under Czech legal regulations. This applies in cases where the determination of to the applicable legislation is not addressed by an international social security agreement or EU coordination regulations.
- he or she submitted an application to participate in sickness insurance on the prescribed form.

If a self-employed person pursues several self-employed activities at the same time, he or she is sickness insured only once. A self-employed person who pursues secondary activity<sup>3</sup> as a self-employed person may also participate in sickness insurance, even if he or she is not obliged to pay advance payments for pension insurance premiums. A self-employed person enters sickness insurance on the day specified in the application for participation in the insurance, but not before the day on which the application was submitted; a self-employed person cannot apply for sickness insurance retrospectively.

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<sup>3</sup> A self-employed person may be considered a person pursuing secondary activity as a self-employed person in those calendar months in which self-employed activity was pursued for at least part of the month, and the reason for self-employment to be secondary lasted for at least part of this period (employment, entitlement to a disability pension or old-age pension, entitlement to parental allowance or maternity benefit or sickness benefits due to pregnancy and childbirth, personal care for a person under 10 years of age who is dependent on the assistance of another person in the first degree or a person who is dependent on the help of another person in the second, third or fourth degree, a dependent child).

A self-employed person's participation in sickness insurance ends as follows:

- on the day from which he or she withdrew from sickness insurance;
- on the day of the end of performance of self-employed activity;
- on the day of termination of authorisations to pursue activity as a self-employed;
- on the day on which he or she has been suspended from pursuing activity as a self-employed;
- on the first day of the calendar month for which the insurance premium was not paid within the specified period or was paid in a lower amount than it should have been;
- on the day of the commencement of imprisonment or pre-trial detention.

In December 2020, 97.4 thousand self-employed persons with sickness insurance were registered (there were 716.7 thousand self-employed persons obliged to pay advances on pension insurance premiums in the same period).

#### 4.3.1 Identified differences

Due to the fact that the participation of self-employed persons in sickness insurance is voluntary, the entitlement to sickness insurance benefits of these persons is associated with certain additional conditions.

An employee participates in the insurance from the first day of taking up employment and is entitled to sickness benefits (from the 15th calendar day of temporary incapacity to work). A self-employed person is also entitled to the payment of sickness benefits from the 15th day, however, he or she must have participated in sickness insurance for at least 3 months immediately preceding the day of temporary incapacity to work.

To be entitled to the *maternity benefit*, the insured person must have been insured for 270 days in the last two years before taking up the maternity benefit. There is an additional condition for self-employed persons, who must have been insured for 180 days in the last year before beginning of the support period.

The right to *compensatory benefit in pregnancy and maternity* arises only for employees (with the exception of, for example, employees working under an agreement to perform a job or participating in the insurance scheme through small-

scale employment) who have been transferred to another position by the employer because the work they usually perform is prohibited in pregnancy, after childbirth or if the employee is breastfeeding.

The right to *paternity benefit* arises for the insured person who takes care of the child of which he is the father, or after taking the child into care. To be entitled to paternity benefit, a self-employed person must have participated in insurance for at least 3 months immediately preceding the day of taking up paternity benefit.

Entitlement to *attendance allowance* arises only for employees; self-employed persons are not entitled to this benefit even if they participate in sickness insurance. Also, some groups of employees, including employees working under an agreement to perform a job and employees participating in insurance through small-scale employment, are not entitled to attendance allowance due to the nature of the activity performed.

In the case of a *long-term attendance allowance*, the employee must have participated in sickness insurance for 90 days in the last 4 months immediately preceding the day the need for long-term attendance arose or the day of first taking over this care. Employees working under an agreement to perform a job and employees participating in insurance through small-scale employment are not entitled to the long-term attendance allowance. In the case of self-employed, they must have participated in sickness insurance for at least 3 months immediately preceding the day the need for long-term attendance arose or the day of first taking over this care.

The conditions for entitlement to sickness insurance benefits for self-employed persons result from the nature of self-employment and the voluntary participation of self-employed persons in sickness insurance. Voluntary participation of self-employed persons in sickness insurance on an opt-in basis reflects not only the flexibility and independence of self-employment but also the fact that the sickness insurance scheme in the Czech Republic is based on a combination of employers' participation who compensate employees during the first 14 days of temporary incapacity to work, and the provision of sickness benefits from the sickness insurance scheme after the 15th day of temporary incapacity to work. The opt-in scheme is also in line with the general policy of supporting self-employment and efforts to optimise its tax burden. At present,

no changes are being prepared in the area of the self-employed and their participation in sickness insurance.

