

**THE NINTH CZECH REPORT ON THE FULFILMENT OF  
THE EUROPEAN CODE OF SOCIAL SECURITY**

**for the period from 1<sup>st</sup> July 2010 to 30<sup>th</sup> June 2011**

## SECTION I

### *List of applicable legislation:*

#### **Part II – Medical care**

- Act no. 48/1997 Coll., on Public Health Insurance and on Changes and Amendments to Certain Related Acts, as amended
- Act no. 20/1966 Coll., on Public Healthcare, as amended
- Act no. 285/2002 Coll., on the Donation, Removal and Transplantations of Tissues and Organs and on Changes to Certain Acts (the Transplantation Act), as amended
- Decree no. 3/2010 Coll., on the designation of the contents and time intervals for preventative examinations
- Decree no. 386/2007 Coll., which designates the illnesses, for which dispensary care is provided, the time intervals for dispensary examinations and the designation of the specialisation for the dispensing physician

#### **Part III – Sickness benefit**

- Act no. 187/2006 Coll., on Sickness Insurance, as amended
- Act no. 262/2006 Coll., the Labour Code, as amended

#### **Part IV – Unemployment benefit**

- Act no. 435/2004 Coll., on Employment, as amended (Employment Act)

#### **Part V – Old Age Pension**

- Act no. 155/1995 Coll., on Pension Insurance, as amended
- Act no. 582/1991 Coll., on the Organisation and Implementation of Social Security, as amended
- Decree no. 284/1995 Coll., implementing the Act on Pension Insurance, as amended

#### **Part VII – Family benefit**

- Act no. 117/1995 Coll., on State Social Support, as amended
- Act no. 110/2006 Coll., on Living and Subsistence Minimum, as amended
- Decree no. 207/1995 Coll., establishing the degrees of health impairment and the methods of their evaluation for the purposes of state social support benefits, as amended

#### **Part VIII – Maternity benefit**

- Act no. 187/2006 Coll., on Sickness Insurance, as amended

#### **Part IX – Invalidity benefit**

- Act no. 155/1995 Coll., on Pension Insurance, as amended
- Decree no. 284/1995 Coll., implementing the Act on Pension Insurance, as amended
- Act no. 582/1991 Coll. governing the organisation and realisation of social security, as amended

- Decree no. 359/2009 Coll. which designates the percentage rate of the fall in capacity to work and the prerequisites for the disability assessment and regulates the assessment of capacity to work for the purposes of disability

**Part X – Survivors’ benefit**

- Act no. 155/1995 Coll., on Pension Insurance, as amended
- Act no. 582/1991 Coll., on the Organisation and Implementation of Social Security, as amended

## SECTION II

### *Code application*

Article 10 of the Constitution of the Czech Republic stipulates that promulgated international treaties, the ratification of which has been approved by the Parliament and which are binding for the Czech Republic, are considered to be part of the legal order. If the provisions of an international treaty vary from the national legislation, the provisions of the international treaty shall prevail.

### *Article 2 – Provisions Adopted*

The Czech Republic has adopted the obligations arising from the following parts of the Code:

- 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 – Voluntary insurance schemes*

The report does not consider the protection provided under voluntary insurance schemes.

### **Parts XI – XII**

The questions on Articles 65 to 68 have been answered under the relevant section of the form.

### **General notes on benefit calculations:**

In 2010, the average gross monthly wage **of a qualified blue-collar worker was CZK 24,146** and according to the survey results approximately 70 % of the economically active people earned a lower wage than the stated amount. A qualified worker's wage corresponds to the wage of a metal lathe operator – a tuning and service technician – according to KZAM-R 72231. In 2010, the average gross monthly wage of **a non-qualified blue-collared worker was CZK 17,491** (according to KZAM-R 93211 – a mechanical handling worker in industry (manufacturing)).

