

**THE THIRD REPORT OF FULFILMENT OF
THE EUROPEAN CODE OF SOCIAL SECURITY**

SECTION I

List of legal regulations:

No change.

Part II – Medical care

- Act No 48/1997, on public health insurance and on an amendment to certain related laws, as amended
- Act No 20/1966, on care for human health, as amended
- Act No 285/2002, on the donation, removal, and transplantation of tissues and organs and on an amendment to certain laws (the Transplant Act), as amended

Part III – Sickness benefit

- Act No 54/1956, on the sickness insurance of employees, as amended
- Regulation No 31/1993, on assessments of temporary work incapacity for the purposes of social security, as amended
- Act No 100/1988, on social security, as amended
- Act No 582/1991, on the organization and implementation of social security, as amended
- Act No 32/1957, on sickness care in the armed forces, as amended
- Regulation No 143/1965, on the payment of monetary benefits in sickness insurance
- Regulation No 165/1979, on the sickness insurance of certain employees and on the payment of sickness insurance benefits to citizens in special cases

Part IV – Unemployment benefit

- Act No 1/1991, on employment, as amended
- Act No 9/1991, on employment and the competence of authorities of the Czech Republic in the field of employment, as amended
- Act No 435/2004, on employment, as amended (with effect as of 1 October 2004) – see appendix

Part V – Old-age benefit

- Act No 155/1995, on pension insurance, as amended
- Act No 582/1991, on the organization and implementation of social security, as amended
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Part VII – Family benefit

- Act No 117/1995, on state social support, as amended
- Act No 463/1991, on the subsistence level, as amended

Part VIII – Maternity benefit

- Act No 88/1968, on the extension of maternity leave, on maternity benefit, and on child allowance from sickness insurance, as amended
- Act No 582/1991, on the organization and implementation of social security, as amended

Part IX – Invalidity benefit

- Act No 155/1995, on pension insurance, as amended
- Regulation No 284/1995, implementing the Pension Insurance Act, as amended
- Act No 582/1991, on the organization and implementation of social security, as amended

Part X – Survivors’ benefit

- Act No 155/1995, on pension insurance, as amended
- Act No 582/1991, on the organization and implementation of social security, as amended

SECTION II

Application of the Code

No change – Article 10 of the Constitution of the Czech Republic stipulates that promulgated international treaties which have been ratified by Parliament and which are binding upon the Czech Republic are considered part of national law; if the provisions of an international treaty differ from the law, the provisions of the international treaty prevail.

Article 2 – provisions adopted

No change – the Czech Republic has adopted the obligations stemming from the following parts:

- Part II – Medical care
- Part III – Sickness benefit
- Part IV – Unemployment benefit
- Part V – Old-age benefit
- Part VII – Family benefit
- Part VIII – Maternity benefit
- Part IX – Invalidity benefit
- Part X – Survivors' benefit

Article 6 – Systems of voluntary insurance

No change – the protection afforded by voluntary insurance is not taken into consideration in the report.

Parts XI - XII

The questions on Articles 65 to 68 are answered in the relevant part of the form.

General remarks concerning the calculation of benefit:

Below we cite some up-to-date information:

In 2004, the average gross wage of a skilled labourer was **CZK 18,717**; according to the results of the survey, 55.8% of employees had a wage lower than this amount.

The income of a skilled labourer corresponds to the wage of a metal turner – tool setter and lathe operator – according to the employment classification code KZAM 72231.

There is no change in the fact that the Labour Cost Information System is a sample survey conducted by the Ministry of Labour and Social Affairs; it is included in the CZSO's programme of statistical findings every year, and as a wage survey monitors the wage level of individual professions in the Czech Republic in accordance with the KZAM employment classification system on a quarterly basis. For individual employees of selected economic

entities, their average hourly earnings in individual quarters are ascertained, calculated for replacement wages for labour-law purposes in accordance with Section 17 of Act No 1/1992, on wages, remuneration for stand-by, and average earnings. The survey makes it possible to track the amount and structure of the gross monthly wage, which indicates the average wage level in the period from the beginning of the year to the end of the current calendar quarter.

With regard to the fact that in the Czech Republic social benefits are not subject to tax (with the exception of pension amounts in excess of CZK 162,000 per year, which are included in the income tax base) and no health insurance or social security contributions are paid from them, the shares of benefits in net wages can be calculated. The net wage of a skilled labourer with a dependent wife and two children was CZK 15,551 in 2004 (the allowance for two children in the reporting period was CZK 1,342) – the average monthly net wage of a skilled labourer in 2004 was CZK 14,171.

- There are no disparities between the regions in the level of benefits (Article 65(8) is not applied).
- The average year-on-year index of price inflation in 2004 was 102.8%.
- The year-on-year index of the average nominal wage in the national economy was 106.6%.

Article 69 – Right of appeal

No change.

Even under the new legislation, the public employment office makes decisions on claims to unemployment benefit in administrative proceedings. A petition for the review of a decision may be filed with a regional court against a ruling in administrative proceedings.

Article 70 – Cost of benefits

1.