#### 4.4 Information and administrative simplification

As of 1 January 2020, a mandatory electronic system for reporting temporary incapacity to work was launched – e-Sick Leave (eNeschopenka) (Act No 187/2006, on Sickness Insurance, as amended by Act No 259/2017 and Act No 164/2019). The transition to electronic agenda significantly simplified the administration associated with temporary incapacity to work and accelerated the transfer of information between insured persons in temporary incapacity to work, the Czech Social Security Administration (hereinafter “CSSA”), doctors and employers. Among other things, the insured person no longer has to hand over the documents to the employer, and the wage and sickness compensation will be paid to him or her by default. The introduction of e-Sick Leave has proved to be particularly beneficial and significant at the time of the COVID-19 pandemic, as it allowed for reduced contact between doctors and potentially infected insured persons in justified cases (e.g. in the case of quarantines).

In 2020 and 2021, in connection with the COVID-19 pandemic, the process of applying for other sickness insurance benefits was also simplified. Although employees continue to submit applications for attendance allowance, long-term attendance allowance, maternity benefits and paternity benefit to the employer in paper form, all documents from the employer are submitted to sickness insurance authorities in electronic form, including documents for calculating the amount of benefits based on previous income. The electronic transmission of applications has speeded up the payment of benefits and reduced the error rate.

With effect from 1 January 2021, an amendment was incorporated into the Czech legal system within the scope of the Income Tax Act, enabling small and medium-sized entrepreneurs – self-employed persons, whose annual income from business does not exceed CZK 1,000,000, to enter a flat-rate regime. They are able to get rid of the obligation to pay income tax, social insurance and health insurance premiums through three different forms, option for a single lump sum payment instead. The flat-rate levy is paid monthly in a single payment and it includes the minimum social and health insurance payments for the given year (i.e. the amounts that all taxpayers are already required to pay) and the amount of personal income tax. For the

year 2021, this total flat-rate advance payment is set at CZK 5,469. A taxpayer who has opted for this single levy (it is voluntary) and fulfils his or her legal obligations will thus have significantly reduced administrative burden. For example, the obligation to file personal income tax return and insurance premiums summaries is eliminated and any tax control is meaningless, reducing the administration burden of participants in the flat-rate scheme. For 2021, over 70,000 entrepreneurs opted for the new flat-tax scheme.

## 5 Pension insurance

### 5.1 Employees

Participation in pension insurance is mandatory for all employees; for the purposes of pension insurance, service in the armed forces, civil service, membership in a cooperative, etc. are also considered employment. The most widespread insurance relationship is employment by contract of employment.

### 5.2 Self-employed persons

Specific rules are applied to self-employed persons and their participation in pension insurance. This participation is not tied to participation in sickness insurance, because it is only voluntary for them. The decisive factor is the nature of self-employed activity. That is, whether it is a “primary” or “secondary” activity. In the case of secondary self-employed activity, the decisive factor is the amount of income (tax base) from this activity. If it reaches the limit of 2.4 times the average wage, participation becomes mandatory. However, voluntary participation is possible at any time. A person pursuing “primary” activity as a self-employed person is always obliged to participate in the pension insurance. Even in the case of very low incomes, such person is obliged to pay insurance premiums at least from the minimum assessment basis (1/4 of the average monthly wage).

#### 5.2.1 Identified differences

In the case of self-employed persons, the minimum assessment basis is specially adjusted for primary and secondary activity. The lowest monthly assessment basis for primary activity is 25 % of the average wage. For secondary activity, this is 10 % of the average wage. A person pursuing primary self-emp activity is obliged to

pay advances on pension insurance premiums, regardless of the amount of the tax base achieved in the past year. Payment of insurance premiums is voluntary for person pursuing a secondary self-employed activity; it only becomes mandatory when a decisive amount is reached.

### 5.3 Formal coverage of persons working under agreements to complete a working activity, agreements to perform a job

Employees performing an activity under an agreement to complete a working activity or an agreement to perform a job are compulsorily participating in the pension insurance if they perform this activity to the extent that establishes participation in sickness insurance. In principle, those who participate in sickness insurance are also involved in pension insurance. Participation in the sickness insurance of employees who work under such agreements is described above in this report.