Information system on the average income is a selective statistical survey by the Ministry of Labour and Social Affairs, which is annually included as a part of the statistical research program of the Czech Statistical Office and, as a wage survey with regular periodicity, it monitors the wage levels of individual professions in the Czech Republic, based on the KZAM Job Classification. The data on the average hourly wage of individual employees of selected economic entities, calculated as remuneration for labour-law-related

purposes, pursuant to Section 351 of Act no. 262/2006 Coll., the Labour Code, are collected on a quarterly basis. The survey also allows for monitoring the amount and structure of the monthly gross wage, which indicates the average salary level for the period from the start of the year to the end of the current period

As the social security benefits in the Czech Republic are not subject to taxation (with the exception of pensions that exceed CZK 288,000 per year which are included in taxable income), and they are not subject to health insurance and social security contributions either, it is possible to calculate the percentage of the benefits to net wages. In 2010, the net wage of a qualified blue-collar worker with two children was CZK 20,641 (the calculated income tax has been reduced by tax credits at the amount of CZK 2,070 for the taxpayer and tax credits of 2 x 967 CZK for the two children). The allowance for two children aged 6 to 15 amounts to CZK 1,220.

- The benefits do not vary from region to region (paragraph 8 of Article 65 is not applied)
- The average year-on-year price inflation index in 2010 was 101.5 %.
- The year-on-year index for the average nominal wage in the national economy in 2010 was 101.9 %.

#### *Article 69 – Right of appeal*

##### Updated information:

An insured individual is entitled to lodge an appeal against a decision issued by the appropriate District social security administration concerning the rejection of his/her claim for a **sickness insurance** benefit (**sickness benefit** and **maternity benefit**), the amount of the benefit, the reduction of the benefit or the withdrawal or suspension of the payment thereof in accordance with Act no. 187/2006 Coll. on sickness insurance, as amended (hereafter “Sickness Insurance Act”). The superior body, i.e. the Czech Social Security Administration, decides on the appeal. The proceedings at the first level are regulated by Act no. 500/2004 Coll., the Administrative Procedure Code, as amended. The insured individual can lodge a lawsuit against the appeal body’s decision with the appropriate Regional Court in accordance with Act no. 150/2002 Coll., the Civil Procedure Code (hereafter “Civil Procedure Code”).

Since 1<sup>st</sup> January 2010, it has been possible to lodge written objections concerning a decision of a social security body in matters of pension insurance as a regular legal remedy in accordance with Act no. 582/1991 Coll. on the organisation and implementation of social security (hereafter “Organisation Act”), provided this is done within 30 days of the day when the participant in the proceedings was notified of the decision. The social security body which issued the decision also decides on any objections, but the objection proceedings must be held separately from the first-instance social security decision-making body; the proceedings must not be participated in or decided upon by anybody who participated in the proceedings concerning the issuance of the disputed decision. It is possible to lodge a lawsuit against a decision upon the objections with the Regional Court. The option of a judicial review of a decision in matters of **pension insurance** is contained in the Administrative Procedure Code and elaborated in the Organisation Act. The decisions which form the basis for decisions concerning benefits from pension insurance are excluded from the judicial review; the court only reviews any such decisions when deciding on a lawsuit brought against a decision of the Czech Social Security Administration.

*Article 70 –Expenditure on benefits*

Updated information:

**Total revenue for 2010<sup>1</sup>**

- Pension insurance .....CZK 308,406,994 000
- Sickness insurance .....CZK 23,543,825 000
- Contributions to the state’s employment policy .....CZK 13,472,435 000

**Total expenditure for 2010<sup>2</sup>**

- Pension insurance .....CZK 337,798,656 000
- Sickness insurance .....CZK 22,788,532 000
- unemployment benefits .....CZK 13,354,778 000

*Article 71*

No changes

*Article 74*

The total average number of employees in 2010 was 4,196,648 people. With self-employed persons included among the individuals covered (sickness insured), the total number is 4,340,380 people.

Total number of employees with pension insurance: 4,196,648 people.

Self-employed persons with pension insurance (the average for 2010)..... 733,677 people  
of whom individuals with sickness insurance .....143,732 people

**SECTION III**

No changes

**SECTION IV**

No changes.

**SECTION V**

No changes

<sup>1</sup> Source: National Accounts for the Czech Ministry of Labour and Social Affairs chapter for 2010

<sup>2</sup> Source: National Accounts for the Czech Ministry of Labour and Social Affairs chapter for 2010

## PART II – HEALTH CARE

### *Articles 7 and 8*

No changes

### *Article 9*

A. The Czech Republic refers to letter c).

B.