- There is no change in the fact the cost of **unemployment benefits** provided is borne by way of a contribution to the state employment policy. The contribution to the state employment policy is collected together with the pension insurance contributions by the Czech Social Security Administration from taxpayers (employees – via employers – and employers). The contribution is channelled into the national budget and then the cost of unemployment benefit is taken from the national budget and placed in the budgetary title of the Ministry of Labour and Social Affairs; from here, it is distributed to individual labour offices.
- There is no change in the fact that the cost of disbursed **pensions and sickness benefit** is borne by way of social security contributions, which are part of the national budget. Section 7 of Act No 589/1992 appoints the rates of contributions from an assessment base, which is 26% for organizations (of which 3.3% comprises sickness insurance, 21.5% pension insurance, and 1.2% the contribution to the state employment policy), and 8% for employees (of which 1.1% comprises sickness insurance, 6.5% pension insurance, and 0.4% the contribution to the state employment policy).
- There is no change in the fact that under Section 1 of Act No 117/1995, state social support benefits (**family benefits**) are paid from the national budget of the Czech Republic. The revenues of the national budget comprise tax – from the income of natural persons and juristic persons, from turnover, and a number of other taxes, administrative fees, penalties, and a whole number of other items. There is no

connection between the amount of tax and claims to (and amounts of) state social support benefits.

2. No change – not applied.

3. **Updated information**

Total revenues in 2004

- pension insurance.....CZK 236,033 million
- sickness insurance.....CZK 35,738 million
- contribution to the state employment policy CZK 13,474 million

Total expenditure in 2004

- pension insurance.....CZK 226,883 million¹
- sickness insurance.....CZK 29,563 million
- on the payment of material security in unemployment ... CZK 7,338,400,000²

Article 71

No change – not applied.

Article 74

Updated information – average for 2004

Total number of pension insured employees: 4,040,412 persons

pension insured self-employed: 726,604 persons

of which sickness insured: 278,710 persons

¹ Source – balance sheet of benefit expenditure of the Czech Social Security Administration (expenditure net of advances)

² Source – State closing account (the amount including the transfer in favour of the contingency fund of CZK 308,353,000)

SECTION III

No change

SECTION IV

No change.

SECTION V

No change

PART II – MEDICAL CARE

Articles 7 and 8

No change

Article 9

The group of persons protected under Act No 48/1997, on public health insurance, as amended, has not changed (the group of protected persons includes all persons with permanent residence on the territory of the Czech Republic or persons who do not have permanent residence on the territory of the Czech Republic but who are employed by an employer that has its registered office on the territory of the Czech Republic (Section 2 of Act No 48/1997). However, following the Czech Republic's accession to the European Union, all citizens of EU Member States have access to the system of Czech public health insurance if they have such a claim under Community law.

Updated information

- A. Number of inhabitants protected: 10,220,577 (2004)
- B. Number of inhabitants: 10,220,577 (2004)
- C. 100%

Article 10

Updated:

Additional information: Health insurance is also used to cover medicinal products and food for special medical purposes, individually prepared medicinal products, radiopharmaceuticals and transfusion products.

In terms of dental care we have so far stated the following:

The work done by dentists is covered fully out of public health insurance. In each group of dental products (prosthetics, fillings, braces, etc.) there is at least one product covered fully by way of public health insurance. If a different material is used, the insured person pays the difference between the basic payment appointed under the law and the actual price of the product.

The following change is being made to dental care: when a material or work process is used other than that specified in the list of work procedures, the patient pays for the work in full.

Article 11

No change

Article 12

No change

PART III – SICKNESS BENEFIT

Articles 13 and 14

No change.

Article 15

The Czech Republic applies Article 15(a) of the European Code of Social Security.

Updated:

Number of employees protected: 4,040,000

Number of self-employed persons protected: 279,000

Article 16

A. The Czech Republic applies Article 65 of the European Code of Social Security.

Chapter I

Below we cite some up-to-date information

A. – rules for the calculation of sickness benefit:

1. Decisive period: 12 calendar months preceding the commencement of work incapacity.
2. Daily assessment base: the countable income divided by the number of calendar days of the decisive period (certain days are not included in order to prevent unwarranted pulverization of the assessment base, e.g. days on which sickness benefit is provided).
3. Countable income: all income subject to deduction as social security contributions and the contribution to the state employment policy recognized for an employee in the decisive period.
4. Reduction in the daily assessment base: over the first fourteen days of work incapacity, 90% of an amount up to the first reduction limit is counted; 60% of an amount between the first and second reduction limit is counted, and an amount above the second reduction limit is not taken into consideration. From the fifteenth day of work incapacity, an amount up to the first reduction limit is counted in full; 60% of an

amount between the first and second reduction limit is counted, and an amount above the second reduction limit is not taken into consideration.

5. In 2004 and 2005, the first reduction limit is CZK 480 and the second reduction limit is CZK 690.
6. The daily benefit is set at a rate of 25% of the daily assessment base for days one to three of work incapacity, and at a rate of 69% of the daily assessment base for the fourth day and days thereafter of work incapacity.
7. The sickness benefit is a multiple of the daily benefit and the number of calendar days over which the work incapacity lasts.

B.

For evaluations of the required level of sickness benefit, the procedure under Article 65(6)(b) of the European Code of Social Security is applied. In the Czech Republic, the economically active population is protected with sickness benefit. The insurance of self-employed persons is voluntary.

C.

In 2004, the average gross wage of a skilled labourer was CZK 18,717 (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator).