Voluntary participation in pension insurance is also possible. People over the age of 18 also can participate in the insurance if they have applied to participate in the insurance and the participation in the insurance concerns the period for which the qualified reasons listed in the Pension Insurance Act last (e.g. period of registered unemployment without entitlement to the unemployment benefit, period of study, etc.). In addition, other persons over the age of 18 may participate in voluntary pension insurance if they have applied to participate in the insurance, and no qualified reasons for such participation are given. However, participation in this way is possible for a maximum of 15 years, provided that for the period before the application is submitted, participation in this insurance is possible for a maximum of one immediately preceding year. The voluntary participant's assessment basis for pension insurance premiums is an amount determined by that person themselves, but at least an amount of one quarter of the average wage.

### 5.4 Adequacy of pension benefits

The pension insurance scheme has two functions. The first is income equivalence and the second is income solidarity. Non-contributory periods of insurance fulfil the solidarity function. These are situations which the pension insurance legislation consider participation in pension insurance, even though the given person was not actually paying contributions to the pension scheme. The nature of such



situations includes: the performance of a socially beneficial activity that does not result in income; a person who happens to get into a difficult social position through no fault of their own, which in terms of the solidarity principle justifies his or her participation in pension insurance without the need to pay premiums. The list of non-contributory periods of insurance changes over time and it is gradually narrowed. This group includes, for example:

- people in the register of job seekers (to the extent stipulated by law);
- people caring for children under 4 years of age;
- people caring for a person who is dependent on the help of another person;
- people receiving a disability pension for third degree disability, etc.

In the case of non-contributory period of insurance for care, they are counted for pension insurance purposes with the same weight as periods of participation in the insurance due to the gainful activity. They are then excluded when calculating the assessment basis, so that the average of the actually achieved income is not reduced. Therefore, periods of care do not in themselves reduce the amount of the caregiver's pension without any further facts.

The Fair Pensions Commission, an advisory group under the Minister of Labour and Social Affairs, has addressed the issue of the fairness of the current pension scheme, especially in view of the lower average income of women compared to men. The MoLSA supplemented the discussed measures and at the end of 2020 submitted a comprehensive pension reform to the inter-ministerial comment procedure consisting in a change in the architecture of old-age pensions.

Regarding the adequacy of pension benefits and the issue of the amount of insurance premiums for self-employed persons, the MoLSA sent an information letter to all persons pursuing a primary self-employed activity in 2016. The self-employed determine the assessment basis themselves within the range of the minimum (calculated) and maximum assessment basis. In the letter, the MoLSA drew their attention to the possibility of receiving only a very low pension in the future and tried to motivate the self-employed to opt for a higher assessment basis and pay higher pension insurance premiums. A number of members of the Fair Pensions Commission

also called for a gradual increase in the minimum insurance premium for self-employed. This issue will continue to be considered.

## 5.5 Transparency and information

In the area of the pension agenda and the claim supporting documents, the following services of the ePortal of the CSSA are made available:

- Application for the compilation of a personal pension insurance information document (Informativní osobní list důchodového pojištění – IOLDP)
- Preview of the personal pension insurance information document
- Overview of pension insurance periods
- Pension Information App (Informativní důchodová aplikace – IDA) – this service provides an overview of registered pension insurance periods supplemented by information on the retirement age and the required insurance period for entitlement to old-age pension; it is thus possible to find out whether the insured person has already fulfilled the conditions for entitlement to old-age pension, or when this will happen.
- Informative old-age pension calculation – this service provides the insured person within 5 years retirement age with the option have their old-age pension calculated online (for information purposes only) using pension insurance periods registered by the CSSA.

The ePortal's services can be further developed to increase the awareness of the insured about the pension scheme and to offer information on the amount of future pension benefits with the addition of additional functionalities – e.g. predictive or calculation modules for more than 5 years before retirement age.

## 6 Public health insurance

Public health insurance in the Czech Republic is mandatory, it serves to pay for health services and is regulated by Act No 48/1997, on Public Health Insurance. Health insurance covers persons who have a permanent residence in the Czech Republic or persons without a permanent residence in the Czech Republic but are employees of

an employer who has a registered office or permanent residence in the Czech Republic.