The group of individuals covered according to Act No. 48/1997 Coll. on public health insurance, as amended, (hereafter “Public Health Insurance Act”) has not changed since 1<sup>st</sup> January 2011.

The personal scope of the public health insurance applies to all individuals with permanent residence in the Czech Republic and to individuals who do not have permanent residence in the Czech Republic, provided they are employees of an employer which has its registered office or permanent residence in the territory of the Czech Republic (Section 2, Para 1 of the Public Health Insurance Act).

Since the accession of the Czech Republic to the European Union, however, citizens of the EU member states, the EEC and Switzerland now also have access to the Czech public health insurance system upon the basis of an entitlement arising from the application of community law.

### C. Updated statistical information:

- A. Number of covered individuals: – 10,383,849 people (average number of insured people in 2010)
- B. Population: – 10,532,770 people (as of 31<sup>st</sup> December 2010)
- C. 98.58 %

D. Women on maternity and parental leave and dependent children fall in the category of covered individuals who are entitled to medical care according to Article 10.

E. No changes

### *Article 10*

A.

Healthcare which is paid for from public health insurance funds is defined by the Public Health Insurance Act.

The healthcare covered at the extent and under the conditions designated by law includes the following with reference to Article 10, paragraph 1:

- Outpatients’ and institutional treatment,
- Emergency and rescue service,

- Preventative care,
- Dispensary care,
- Provision of medical preparates, healthcare devices and dentistry products,
- Foodstuffs for special medical purposes,
- Spa care and care at specialist children's nursing homes and sanatoria.

Medical preparates containing the following medicinal substances are covered in full from health insurance: serum against staphylococcus infections, serum against diphtheria, serum against snake venom, serum against botulism, serum against gaseous gangrene, serum against rabies, immunoglobulin against tetanus, immunoglobulin against hepatitis B, tetanus toxoid, vaccine against staphylococcus infections, vaccines against rabies and antidotes (used during the treatment of poisoning with organophosphates, heavy metals and cyanides).

During the provision of outpatients' medical care, health insurance covers medicinal products and foodstuffs for special medical purposes containing medicinal substances from the groups of medicinal substances set out in Annex No. 2 to the Public Health Insurance Act, if the State Institute for Drug Control has decided on the application of higher remittances. In each group of medicinal substances stated in Annex No. 2, at least one medicinal product or foodstuff for special medicinal purposes is covered in full from health insurance.

During the provision of institutional care, health insurance fully covers medicinal products and foodstuffs for special medicinal purposes, individually prepared medicinal products, radiopharmaceuticals and transfusion products in the least economically demanding variant and depending on the degree and seriousness of the illness. The insured individuals do not contribute to the payment for them.

## B.

So-called regulatory fees were introduced in the Czech Republic on 1<sup>st</sup> January 2008 (section 16a of the Public Health Insurance Act). The insured individuals or their legal guardians are obliged to pay the healthcare facility regulatory fees at the amount of CZK 30, 60 or 90 depending on the provision of the given care.

The regulatory fees are set as follows for the purposes of Article 10, Para 1, letter a):

### A) CZK 30 per

(i) visit to a general practitioner or a paediatrician involving a clinical examination and for the visiting service provided by a general practitioner or a paediatrician,

(ii) visit to a doctor providing specialised outpatients' healthcare and per visit to a clinical psychologist or clinical speech therapist,

(iii) for the dispensing of each medicinal product or foodstuff for special medicinal purposes fully or partially covered by health insurance which has been prescribed in a prescription regardless of the number of prescribed packets. If the insured individual pays a supplementary charge on any medicinal products or foodstuffs for special medical purposes which are prescribed in a prescription, the sum of the paid supplementary charges for all of the packets of medicinal products or foodstuffs for special medical purposes of a single type is reduced by the paid regulatory fee or the appropriate part thereof in such a way so that the amount paid by the insured party for the supplementary charge and the regulatory fee amounts to at least CZK 30.

### B) CZK 60 for



(iv) each day of provided institutional care.

C) CZK 90 for

(v) after-hours services provided by a healthcare institution providing:

1. a medical first aid service, including medical first aid provided by a dentist,
2. an institutional emergency service on Saturdays, Sundays or on public holidays and on workdays in the period from 5:00 p.m. to 7:00 a.m., provided the insured individual is not subsequently taken into institutional care.