Chapter II

Below we cite some up-to-date information

D – G Calculation of the share for evaluations of the level of sickness benefit

- The gross wage of a skilled labourer was (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator) in 2004, i.e. CZK 18,717, is used.
- Gross wage from employment: CZK 18,717, of which the net wage (taxpayer, dependent wife and two children) is CZK 15,551.
- Daily assessment base (DAB) for the calculation of sickness benefit: proportion of the annual wage and number of days in the year: $\text{CZK } 18,717 * 12 / 366 = \text{CZK } 614$.
- The daily assessment base is reduced: (the first reduction limit is CZK 480 and the second is CZK 690)
 - DAB₁ for the first 14 days of sickness: $480 * 90\% + (614 - 480) * 60\% = \text{CZK } 513$,
 - DAB₂ as of the 15th day: $480 + (614 - 480) * 60\% = \text{CZK } 561$.
- Daily sickness benefit:
 - days 1 to 3 = 25% of DAB₁, i.e. $25\% * 513 = \text{CZK } 129$,
 - days 4 to 14 = 69% of DAB₁, i.e. $69\% * 513 = \text{CZK } 354$;
 - day 15 and thereafter = 69% of DAB₂, i.e. $69\% * 561 = \text{CZK } 388$.
- **Monthly amount of sickness benefit:** $3 * 129 + 11 * 354 + 16 * 388 = \text{CZK } 10,489$.
- The amount of **allowances for two children** aged 9 and 14 years old: CZK 615 and CZK 727 = CZK 1,342.

- Sickness benefit and allowances for two children: $10,489 + 1,342 = \text{CZK } 11,831$.
- Income prior to the insured event: $15,551 + 1,342 = \text{CZK } 16,893$.
- **Proportion** of income after the insured event (sickness benefit and allowances for two children) compared to income before the insured event (net wage and allowances for two children): $11,831 / 16,893 = 70\%$.

Monthly wage in CZK		Allowances for two children per month (CZK)	Sickness benefit per month (CZK)	Share of sickness benefit / wage as a % *)	
gross	net			gross	net
18,717	15,551	1,342	10,489	59.0	70.0

*) including allowances for two children

The European Code of Social Security requires that the proportion of income from sickness benefits in relation to the insured person's previous income should be 45%. The Czech Republic meets this requirement in terms of the proportion of sickness benefit in relation to both the gross and net wage.

B. No change – not applied.

C. No change – the formulation of Section 15 of the Employee Sickness Insurance Act stipulates that employees have a claim to benefit in times of sickness irrespective of their financial status.

Article 17

No change

Article 18

No change

PART IV – UNEMPLOYMENT BENEFIT

Articles 19 and 20

Update:

In the reference period (1 July 2004 to 30 June 2005) there was a change in legislation. Until 30 September 2004, Act No 1/1991, on employment, as amended, and Act No 9/1991, on employment and on the competence of authorities of the Czech Republic in the field of employment, as amended, were in force. For this period, the information supplied in the previous two reports is valid.

On 1 October 2004, a new Employment Act (Act No 435/2004) entered into effect. The information below applies in respect of the new legislation.

Article 20:

Unemployment benefit is due to a person who

- is a job-seeker (he is not in an employment relationship or other form of service, he is not self-employed, he is not a person systematically training for a future occupation, he does not carry out other activities which are an impediment to inclusion and management in the records of job-seekers as set forth in Section 25(1),
- meets the condition of a title to unemployment benefit, i.e. he has been employed or carried out other gainful activity establishing the obligation to pay pension insurance contributions and a contribution to the state employment policy for a period of at least 12 months in the decisive period (three years prior to inclusion in the records of job-seekers),
- applies to the public employment office for the provision of unemployment benefit,
- is not an old-age pensioner.

On fulfilment of the above-mentioned conditions, unemployment benefit is due to the applicant as of the date the application for this benefit is submitted. (The period of seven days for the mediation of employment, on expiry of which a decision was taken on entitlements to this benefit, has been discontinued.)

Article 21

Update:

A. The Czech Republic applies subparagraph a).

B. The group of protected persons (guaranteed unemployment benefit) includes all persons who meet the conditions of eligibility for benefit laid down in Act No 435/2004 (refer to the information supplied in respect of Article 20).

Article 22

A. The Czech Republic applies Article 21(a) of the European Code of Social Security; the calculation will be made in accordance with Article 65.

Chapter I

A. No change.

Chapter II

D to G

Below we cite some up-to-date information:

The amount of unemployment benefit is set as a percentage of the average monthly net earnings received by the job-seeker in his last job (in cases of self-employed persons, a percentage of the assessment base for pension insurance contributions). In the first three months of unemployment, the percentage is 50%; in further months it is 45% of the average net monthly earnings received by the job-seeker in his last job. The maximum possible level of unemployment benefit is set, i.e. 2.5 times the amount of the subsistence level; at present the maximum amount of this benefit is CZK 10,750 per month.

Unemployment benefit is due to a job-seeker if he meets the conditions laid down by law (irrespective of his financial status).

Calculation:

The average net monthly earnings of a skilled labourer were CZK 15,551; allowances for two children totalled CZK 1,340, and therefore the previous income including child allowances was CZK 16,891.

The amount of benefit for a typical skilled labourer in the first three months of unemployment

Amount of benefit (50% of average previous income) (of net wage)	of Child allowances	Total income	% of the original earnings increased by child allowances
CZK 7,776	CZK 1,340	CZK 9,116	58.62%

The amount of benefit for a typical skilled labourer in the subsequent three months of unemployment **up to 30 September 2004**

Amount of benefit (40% of average previous income)	of Child allowances	Total income	% of the original earnings increased by child allowances
CZK 6,220	CZK 1,340	CZK 7,560	48.61%

The amount of benefit for a typical skilled labourer in the **subsequent three months** of unemployment (for job-seekers over 50 years of age in the following 6 or 9 months) **as of 1 October 2004**

Amount of benefit (45% of average previous income)	of Child allowances	Total income	% of the original earnings increased by child allowances
CZK 6,998	CZK 1,340	CZK 8,338	53.61%

B. Not applied.

C. The state's responsibility for the provision of unemployment benefit is absolute. Unemployment benefit is due to a job-seeker if he meets the conditions laid down by law (irrespective of his financial status).