Under public health insurance, payers pay premiums that correspond to the amount of their income and which are not related to their health condition or risk for the insurance company. In accordance with Act No 592/1992, on Public Health Insurance Premiums, the amount of premiums is 13.5 % of the assessment basis. The payers are obliged to calculate the amount of the insurance premium themselves.

The following are the payers of health insurance in the Czech Republic: the State (which pays premiums for a group of persons defined in Section 7 of Act No 48/1997); the employer; and the insured (employees, self-employed, people without taxable income).

## 6.1 Employer and employee

An employee is a person who has income from dependent activity in accordance with Section 6 of the Income Tax Act. The employer pays health insurance premiums for employees in the amount of 13.5 % of the assessment basis. They deduct 4.5 % from employees' salary and pay the remaining 9 % from their own resources.

### 6.1.1 Identified differences

In the case of an agreement to complete a working activity or agreement to perform a job, a decisive income must be achieved (CZK 3,500 for the latter from 2021, and CZK 10,000 for the former) in order to be considered as an employee to be insured from the point of view of health insurance. A person who does not reach the decisive income from his or her gainful activity is not considered an employee for the purposes of health insurance, and therefore cannot be a member of the public health insurance scheme of the Czech Republic through the gainful activity. This does not preclude such person from participation in the public health scheme through his or her permanent residence in the Czech Republic.

## 6.2 Self-employed persons

Self-employed persons pay health insurance premiums in the amount of 13.5 % of their assessment basis. The assessment basis for self-employed persons is 50 % of their tax base or partial income tax base from their independent activities.

The minimum assessment basis for self-employed persons is set by the Public Health Insurance Premium Act as twelve times 50 % of the average monthly wage. If the achieved assessment basis of a self-employed person is lower than the minimum assessment basis, this self-employed person is obliged to pay premiums from the minimum assessment basis.

In 2021, the minimum contribution to health insurance is set at CZK 2,393. Advance payments of health insurance premiums do not have to be paid by self-employed persons who are also employees, i.e. their self-employed activity is not the primary source of their income.

#### 6.2.1 Identified differences

In the case of self-employed persons, a distinction is made as to whether a given activity is performed by a person as the primary activity (i.e. this business is the only or predominant income) or as a secondary activity (i.e. health insurance premium is also covered by employment or paid by the State).

Persons pursuing a secondary self-employed activity, if they are also employees and employment is the main source of their income, do not have to pay health insurance advances; they will only pay the premiums after submitting an annual statement of income and expenses.

A self-employed person whose insurance premiums are paid by the State (e.g. a pensioner, a student), pays advances calculated from the income actually achieved in the previous year. Persons pursuing a primary self-employed activity must pay at least a minimum advance payment for health insurance; after submitting a statement of income and expenses, they pay a premium supplement, if any, and the amount of the advance payment for the next year is determined.

## 7 Accidents at work and occupational diseases

The security of employees in the event of damage or other than proprietary harm incurred in connection with an accident at work or an occupational disease is regulated in particular by Act No 262/2006, the Labour Code, as amended. According to this Act, the employer is obliged to pay the employee compensation for loss of earnings during

the period of incapacity to work and after the end of incapacity to work, a compensation for pain and difficulty of social employability, compensation for reasonable medical expenses and compensation for material damage. In the event of the death of an employee as a result of an occupational accident or disease, the responsible employer is obliged to provide compensation for the reasonable costs of treatment and the reasonable costs of burial, compensation for the costs of maintenance of the survivors, a lump sum compensation for non-pecuniary damage to the survivors and compensation for pecuniary damage to the heirs of the deceased employee.

The employer's responsibility under labour law is an objective responsibility, which results from the nature of dependent work. This means that if the employer is not released from its liability for reasons stipulated by law, it is obliged to provide the employee with the compensation for damage or other than proprietary harm.

Every employer who employs at least one employee (with the exception of State organisational units) is legally insured in the event of its liability for damage in connection with an accident at work or an occupational disease, either with Generali Česká pojišťovna, a.s. or Kooperativa, pojišťovna, a.s. VIG. In the event of damage or other than proprietary harm for which the employer is liable to the employee, the relevant insurance company shall pay the claim on behalf of the employer. If the employer directly pays compensation to the injured employee, the employer has the right to be reimbursed by the relevant insurance company for the amount of compensation provided. The conditions and rates of the employers' statutory insurance are laid down in Decree of the Ministry of Finance No 125/1993, as amended.