In order to ensure that the regulatory fees are not an excessive burden on certain groups of individuals, several measures have been adopted in the Public Health Insurance Act, including:

1. Section 16a, Paragraph 2 of this Act designates the groups of individuals who do not pay any regulatory fees (e.g., children placed in children's homes and foster care).

2. Section 16a, Paragraph 3 of this Act designates the situations where the CZK 30 regulatory fee is not paid during a visit to a general practitioner, paediatrician or gynaecologist or for a visit involving a dental examination, for a visit to a doctor providing specialised outpatient medical care and for the visiting service provided by a general practitioner or paediatrician (for example, visits to a doctor for preventative check-ups and haemodialysis). According to this section, the regulatory fees are also not paid in the aforementioned situations by children until they reach the age of 18, including the day they reach that age.

3. section 16b of this Act sets out the limits for the regulatory fees and supplementary charges for medicines or foodstuffs for special medical purposes:

a) a limit at the amount of 5,000 CZK – if the total amount paid by an insured individual or on the behalf of said individual by his or her legal guardian for regulatory fees at the amount of 30 CZK and for supplementary charges pertaining to prescribed medicinal products or foodstuffs for special medical purposes which are partially covered by health insurance and have been dispensed in the Czech Republic exceeds the given limit or

b) a limit at the amount of 2,500 CZK – if the total amount paid by an insured individual or on the behalf of said individual by his or her legal guardian (in the case of children under 18, including the calendar year in which they turned 18, and in the case of insured individuals older than 65, including the calendar year in which they turned 65) for regulatory fees at the amount of 30 CZK and for supplementary charges pertaining to prescribed medicinal products or foodstuffs for special medical purposes which are partially covered by health insurance and have been dispensed in the Czech Republic exceeds the given limit, the health insurance company is obliged to pay the insured individual or his/her legal guardian the amount by which this limit has been exceeded.

C. In the case of pregnancy, delivery and any consequences thereof, no participation in the costs for the provided healthcare is required. No regulatory fees are paid in relation to the institutional care provided to a newborn child from the day of the birth through to the day of release from the healthcare institution where the child was born or to the day of release from another healthcare institution to which the child was transferred directly after the birth for medical reasons.

D. According to the Public Health Insurance Act, every insured individual is obliged to cooperate during the provision of medical care and during the inspection of the treatment process and to adhere to the treatment regime and is obliged to submit to preventative medical examinations, to adhere to measures aimed at preventing illnesses and to refrain from any actions aimed at deliberately damaging his or her health.

*Article 11*

The Czech public health insurance system does not add up the insurance periods and no prior insurance period is required for the establishment of entitlement to a benefit. An individual receives all of the entitlements which arise from the public health insurance system from the first day when said individual becomes a participant in the public health insurance scheme (begins paying the insurance contributions or becomes a state insured individual).

*Article 12*

In the case of illness or injury, material benefits (medical care) are provided throughout the entire period of illness and throughout the entire convalescence period. No time limit has been set for drawing down the material benefits.

## PART III – SICKNESS BENEFIT

### *Articles 13 and 14*

Sickness benefit entitlement applies to all employees who are acknowledged in accordance with the Sickness Insurance Act to be temporarily unable to work, if said inability for work lasts longer than 21 calendar days (14 calendar days up to 31<sup>st</sup> December.2010, the change is planned as a temporary measure until 31<sup>st</sup> December 2013). The employee is entitled to salary or wage compensation according to the Labour Code during the period of the first 21 calendar days of the duration of the temporary inability to work.

The group of insured individuals is defined by the Sickness Insurance Act. This involves employees in employment, employees active upon the basis of a agreement on working activity, judges, volunteer workers in care services and so on, who meet the conditions for participation in sickness insurance. Sickness insurance for self-employed persons is voluntary.