Article 23

Update:

Under the new legislation, the entitlement to unemployment benefit is still tied to the fulfilment of the condition of the necessary period of employment. Unemployment benefit is due to a person who, in the decisive period (three years prior to inclusion in the records of job-seekers), has been employed or self-employed by way of gainful activities establishing the obligation to pay pension insurance contributions and a contribution to the state employment policy for a period of at least 12 months.

Unemployment benefit is also available in cases where, in the decisive period, the person has carried out activities which are considered to be periods in lieu of employment (the

training of handicapped persons for work, the collection of a full invalidity benefit, military service, community service, personal care for a child up to four years of age, and other periods specified in Section 41(3). In cases where a person meets the condition of the requirement period of employment by way of periods in lieu of employment, the amount of unemployment benefit is set as a percentage of the subsistence level valid for an individual citizen over 26 years old.

In the case of persons who have become unemployed repeatedly in the past three years, under the new legislation checks are still run to determine whether this job-seeker exhausted the whole benefit or not in a previous time of registration.

- A job-seeker who, in a previous time of registration, used up the benefit period must be employed (or self-employed) for at least six months in order to be eligible for unemployment benefit; at the same time the condition of the overall period of previous employment (12 months in the previous three years) must be met.
- A job-seeker who, in a previous time of registration, did not use up the whole benefit period is entitled to unemployment benefit for the remainder of the benefit period. However, if, in the period before reclassification among job-seekers, this person was employed (was engaged in gainful activities) for a period of at least three months, he is entitled to unemployment benefit throughout the benefit period. At the same time, the condition of the overall period of previous employment (12 months in the past three months) must be fulfilled.

Article 24

Update:

- The period for the provision of unemployment benefit (the benefit period) is six months for persons up to the age of 50 years old,
- for persons aged 50-55 years old, it is nine months,
- for persons aged over 55 years old, it is twelve months.

A condition for the provision of unemployment benefit over a period of nine months is total participation in pension insurance of at least 25 years; for the provision of unemployment benefit over a period of twelve months, the overall participation in pension insurance must be at least 30 years. If the person fails to produce proof that the total required period of participation in pension insurance has been met, unemployment benefit is paid for a period of six months only.

No waiting period is set under the new Employment Act. A job-seeker is entitled to benefit on fulfilment of the set conditions as of the date on which the unemployment benefit application is submitted.

For seasonal workers, the general system for the provision of benefit applies.

The payment of unemployment benefit may be suspended for the following reasons:

- the provision of old-age benefit,
- the provision of sickness insurance benefits,
- over periods of incarceration.

Unemployment benefit cannot be provided to a person in another country.

PART V – OLD-AGE BENEFIT

Articles 25 and 26

Below we cite some up-to-date information

The retirement age is set in Section 32 of Act No 155/1995. In 2005, the retirement age has been set at 61 years and six months for men, 59 years and eight months for childless women, 58 years and eight months for women who have brought up one child, 57 years and eight months for women who have brought up two children, 56 years and eight months for women who have brought up three or four children, and 55 years and eight months for women who have brought up five or more children. The retirement age is gradually rising every year by two months for men and four months for women until it reaches 63 years for men and childless women, 62 years for women who have brought up one child, 61 years who have brought up two children, 60 years for women who have brought up three or four children, and 59 years for women who have brought up five or more children.

Old-age benefit (not in cases of early retirement) may be provided concurrently with gainful activity provided that an employment contract is concluded for a maximum period of one year.

Article 27

- A. There is no change in the fact that the group of protected persons includes persons specified under subparagraph a) and accounts for more than 50%.
- B. There is also no change in the fact that the group of protected persons also includes the groups specified under subparagraph b). Protected persons are persons who are or have been participants in pension insurance. Participation in pension insurance is mandatory. Persons who are economically active (either as employed or self-employed persons) are insured compulsorily. Under the law, other groups of the population (e.g. students, soldiers on military service, women caring for a child up to the age of four years old) are insured for pensions even though they do not pay contributions.
- C. Updated information – number of protected employees: 4,040,000
self-employed with pension insurance: 727,000

Article 28

- A. No change – the benefit is a repeating payment calculated in accordance with subparagraph a) of this Article. The benefit is calculated in accordance with Article 65 of the European Code of Social Security, where the basis is the wage of a skilled labourer.

Chapter I

Below we cite some up-to-date information

A – rules for the calculation of old-age benefit

A pension has two components:

Base assessment: CZK 1,400 per month.

Percentage assessment: depends on the amount of earnings (calculated from the calculation base) and the number of years of insurance. For old-age benefit it is 1.5% of the calculation base per year of insurance. The calculation base is set according to the average from indexed gross earnings (earnings are indexed in relation to the rise in the average wage in the national economy) for the period from 1986 to the year preceding the claim to a pension. To set the calculation base, this average (personal assessment base) is reduced so that only 30% of the amount between the first and second reduction limit is counted and only 10% of the amount above the second reduction limit is counted.

In 2005, the reduction limits are CZK 8,400 and CZK 20,500 (every year they are increased based on the rise in wages).

B. For evaluations of the required level of old-age benefit, the procedure under Article 65(6)(b) of the European Code of Social Security is applied. In the Czech Republic, the economically active population is protected with old-age benefit.

C. In 2004, the average gross wage of a skilled labourer was CZK 18,717 (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator).

With regard to the fact that in the Czech Republic social benefits are not subject to tax in most cases (with the exception of pension amounts in excess of CZK 162,000 per year, i.e. approximately 0.2% of cases) and no health insurance or social security contributions are paid from them, the shares of benefits in net wages can be calculated.