As far as the self-employed is concerned, these persons are not subject to the labour-law at the time of the accident, but rather to regulations of Act No 89/2012, the Civil Code, as amended. It is up to each individual self-employed person to decide whether to take out commercial insurance with one of the insurance companies when assessing a work risk. In the event of an accident or confirmed occupational disease, its compensation is then carried out in accordance with the contractual conditions of the given insurance company.

## 8 Measures applied in connection with the COVID-19 pandemic

### 8.1 Labour market and maintaining employment

The primary goal of employment policy in 2020 was to prevent the mass unemployment due to the COVID-19 pandemic and to maximise the accessibility of employment services in times of limited physical contact. The following measures have been taken to maintain the employment rate.

#### 8.1.1 Targeted employment support programme “Antivirus”

On 31 March 2020, by Resolution No 353 in accordance with Section 120 of Act No 435/2004, on Employment, as amended, the Government of the Czech Republic approved the Targeted Employment Support Programme “Antivirus” (hereinafter the “Antivirus Programme”). The aim of this programme, the implementation of which was launched on 6 April 2020 and which is still ongoing (May 2021), is to maintain employment among employers affected by the COVID-19 pandemic and the related measures. The programme provides contributions to the costs the employers incur as a result of payment of wage compensation for the period when they cannot assign the employees to work, i.e. for the duration of decisive obstacles at work. The Antivirus Programme has been approved with two mode.

In mode A, the employer is provided with a contribution in the amount of 80 % of the paid wage compensation (and the amount of the paid insurance premiums), but a maximum of CZK 29,000 per month per employee. Mode A applies where the reason for the payment of wage compensation is an important personal obstacle to work on the part of the employee consisting of quarantine or isolation order and in cases where the reason for the obstacle at work is a ban or restriction of the employer’s activities due to the government crisis measures or emergency measures taken by public health protection authorities.

In mode B, the employer is provided with a contribution in the amount of 60 % of the paid wage compensation (and the amount of the paid insurance premiums), but a maximum of CZK 39,000 per month per employee. Mode B applies where the reason for the impossibility of assigning work to an employee is an obstacle to work on the side of the employer in accordance with Sections 207, 208 or 209 of Act No 262/2006, the Labour Code, as amended.

In October 2020, the Antivirus Programme was supplemented by the A Plus mode. In mode A Plus, the employer is provided with a contribution in the amount of 100 % of the paid wage compensation (and the amount of the paid insurance premiums), but a maximum of CZK 50,000 per month per employee. This mode applies only in those cases where the employer's operation is directly prohibited or directly significantly restricted by government's crisis measures or extraordinary measures of public health protection authorities.

However, self-employed persons can use the Antivirus Programme only if they have employees. At the same time, the Antivirus Programme is intended exclusively for the wage (entrepreneurial) sphere.

## 8.2 Social security contribution

In the area of insurance premiums for the social security and contribution to the State employment policy, temporary legislation was approved in connection with the emergency measures taken during the COVID-19 pandemic, which led to a reduction in business opportunities, aimed primarily at supporting the self-employed and small businesses.

- In accordance with Act No 136/2020, on certain adjustments in the area of social security insurance premiums and contribution to the state employment policy and pension insurance in connection with extraordinary measures during the pandemic in 2020, self-employed persons were not obliged to pay prescribed advances on pension insurance premiums and the contribution to the state employment policy for the months March to August 2020. Premiums for the calendar year 2020 are reduced to exclude the amounts of minimum advances on premiums according to the number of calendar months of self-employment and its nature for the period March to August 2020.
- In connection with the postponement of the deadline for filing tax returns for 2019, the deadline for filing the Statement of Income and Expenditures for 2019 was also postponed. The self-employed were allowed to submit it without sanctions until 18 September 2020.
- Act No 255/2020, on the Reduction of Statutory Penalties for Social Security Premiums and contribution to the state employment policy paid by employers as taxpayers in connection with extraordinary measures during the pandemic in 2020 and amending certain acts, allowed the deferral of premiums to be paid

by the employer as a taxpayer from its assessment basis, for the months of May, June and July 2020. If the employer paid the employer's insurance premium no later than 20 October 2020 and at the same time paid the employee's insurance premium on time and in the set amount for May, June and July at the latest, the statutory penalty incurred due to late payment of the employer's insurance premium was reduced by 80 %.

