

Czech Republic: July 2024 Labour Code Amendment. What's New?

20 August 2024

Introduction & Overview of Changes

Reflecting recent trends, Czech labour law continues to evolve. On 31 July 2024, a new amendment to the Labour Code was published in the Collection of Laws with relatively little attention. This amendment primarily seeks to align with Directive (EU) 2022/2041 on adequate minimum wages in the European Union, which member states must implement by 15 November 2024. The Directive requires member states to establish procedures for setting and regularly updating minimum wages, although the specific methods for implementation are at their discretion.

However, the Labour Code amendment extends beyond minimum wage regulations, introducing several other changes. These include potential simplifications to the collective bargaining process and reductions in administrative burdens related to vacation planning.

1 Starting with the Key Update: Automatic Valorisation of Minimum Wages

Up until now, the government set the minimum wage by means of decrees, without binding guidelines for the process. The recent amendment introduces a significant change. From now on, the minimum wage will be determined using a new formula based on two key factors:

- (a) A forecast of the average gross monthly wage for the upcoming calendar year, provided by the Ministry of Finance by the end of August of the preceding year.
- (b) A coefficient for calculating the minimum wage, established by governmental decree following discussions to be held during the Economic and Social Agreement Council every two years.

The minimum wage will be set by multiplying these two factors, (i.e., a projected average monthly wage and the coefficient). To ensure transparency, the Ministry of Labour and Social Affairs will announce the specific monthly and hourly minimum wage levels by 30 September of each year for the upcoming year. This new process will first be applied to determine minimum wages for 2025.

Additionally, the law includes a reference value indicating that the minimum wage should eventually reach approximately 47% of the average monthly gross wage. Currently, a minimum wage of CZK 18,900 represents 43% of the average monthly wage as reported by the Czech Statistical Office.

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2 Changes that are effective from 1 August 2024: What You Need to Know.

2.1 Abolition of Guaranteed Wages in the Private Sector

In the Czech Republic, in addition to the minimum wage required for all employees, there has historically been a system of "minimum levels of guaranteed wage". This was designed to ensure a minimum income based on the complexity, expertise, and responsibility of various professions. Previously, there were eight groups of types of work, each with a specific guaranteed level of wage (CZK 18,900 – CZK 37,800). As of the end of July, the guaranteed wage for the private sector has been completely abolished.

However, the public sector will continue to have a guaranteed wage, though it has been streamlined into four groups. In the highest group, the guaranteed wage is expected to be 1.6 times the minimum wage.

2.2 Streamlining Collective Bargaining: Multiple Trade Unions and Simplified Processes

Previously, if an employer had multiple active trade unions at the company, all of them had to be a part of the collective bargaining process. Everything assumed that the unions would collaborate and reach a consensus. However, this often wasn't the case, leading to prolonged and complex negotiations.

The recent Labour Code amendment introduces a new approach, allowing an employer to finalise a collective agreement with the trade union (or the group of unions) that represents the largest number of its employees. Other unions will have the right to be informed about the collective bargaining process.

However, employees have the option to challenge this new approach. If a majority of all employees disagree, they can declare their opposition to the employer and specify which trade union or unions must be a party to the collective agreement.

2.3 Abolition of the Requirement for a Written Holiday Schedule

Employers will no longer be obligated to create a written holiday schedule for employees and consult with trade unions or works councils (if applicable) on this matter.

However, moving forward, employers will still continue to be responsible for determining employees' leave periods and employers must notify employees at least 14 days before the leave is set to commence, unless both parties agree differently.

2.4 Remuneration for Employees Working Under an Agreement to Complete a Job or an Agreement on Working Activity

A new provision now allows to agree that the agreed remuneration for work performed under these agreements already includes factors such as night work, work in challenging environments, or weekend shifts and, therefore, no additional compensation for those factors would apply. Including work performed under the abovementioned difficult factors into the remuneration is only possible if (i) the agreement specifies the scope of work performed within the difficult working regimes that has been included into the remuneration and (ii) if the agreement specifies the additional payments for night work, work in challenging environments, and weekend work that would apply if the agreed scope of work performed within the difficult working regimes is exceeded.

3 Another Shift Coming on 1 January 2025: What's on the Horizon.

Employee Self-Scheduling of Working Time

Employers will have the option to enter into written agreements with employees that will allow them to schedule their working time at their own discretion. Under these agreements, employees will have to fulfil their working hours within a reference period determined by the employer, which cannot exceed 26 weeks (or 52 weeks if specified in a collective agreement).

However, under this arrangement, employees will not be entitled to wage or salary compensation for personal obstacles to work, such as medical appointments or accompanying family members to the doctor.

Permitting or tolerating self-scheduling of working time without a formal written agreement will be considered an offence for which a penalty may be imposed by the Labour Inspectorate.

A Final Word & Future Outlook

Czech labour law has recently seen significant updates. If you have any questions or need further clarification, our team is here to help.

As a final note, while this latest amendment to the Labour Code is still fresh, conversations have already begun about a forthcoming "flexible amendment" to the Labour Code. This anticipated change aims to better align the current (a bit outdated and rigid) Labour Code with the evolving needs of modern society. Stay tuned for our next update, where we will explore these exciting upcoming changes in detail.

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