Chapter III

Below we cite some up-to-date information

D – G

Calculation of the share for the evaluation of the amount of the old-age benefit:

- The gross wage of a skilled labourer was (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator) in 2004, i.e. CZK 18,717, is used.
- Of the gross wage of CZK 18,717, the **net wage** for the taxpayer with a dependent wife is **CZK 14,551**.

- The personal assessment base (CZK 18,717) is reduced by $8,400 + (18,717 - 8,400) * 30\% = \text{CZK } 11,496$.
- The percentage assessment for thirty years of insurance is $30 * 1.5\% * 11,496 = \text{CZK } 5,174$.
- The **amount of the old-age benefit** is the basic assessment and the percentage assessment $1,400 + 5,174 = \text{CZK } 6,574$.
- **Share** of income after the insured event (old-age benefit) and income after the insured event (net wage): $6,574 / 14,551 = 45.2\%$.

Monthly wage in CZK		Amount of old-age benefit in CZK per month	Share of benefit / wage as a %	
gross	net		gross	net
18,717	14,551	6,574	35.1	45.2

The European Code of Social Security requires that the proportion of the old-age benefit in relation to the previous wage of the insured person be at a level of 40%. The Czech Republic meets this requirement in terms of the proportion of benefit in relation to the net wage.

Article 29

No change

Article 30

No change

PART VII – FAMILY BENEFIT

Articles 39 and 40

Update:

As of 1 January 2005, under Governmental Order No 664/2004 there are new subsistence levels in place.

As at 30 June 2005, the subsistence level amounts are set as follows:

- Amounts required to cover nourishment and other basic personal needs:
 - a) CZK 1,720 in the case of a child up to the age of 6 years old
 - b) CZK 1,920 in the case of a child from 6 to 10 years old
 - c) CZK 2,270 in the case of a child from 10 to 15 years old
 - d) CZK 2,490 in the case of a dependent child from 15 to 26 years old
 - e) CZK 2,360 for other citizens
- Amounts required to cover essential household expenses:
 - f) CZK 1,940 in the case of an individual
 - g) CZK 2,530 in cases where two people live in the same household
 - h) CZK 3,140 in cases where three or four people live in the same household
 - i) CZK 3,520 in cases where five or more people live in the same household

Article 41

No change

Article 42

Amounts paid for a child in relation to the family income (per month) as at 30 June 2005

- a) up to 1.1 times the subsistence level of the family (a coefficient of 0.32 times the amount required to cover nutrition and other basic personal requirements of a child)

up to 6 years	CZK 551
6 – 10 years	CZK 615
10 – 15 years	CZK 727
15 – 26 years	CZK 797

b) from 1.1 to 1.8 times the subsistence level (a coefficient of 0.28 times the amount required to cover nutrition and other basic personal requirements of a child)

up to 6 years CZK 482

6 – 10 years CZK 538

10 – 15 years CZK 636

15 – 26 years CZK 698

c) from 1.8 to 3.0 times the subsistence level (a coefficient of 0.14 times the amount required to cover nutrition and other basic personal requirements of a child)

up to 6 years CZK 241

6 – 10 years CZK 269

10 – 15 years CZK 318

15 – 26 years CZK 349

Article 43

No change

Article 44

Below we cite some up-to-date information

B.

Expenditure on child allowances in the scope of state social support (2004)..... CZK 11,790 million

Number of dependent children (based on a Sample Survey of the Workforce by the Czech Statistical Office).....2,390,900

Number of dependent children with a claim to child allowance1,893,800

C.

ii.

$18,717$ (the gross wage of a skilled labourer) * 0.015 (1.5% of the wage) * 12 (months) * 2.4 (million children) = a result of CZK 8.1 billion

Article 45

No change

PART VIII – MATERNITY BENEFIT

Articles 46 and 47

No change

Article 48

- A. Remains unchanged - the Czech Republic applies subparagraph a).
- B. Remains unchanged – in the case of monetary benefits, all employed women are protected. The personal scope of medical care provided during pregnancy and maternity includes all women who are citizens of the Czech Republic and women who work on the territory of the Czech Republic for an employer domiciled on the territory of the Czech Republic.
- C. Updated information – number of protected employees:
 - employees with pension insurance: 4,040,000
 - self-employed with sickness insurance: 279,000

Article 49

No change

Article 50

- A. No change – the calculation is made in accordance with Article 65 of the European Code of Social Security

Chapter I

Below we cite some up-to-date information

A – rules for the calculation of monetary assistance in maternity

1. Decisive period: 12 calendar months preceding the commencement of work incapacity.
2. Daily assessment base (DAB): the countable income divided by the number of calendar days of the decisive period (certain days are not included in order to prevent unwarranted pulverization of the assessment base, e.g. days on which sickness benefit is provided).

3. Countable income: all income subject to deduction as social security contributions and the contribution to the state employment policy recognized for an employee in the decisive period.
 4. Reduction in the daily assessment base: An amount up to the first reduction limit is counted in full; 60% of an amount between the first and second reduction limit is counted, and an amount above the second reduction limit is not taken into consideration.
 5. In 2004 and 2005, the first reduction limit is CZK 480 and the second reduction limit is CZK 690.
 6. The daily benefit is set at a rate of 69% of the daily assessment base.
 7. The maternity benefit is a multiple of the daily benefit and the number of calendar days over which the work incapacity lasts (196 calendar days).
- B. For evaluations of the required level of benefit, the procedure under Article 65(6)(b) is applied. In the Czech Republic, the economically active population is protected with sickness benefit. The insurance of self-employed persons is voluntary.