- Act No 300/2020 on the Waiver of Social Security Premiums and Contributions to the state employment policy paid by some employers as taxpayers in connection with extraordinary measures during the pandemic in 2020 and amending Act No 187/2006 on Sickness Insurance, as amended, amended the waiver of premium paid by the employer as a taxpayer based on its assessment basis for the months of June, July and August 2020. The insurance premium could have been reduced by an employer who did not employ more than 50 employees participating in the sickness insurance on the last day of the month and who met the following conditions: the number of employees at the end of each of these 3 months did not decrease by more than 10 % compared to the number of such employees in March 2020, and the sum of the assessment bases of employees for each month (out of the above three) did not decrease by more than 10 % compared to the total of assessment bases of such employees in March 2020. Support under this programme (Antivirus C) was provided to 100,626 employers in June, 112,488 in July and 144,516 in August (draw rate as at 6 April 2021).

### 8.3 Attendance allowance

In response to the emergency measures taken in connection with the spread of COVID-19, the conditions for the provision of attendance allowance have been repeatedly adjusted, first during the closure of schools and other school facilities from 11 March to 30 June 2020 and then for the period from 5 October 2020 to 30 June 2021 ("crisis attendance allowance"). These measures were approved in view of the fact that many families with children who were dependent on attendance allowance during the period of the emergency measures would find themselves in an unfavourable economic situation over a longer period of time, as the sickness insurance benefit provided would no longer cover basic living cost and needs of these families, especially in the case of single-parent families. The amendments to the crisis attendance allowance followed up on Act No 187/2006, on Sickness Insurance, which regulates the general conditions for the provision of attendance allowances. These



conditions were further supplemented by Act No 133/2020, on certain adjustments in social security in connection with extraordinary measures during the pandemic in 2020, as amended by Act No 230/2020 and Act No 255/2020, for the period up to 30 June 2020 and by Act No 438/2020, on adjustments to the provision of attendance allowance in connection with extraordinary measures in the event of an pandemic and amending Act No 187/2006, on Sickness Insurance, as amended by Act No 173/2021 and Act No 183/2021, for the period up to 30 June 2021.

These were mainly the following adjustments:

- attendance allowance provided in connection with an emergency measure during an epidemic is granted for attendance of a broader scope of persons (children); in the period from 11 March to 30 June 2020, this extension applied mainly to children under the age of 13;
- the possibility of providing attendance allowances for employees working under an agreements to complete a working activity or an agreement to perform a job participating in sickness insurance was introduced (therefore, the principle that small-scale employees are not entitled to the attendance allowance, regardless of the legal relationship on the basis of which they are employed, has been maintained);
- there has been an extension of the support period for attendance allowance, which lasts for the entire period a school or school facility is closed due to an extraordinary measure, or for the duration of a quarantine ordered in connection with COVID-19;
- the attendance allowance was increased from 60 % of the daily assessment basis to 80 % of the daily assessment basis in the period from 1 April to 30 June 2020; to 70 % of the daily assessment basis for the period the epidemic emergency measure was in force in the period from 5 October 2020 to 28 February 2021 and to 80 % of the daily assessment basis for the period the epidemic emergency measure has been in force in the period from 1 March 2021 to 30 June 2021. From 14 October 2020, the minimum amount of the benefit provided in connection with an emergency measure in the event of an epidemic is set at CZK 400 per day for employees in a full-time employment or service relationship.

Within the framework of administrative simplification, a new application form for attendance allowance for child attendance due to a closure of an educational facility (school) was also prepared in autumn 2020, combining elements of the original attendance allowance application for school facility closure and of the attendance (care) report; this form also does not require confirmation of the school.

In 2020, a total of 1,255,942 attendance allowance benefits were paid (in 2019 it was 550,627 benefits). The number of applications for attendance allowance due to school closures was monitored for the period from 12 March to 4 August 2020 and for the period from 1 September to 31 December 2020. As of 4 August 2020, the CSSA registered a total of 312,738 applications for attendance allowance due to the closure of schools, of which 0.27 % were applications from persons working under an agreement to complete a working activity or an agreement to perform a job. For the period from 1 September to the end of 2020, a total of 102,585 applications for attendance allowances were registered due to the closure of schools (the share of applications from persons working under the above agreements was not statistically monitored in a separate manner).