### *Article 15*

A. The Czech Republic refers to the provisions of letter a).

B. Not applied

C. Updated statistical information:

A. Number of employees covered:	4,196,648 people
Number of self-employed persons covered:	143,732 people
B. Total number of employees:	4,196,648 people
C. 100 %	

### *Article 16*

A. The Czech Republic refers to the provisions of Article 65.

## **Chapter I**

Updated information (from 1.1.2011):

### **A. Rules for the calculation of the sickness benefit:**

a) **salary or wage compensation** paid to employees by employers

1. The compensation is paid out for workdays – only during the first 21 calendar days of the inability for work.
2. The specified period for setting the average pay is the previous completed quarter.
3. The amount is set on the basis of the average hourly wage, which is reduced in a similar way as the basis for determining the amount of sickness benefits.

4. The percentage rate is the same as that for sickness insurance (60 % of the reduced average salary).
5. The compensation is not awarded for the first three working days (the waiting period); however, it is possible to reach an agreement between the employee and the employer or an arrangement within a collective agreement or to stipulate by an internal regulation that the compensation will also be awarded for the first three days of the temporary inability to work.
6. The daily amount of salary compensation from the fourth working day of the inability to work corresponds to the amount of the sickness benefit from the 22<sup>nd</sup> calendar day of the inability to work (60 % of the daily assessment base).

#### **b) Sickness benefit**

1. The specified period for determining the average wage is the 12 calendar months preceding the calendar month in which the inability to work occurred.
  2. The daily assessment base is calculated from the income divided by the number of calendar days in the specified period (some days are not counted in order to avoid the unjustified dilution of the daily assessment base, for example the days when sickness benefits were paid).
  3. The qualifying income constitutes all income subject to social security contributions and contributions to the state employment policy calculated for an employee in the specified period.
  4. The reduction of the daily assessment base: 90 % of the amount is counted up to the first reduction limit, 60 % of the amount is counted between the first and second reduction limits, 30 % is counted between the second and third reduction limits and the amount above the third reduction limit is not taken into account.
  5. In 2011, the first reduction limit is CZK 825, the second reduction limit is 1,237 CZK and the third reduction limit is CZK 2,474.
  6. The daily benefit is calculated as 60 % of the daily assessment base from the 22<sup>nd</sup> day of the inability to work.
  7. The sickness benefit is calculated as a multiple of the daily benefit and the number of calendar days of the duration of the inability to work.
- B. The evaluation of the required level of sickness benefit is undertaken in accordance with Article 65, paragraph 6 b). In the Czech Republic, sick leave coverage is mandatory for all employees. The participation of self-employed persons in the sickness insurance scheme is voluntary.
- C. In 2010, the average gross wage of a qualified blue-collar worker was CZK 24,146 (based on Job Specification KZAM 72231 – metal lathe operator – tuning and service technician).

## **Chapter II**

### Updated information (from 1.1.2011):

Salary compensation per working day for the first 21 days of the temporary inability to work corresponds to the amount of sickness benefit from the 22<sup>nd</sup> day of the inability to

work. Therefore, we have only specified the sickness benefit calculation for the purposes of evaluating the amount of benefit paid during sickness.

**D. – G. The calculation of the ratio for the evaluation of the sickness benefit level:**

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker (based on Job Specification KZAM 72231– metal lathe operator – tuning and service technician) in 2010, i.e. CZK 24,146
- Gross wage from employment: CZK 24,146, of which the net wage after the tax deductions amounts to CZK 20,641.
- Daily assessment base for the calculation of sickness benefit (DAB): the ratio between the annual wage and the number of days in the year:  $24,146 \times 12/365 = \text{CZK } 793.84$ .
- **The daily assessment base** is reduced as follows:  
DAB:  $794 \times 90 \% = \text{CZK } 715$
- **Daily sickness benefit:**  
it is 60 % of the DAB from the 21<sup>st</sup> day of the incapacity for work,  
 $60 \% \text{ of } 715 = \text{CZK } 429$ .
- **Monthly sickness benefit:**  $30 \times 429 = \text{CZK } 12,870$
- **Allowances for children** do not apply
- **Net income** = CZK 20,641
- The **ratio** between the income after the insured event (the sickness benefit) and income before the insured event (net salary):  $12,870/20,641 = \mathbf{62.4 \%}$ .