Chapter V

Below we cite some up-to-date information

- C: In 2004, the average gross wage of a skilled labourer was CZK 18,717 (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator). With regard to the fact that in the Czech Republic social benefits are not subject to tax in most cases and no health insurance or social security contributions are paid from them, the shares of benefits in net wages can be calculated.

D to G

Calculation of the share for an evaluation of the level of maternity benefit:

- The gross wage of a skilled labourer in 2004 is used, i.e. CZK 18,717.
- Gross wage from employment: CZK 18,717, of which the **net wage** (of the taxpayer) is **CZK 14,171**.
- The daily assessment base for the calculation of maternity benefit (DAB) is a share of the annual wage and number of days in the year: $\text{CZK } 18,717 * 12 / 366 = \text{CZK } 614$.
- The daily assessment base is reduced (the first reduction limit is CZK 480 and the second is CZK 690). DAB as of the first day: $480 + (614 - 480) * 60\% = \text{CZK } 561$.
- Daily maternity benefit as of the first day: $69\% * 561 = \text{CZK } 388$.
- **Monthly maternity benefit:** $30 * 388 = \text{CZK } 11,640$.
- The **proportion** of income after the insured event (maternity benefit) in relation to income before the insured event (net wage): $11,640 / 14,171 = \mathbf{82.1\%}$.

Monthly wage in CZK		Amount of maternity benefit (CZK per month)	Share of maternity benefit / wage as a %	
gross	net		gross	net
18 717	14 171	11 640	62,2	82,1

The European Code of Social Security requires that the proportion of the maternity benefit in relation to the previous wage of the insured person be at a level of 40%. The Czech Republic meets this requirement in terms of the proportion of benefit in relation to the gross and net wage.

Article 51

No change

Article 52

No change

PART IX – INVALIDITY BENEFIT

Articles 53 and 54

No change

Article 55

- A. Remains unchanged - the Czech Republic applies subparagraph a).
- B. Remains unchanged – we refer to the interpretation of Article 27, the group of protected persons is the same.
- C. Updated information – number of protected employees:
 - employees with pension insurance: 4,040,000
 - self-employed with pension insurance: 727,000

Article 56

No change – the Czech Republic refers to Article 65 of the European Code of Social Security.

Chapter I

Below we cite some up-to-date information

The benefit is a repeating payment calculated according to the same rules as the old-age benefit (see the interpretation of Article 26).

A – rules for the calculation of invalidity benefit

A pension has two components:

Base assessment: CZK 1,400 per month.

Percentage assessment: depends on the amount of earnings (calculated from the calculation base) and the number of years of insurance. For invalidity benefit it is 1.5% of the calculation base per year of insurance. The calculation base is set according to the average from indexed gross earnings (earnings are indexed in relation to the rise in the average wage in the national economy) for the period from 1986 to the year preceding the claim to a pension. To set the calculation base, this average (personal assessment base) is reduced so that only 30% of the amount between the first and second reduction limit is counted and only 10% of the amount above the second reduction limit is counted.

In 2005, the reduction limits are CZK 8,400 and CZK 20,500 (every year they are increased based on the rise in wages).

- B. Remains unchanged - for evaluations of the required level of invalidity benefit, the procedure under Article 65(6)(b) is applied. In the Czech Republic, the economically active population is protected with benefit.

C. In 2004, the average gross wage of a skilled labourer was CZK 18,717 (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator).

With regard to the fact that in the Czech Republic social benefits are not subject to tax in most cases (with the exception of pension amounts in excess of CZK 162,000 per year, i.e. approximately 0.2% of cases) and no health insurance or social security contributions are paid from them, the shares of benefits in net wages can be calculated. In the Czech Republic, the period of insurance includes the full period from the date of emergence of the claim to a full invalidity benefit until retirement age for the calculation of the amount of invalidity benefit, therefore it is possible to count on 30 years of insurance for the amount of the benefit.

Chapter II

Below we cite some up-to-date information

D to G

Calculation of the share for the evaluation of the amount of the invalidity benefit:

- The gross wage of a skilled labourer was (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator) in 2004, i.e. CZK 18,717, is used.
- Of the gross wage of CZK 18,717, the **net wage** for the taxpayer with a dependent wife and two children is **CZK 15,551**.
- The personal assessment base (CZK 18,717) is reduced: $8,400 + (18,717 - 8,400) * 30\% = \text{CZK } 11,496$.
- The percentage assessment for thirty years of insurance: $30 * 1.5\% * 11,496 = \text{CZK } 5,174$.
- **The amount of the invalidity benefit:** the basic assessment and the percentage assessment $1,400 + 5,174 = \text{CZK } 6,574$.
- The amount of **allowances** for two children aged 9 and 14 years old: CZK 615 and CZK 727 = CZK 1,342.
- Invalidity benefit and allowances for two children: $6,574 + 1,342 = \text{CZK } 7,916$.
- Income prior to the insured event: $15,551 + 1,342 = \text{CZK } 16,893$.

Proportion of income after the insured event (invalidity benefit and allowances for two children) compared to income before the insured event (net wage and allowances for two children): $7,916 / 16,893 = \mathbf{46.9\%}$.

Monthly wage in CZK		Allowances for two children (CZK)	Invalidity benefit (CZK)	Share of benefit / wage *)	
gross	net			gross	net
18,717	15,551	1,342	6,574	39.5	46.9

*) including allowances for two children

The European Code of Social Security requires a requires that the proportion of the invalidity benefit and allowances for two children in relation to the previous wage, plus allowances for two children, be at a level of 40%. The Czech Republic meets this requirement in terms of the proportion of invalidity benefit in relation to the net wage.