In connection with extraordinary measures, the self-employed persons were provided with attendance allowance within the framework of a special subsidy programme of the Ministry of Industry and Trade. The provision of attendance allowance from these subsidy programmes is considered as a temporary measure, the need for which was caused by the long-term closure of schools and other school facilities.

#### 8.4 Extraordinary allowance in the case of ordered quarantine

In order to reduce the decrease in employees' income in the case of ordered quarantine and to contribute to the limitation of the spread of the SARS-CoV-2 virus, Act No 121/2021, on the Extraordinary Allowance for Employee in Ordered Quarantine, was adopted, which was subsequently amended by Act No 182/2021. In accordance with this act, in the period from 1 March to 30 June 2021, sickness insured employees who have been ordered to quarantine or stay in isolation due to an infectious disease (Covid-19 or other) are entitled to an extraordinary allowance. The allowance is paid in the amount of CZK 370 for each calendar day, but no longer than for the first 14 calendar days of the ordered quarantine. If the sum of the allowance and the income

compensation exceeds 90 % of the average earnings for the corresponding number of missed working hours, the allowance will be reduced by this difference. The allowance is paid by the employer, who deducts the amount settled to the employees for the allowance from the amount of the insurance premium paid for the given calendar month. In March 2021, the allowance was paid to almost 199,000 employees.

#### 8.5 Measures in the area of public health insurance

In the income part of public health insurance, the Ministry of Health took measures in connection with the pandemic situation, which tried to alleviate the lack of liquidity faced by the self-employed. In the area of public health insurance, adjustments were made to the conditions for the payment of insurance premiums, as well as to the conditions for submitting the statement on tax base, advanced payments of premiums, assessment basis and premiums calculated from that base (hereinafter the “Annual Statement”).

The Ministry of Health drafted a pilot measure, Act No 134/2020, amending Act No 592/1992, on Public Health Insurance Premiums, as amended.

- The amendment to this Act postponed the deadline of the self-employed for submitting the Annual Statement for 2019 to 3 August 2020 at the latest. The key measure of the regulation was the waiver of monthly advance payments for premiums not exceeding the level of minimum advances for the period March-August 2020 and at the same time the postponement of the deadline for payment of public health insurance premiums exceeding the level of minimum advances for March-August 2020.
- The act also waived statutory penalty connected to the premiums or advance payments of premiums for the period March – August 2020 for all premium payers. These measures enabled premium payers to at least partially bridge the emergency period in which they were threatened with having no income, provided that the premiums will be paid after the end of the protection period.

Subsequently, the Ministry of Health responded to the General Pardon of the Minister of Finance by Act No 161/2021, amending Act No 592/1992, on Public Health Insurance Premiums, as amended. The purpose of this act was to postpone the deadline of the self-employed for submitting the Annual Statement for 2020.

The deadline for submission was set for 2 August 2021. This measure is also related to the postponement of the obligation to pay any arrears of insurance premiums resulting from the Annual Statement for 2020.

The measures of the Ministry of Health are conceived as temporary help in connection with a pandemic situation not only to the self-employed, but also to other premium payers. Their essence lies in the postponement of the statutory deadlines so that there are no arrears on the part of payers caused by a sudden lack of liquidity. Therefore, the Ministry is not considering a permanent change in legislation.

#### 8.6 Measures in the field of accidents at work and occupational diseases

MoLSA has recently emphasised the focus on the prevention of accidents at work and occupational diseases. It also followed up on the conclusions of the Government Council for Occupational Safety and Health, which also sees prevention as the key component. In connection with the above, the MoLSA commissioned the Occupational Safety Research Institute to prepare a project entitled “Occupational health and safety prevention programmes for accident insurance to support the creation of a safe and non-hazardous work environment, reducing the number of accidents at work and occupational diseases”. The aim of the project was to prepare a draft prevention programme with appropriate information and motivational support and to further promote and invest the obtained funds in risk prevention in the corporate sphere, education, research, etc. An integral part of the project outputs are individual areas in which prevention programmes need to be focused.