Article 57

No change

Article 58

No change

PART X – SURVIVORS’ BENEFIT

Articles 59 and 60

No change

Article 61

- A. Remains unchanged – the group of protected persons corresponds to the group specified under subparagraph a) (see also the interpretation of Article 27).
- B. Remains unchanged – protected persons are the survivors (widow/widower, dependent children) of persons who received an old-age pension, full invalidity benefit or partial invalidity benefit, or who, as at the date of death, met the condition of the required period of insurance for a claim to a full invalidity benefit or the conditions for a claim to old-age benefit, or died as a result of an occupational accident.
- C. Updated information – number of protected employees:
 - employees with pension insurance: 4,040,000
 - self-employed with pension insurance: 727,000

Article 62

- A. No change – the benefit is a regular payment calculated in accordance with Article 61(a) further to Article 65.

Chapter I

Below we cite some up-to-date information

A – rules for the calculation of widow (widower) benefit

- 1. A pension has two components:
 - **Base assessment:** CZK 1,400 per month.
 - **Percentage assessment:** depends on the earnings and number of years of insurance of the deceased.

Percentage assessment:

- for a **widow (widower)** pension, it is 50% of the percentage assessment of the invalidity (old-age) benefit to which the deceased was or should have been entitled (see old-age or invalidity benefit).

- for an **orphan** benefit, it is 40% of the percentage assessment of the invalidity (old-age) benefit to which the deceased was or should have been entitled (see old-age or invalidity benefit).

B

Remains unchanged - for evaluations of the required level of survivor's pension, the procedure under Article 65(6)(b) is applied.

C

Updated - in 2004, the average gross wage of a skilled labourer was CZK 18,717 (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator).

With regard to the fact that in the Czech Republic social benefits are not subject to tax in most cases (with the exception of pension amounts in excess of CZK 162,000 per year, i.e. approximately 0.2% of cases) and no health insurance or social security contributions are paid from them, the shares of benefits in net wages can be calculated.

Chapter IV

Below we cite some up-to-date information

Calculation of the share for the evaluation of the amount of the survivor's pension:

- The gross wage of a skilled labourer was (based on the employment classification code KZAM 72231 – metal turner – tool setter and lather operator) in 2004, i.e. CZK 18,717, is used.
- Of the gross wage of CZK 18,717, the **net wage** for a family with two children is **CZK 15,551**.
- The personal assessment base (CZK 18,717) is reduced by $8,400 + (18,717 - 8,400) * 30\% = \text{CZK } 11,496$.
- The percentage assessment of the old-age (invalidity) benefit of the deceased for thirty years of insurance is $30 * 1.5\% * 11,496 = \text{CZK } 5,174$.
- Percentage assessment of a widow pension: $50\% \text{ of CZK } 5,174 = 2,587$.
- **The amount of the widow (widower) benefit:** the basic assessment and the percentage assessment $1,400 + 2,587 = \text{CZK } 3,987$.
- Percentage assessment of an orphan pension: $40\% \text{ of CZK } 5,174 = \text{CZK } 2,070$.
- **The amount of the orphan benefit:** the basic assessment and the percentage assessment $1,400 + 2,070 = \text{CZK } 3,470$.
- The amount of **allowances** for two children aged 9 and 14 years old: CZK 615 and CZK 727 = CZK 1,342.

- Widow benefit, two orphan benefits and allowances for two children: CZK 3,987 + 2 * CZK 3,470 + 1,342 = CZK 12,269.
- Income prior to the insured event: 15,551 + 1,342 = CZK 16,893.

Proportion of income after the insured event (survivor's pension and allowances for two children) compared to income before the insured event (net wage and allowances for two children): $12,269 / 16,893 = 72.6\%$.

Monthly wage in CZK		Allowances for two children (CZK)	Survivor's pension (CZK)	Share of benefit / wage *)	
gross	net			gross	net
18,717	15,551	1,342	10,927	61.2	72.6

*) including allowances for two children

The European Code of Social Security requires a requires that the proportion of the survivor's pension and allowances for two children in relation to the previous wage, plus allowances for two children, be at a level of 40%. The Czech Republic meets this requirement.

Article 63

No change

Article 64

No change

Enquiries of the Committee of Experts regarding the Czech Republic's first and second reports on the fulfilment of the European Code of Social Security

The Committee of Experts asked the Czech Republic to provide additional information as follows

As to Part II (medical care), Article 10(2) of the Code – further information is required on the scope of medical care covered (Section 15 of Act No 48/1997, on public health insurance) in relation to the three categories of medicinal products (covered fully or partially out of health insurance, or in full by the insured person)

Reply:

The scope of medical care covered is defined by Act No 48/1997, on public health insurance, as amended. (The entitlement of citizens – insured persons to the coverage of the cost of medical care in the scope defined under the law is guaranteed by the Constitution of the Czech Republic.)

The definition of the scope of care covered out of the funds of public health insurance under Act No 48/1997 (hereinafter referred to as 'the 'Act') includes a specification of the scope of coverage of medicinal substances contained in medicinal products in the following manner:

- Section 15(4) of the Act stipulates medicinal substances which, if contained in a medicinal product, result in the medicinal product being covered fully out of the resources of public health insurance,
- Section 15(5) of the Act stipulates that all medicinal products which contain a medicinal substance belonging to one of the groups of medicinal substances specified in Schedule No 2 to the Act are covered out of health insurance, provided that the coverage of the cost of medicinal substances has been set in such a manner that, in each of the groups of medicinal substances specified in Schedule No 2 to the Act, at least one medicinal product containing a medicinal substance belonging to such a group is covered in full.

With regard to the fact that the prices of the covered pharmaceuticals are regulated in the form of maximum prices, it is up to the manufacturer for what actual price the product will be sold (although the price must be lower than, or equal to, the maximum price appointed by the Ministry of Finance.

All care provided in the scope of the institutional care (inpatient facilities, including sanatoriums for long-term patients) of contractual facilities of health insurance companies is covered out of the resources of public health insurance in the Czech Republic. This means that any medicinal product, irrespective of the amount of payment, is covered fully if it is administered during the care of a patient who is hospitalized (i.e. inpatient care is completely covered by the general reimbursement fund).

Besides the circumstances mentioned above, the law appoints the possibility of approving the coverage of individual care in cases where this is the only care available and otherwise is not covered out of health insurance, such being for a specific patient and after approval by the inspecting doctor of the health insurance company – in accordance with Section 16 of the Act, under which this power to assess individual cases for the need to provide medical care is delegated by the Act.

As to Part IV (unemployment benefit), Article 20 of the Code – information is required on the decisive factor, within the meaning of Section 12(1) of Act No 1/1991, on employment, for the determination of ‘suitable work’, and the corresponding provisions of the law or internal acts defining this term need to be sent.

Reply:

Under Act No 1/1991, on employment, as amended (legislation in force until 30 September 2004), persons who applied for the mediation of suitable employment and were classified in the records of job-seekers had a claim to unemployment benefit. Suitable employment was defined in Section 1(4) of the above-mentioned Act as employment corresponding to the state of health of the job-seeker, with consideration for his age, qualifications, and skills, the length of previous employment, and possibilities of accommodation.

Under Section 12 of this Act, material security was due to a job-seeker if suitable employment was not mediated for him within seven days of the date of submission of the application for the mediation of suitable employment, or if the possibility of retraining for a new suitable employment for the job-seeker was not secured.

The practical impact of this provision was that situations arose where the job-seeker refused suitable employment, i.e. employment which met the above-mentioned conditions, because the job-seeker had demands on the mediation of employment which corresponded not only to his state of health, but also requirements which the legal definition of suitable employment does not guarantee. If suitable employment is refused, the job-seeker is removed from the records of job-seekers, thus losing the entitlement to benefits; if employment was refused in the seven calendar days as of the date up to classification in the records of job-seekers, the entitlement to unemployment benefit did not emerge in the first place.

On 1 October 2004, a new Employment Act (Act No 435/2004) entered into effect and expanded, or modified, the definition of suitable employment. The conditions of entitlement to unemployment benefits are no longer tied to a seven-day period for the mediation of suitable employment.

Part IV of the third report on fulfilment covers the new legislation in more detail.

Act No 435/2004, on employment, is contained in the annex to the third report on fulfilment.

As to Article 24 of the Code – *detailed information is required on the application of Section 14(1)(f) of the Employment Act (i.e. Act No 1/1991), according to which a job applicant has no entitlement to unemployment benefit if, in the previous six months, he repeatedly terminated employment himself without good reason, or if his employment was terminated in this period due to unsatisfactory work results or due to breach of obligations stemming from employment. (However, under Article 68(f) of the Code, benefits may be removed only if the social case was caused by the intentional conduct of the person involved.)*

Reply:

Under Section 14(1)(f) of **Act No 1/1991**, unemployment benefit was not provided to a job-seeker who, in the previous six months, repeatedly terminated employment himself without good reason, or if his employment was terminated in this period due to unsatisfactory work results or due to breach of obligations stemming from employment. By way of this provision, the Act defined two groups of cases where there was no claim to unemployment benefit:

1. persons who repeatedly terminated employment themselves in the past six months. In these cases, they became entitled to unemployment benefit again after they had taken a new job which lasted for twelve months, or at least six months if the total period of employment in the decisive period (three years prior to classification in the records of job-seekers) was 12 months.
2. persons whose employment was terminated by notice (or by termination of employment with immediate effect) due to unsatisfactory work results or breach of the employment duties. (In cases of persons who win a dispute on the invalidity of the termination of employment, the court ruling frequently determines that the notice is null and void, therefore the employment still exists and the employer is obliged to pay a replacement wage for a set period.)

On 1 October 2004, a new Employment Act (Act No 435/2004) entered into effect. The new Act does not contain the regulation under Section 14(1)(f) of the previous Employment Act; the conditions laid down in this provision are no longer decisive for the granting of unemployment benefit. See also Part IV - Unemployment benefit of the third report on fulfilment.

As to Part V-IX-X- in conjunction with Part XI, Article 65(10) of the Code – benefit paid out long term and regularly – *for a better assessment of the situation and understanding of the practices in the application of Article 65(10) of the Code, it is necessary for the next report to contain the calculations requested in the form for the preparation of reports on fulfilment in the case of Article 65 (Chapter VI), concerning changes in the indices of living costs and, where appropriate, the index of earnings (see Question 2 of Chapter VI), and the level of old-age benefits (see Question 3 of Chapter VI). Calculations concerning the index of living costs, the index of earnings, and changes in old-age benefit should relate to the same period, preferably the period 2002-2004.*

Table with calculations:

		Old-age benefit absolute in CZK index		Average wage absolute in CZK index		Index of living costs
A. start of period	2001	6,352		14,640		104.7
	2002	6,830	1.075	15,711	1.073	101.8
	2003	7,071	1.035	16,769	1.067	100.1
	2004	7,256	1.026	17,881	1.066	102.8
B. end of period	2005 ³	7,717	1.064	18,990	1.062	101.7

³ Estimate of the Ministry of Labour and Social Affairs