These are target groups (persons with disabilities, older workers, agency workers, foreign workers, children and young people), as well as specific areas (risk of economic activities, occupational risks, professional services, education and training, information and counselling, education and promotion, research and development, international cooperation, elimination or mitigation of the consequences of damage to health from work – comprehensive rehabilitation). Analyses and information together with other sources, such as knowledge and data from the field of labour inspection, analyses of accidents at work prepared by the Occupational Safety Research Institute, results of the Institute’s another project “Risk of economic activities” including processed and approved certified methodology, etc., should create sophisticated supporting documents for specific focus and effective support of projects aimed at

accident prevention, to increase the culture of safety and the overall safety and health at work in the Czech Republic, even in these unusual, pandemic-affected times. Even though this project was commissioned before the COVID-19 pandemic, it can be said that it was an inspiration in a number of steps in the field of prevention, which the MoLSA was taking at that time.

Further steps in the area of prevention of accidents at work and occupational diseases are the approval of an amendment to Act No 262/2006, the Labour Code, as amended, where letter (b) was added Section 320a, which assumes that, on the basis of an agreement with social partners, the State pays a contribution to the trade unions and the employers' organisations for measures to prevent the risk of harm to workers' health as a result of an accident at work or an occupational disease. The amendment to the Labour Code entered into effect on 1 January 2021, when the existing Section 320a was extended, under which the State already pays a contribution based on an agreement with social partners to trade unions and employers' organisations to promote mutual negotiations at national or regional level concerning important interests of workers, in particular economic, production, labour, wage and social conditions. In this matter, the Ministry of Labour and Social Affairs has already received current proposals for risk prevention priorities from its social partners for the years 2021–2022. The Ministry of Labour and Social Affairs assumes that the active involvement of the social partners, representatives of both employees and employers, will have a positive effect on the reduction of accidents at work and occupational diseases.

The Ministry of Labour and Social Affairs does not propose any measure in the sense of a legal regulation stipulating an insurance obligation for self-employed persons, which would oblige them have insurance in the event of damage or other than proprietary harm incurred in connection with an accident at work or occupational disease.

The Ministry of Health and the Ministry of Labour and Social Affairs work closely together, especially in the area of updating the list of occupational diseases. However, during the COVID-19 pandemic, a number of issues had to be addressed from various areas, including labour-law and occupational safety and health issues. At that time, the

Ministry of Labour and Social Affairs had a number of professional consultations with the Ministry of Health in connection with COVID-19.

### 8.7 Measures of the Ministry of Industry and Trade

In response to the pandemic situation, the MIT implemented a number of support programmes. The “Attendance Allowance” programme for self-employed persons is related to the material scope of the Recommendation, even though the self-employed were not entitled to attendance allowance before the pandemic. The aim of the “Attendance Allowance” programme for the self-employed was to mitigate the negative impacts of the COVID-19 pandemic on the self-employed in the Czech Republic, specifically the impacts associated with the need to care for children under 10 years of age or for persons dependent on the care of another person in accordance with Act 108/2006, on Social Services, who were not able to attend schools or other facilities.

The self-employed apply for subsidy from the programme for each calendar month and it is paid ex post. The programme is designed as a framework programme that is announced through calls. Calls have already been implemented for the following months: March, April, May, June, October, November, December 2020, January, February and March 2021. Attendance allowance for self-employed for the months of February and March 2021 could not have been combined with the Compensatory Bonus paid by the Ministry of Finance in accordance with Act No 95/2021, on the Compensatory Bonus for 2021. The call “Attendance Allowance” for the self-employed for March 2021 was announced on 21 April 2021. The Ministry of Industry and Trade expects to announce a call for the month of April 2021. As of 27 April 2021, 270 thousand applications in the total amount of CZK 2.7 billion (amount of subsidy: CZK 400/day; applicant: person pursuing primary self-employed activity) were supported.

The COVID 2021 programme remains in place before the call is launched and applications accepted. The aim of the programme is to mitigate the negative impacts of restrictions associated with measures to tackle the COVID-19 pandemic on businesses in the Czech Republic. The following may apply for support: entrepreneur – a natural person or a legal person established under private law or a contributory organisation. The support is provided for employees in the amount of CZK 500 per day, for the period from 11 January 2021 to 31 March 2021. Eligible costs are costs

from February 2020 to 31 March 2021. The support is provided for the costs of operating and maintaining business activities, such as personnel costs, material costs, services (incl. leasing), depreciation, taxes and fees, loan repayments, overheads, etc.