Monthly salary in CZK		Monthly allowances for 2 children in CZK	Monthly sickness benefit in CZK	Ratio sickness benefits/salary in % *)	
Gross	Net			Gross	Net
24 146	20 641	0	12 870	53,3	62,4

\*) no allowances for children apply

The European Code of Social Security requires that the ratio of sickness benefit in comparison with preceding income is at least 45 %. The Czech Republic fulfils the required level of the amount of sickness benefit in respect of both gross and net wage.

B. Not applied.

C. No changes

*Article 17*

The Czech legal regulations do not designate the fulfilment of a qualification period as a precondition for the establishment of entitlement. The insured individual's entitlement to the sickness benefit arises as of the day of his/her entry into employment which provides the basis for participation in the sickness insurance scheme.

*Article 18*

Sickness benefit is provided from the 22<sup>nd</sup> calendar day of the duration of the temporary inability to work, but up to a maximum of 380 calendar days from the establishment of the temporary inability to work according to the Sickness Insurance Act. Sickness benefit may

also be provided after the expiry of this support period, if it is possible to expect that the insured individual will shortly return to capacity for work upon the basis of a statement from the health insurance company's body. It is, however, only possible to provide the sickness benefit in this way for a period of a further 350 calendar days.

In the case of any new temporary inability to work, the previous period of temporary inability to work is counted in the period of 380 calendar days from the beginning of the temporary incapacity for work, provided these days fall in the period of 380 calendar days prior to the occurrence of the new case of temporary inability to work. This period of previous temporary inability to work is not counted, however, if the insured activity lasted at least 190 calendar days from the end of the last case of temporary inability to work.

The Sickness Insurance Act enables the payment of sickness benefits abroad upon the basis of a request received from an insured individual. It is only paid to the insured individual's bank account and in return for the payment of the associated costs.

If an insured individual who is temporarily unable to work applies for a disability pension in accordance with Act no. 155/1995 on pension insurance, as amended (hereafter "Pension Insurance Act") and is acknowledged as disabled by a social security body, the attending physician will decide on the termination of the temporary inability to work upon the basis of the social security body's suggestion and will do so at the latest 30 days from the day following the day on which the insured individual was acknowledged as disabled. The disability pension will be awarded from the day following after the day of the termination of the temporary inability to work.

If an old age pension is awarded according to the Pension Insurance Act in the period when the insured employment or the insured individual's independent gainful activities have not ended, the entitlement to sickness benefit will not end. However, the length of the period of provision of sickness benefit will be limited in the case of this temporary inability to work alongside the payment of an old age pension. Sickness benefit is paid to a recipient of an old age pension for a maximum period of 70 calendar days, but not longer than the day of the termination of the insured activity and not longer than would be paid out up to the ceasing of the "general length" of the period of support.

During the course of any temporary inability to work, an insured individual loses his/her entitlement to sickness benefit in the situation where the insured individual becomes entitled to an old age pension during the course of said period of temporary incapacity for work and said individual's insured employment or insured independent gainful activities ceased before the day on which the individual became entitled to the payment of the old age pension.

The temporary inability to work of an insured individual who is entitled to maternity benefit ends and the payment of the sickness benefit is halted as of the beginning of the sixth week before the expected date of the delivery, provided she has not started drawing maternity benefit at an earlier date.

An insured individual or any other recipient of a sickness insurance benefit who has failed to fulfil any of the imposed obligations or has received the benefit or part thereof even though he/she must have been aware from the circumstances that it had been paid out wrongfully or at a higher amount than said individual was entitled to, is obliged to repay the benefit payer any overpayment of the benefit. If another physical or legal entity has caused the benefit to be

paid out wrongfully or at an amount higher than the individual was entitled to, said entity will be obliged to repay the benefit payer any overpayment of the benefit.

If the insured individual has brought about his/her inability to work

- as a result of his/her participation in a fight;
- as a direct consequence of his/her drunkenness or abuse of narcotic or psychotropic substances or
- when committing an intentional criminal offence or an intentional misdemeanour,

said individual will still be entitled to sickness benefit, but **at half the amount**. An insured individual who has deliberately brought about his/her inability to for work has no entitlement to sickness benefit.

If an incapacitated insured individual breaches the set treatment regimen, his/her sickness benefit may be reduced or withdrawn for a maximum period of 100 calendar days from the day of the breach in the treatment regimen, but not longer than until the end of the period of temporary incapacity for work during which the breach in this regimen occurred.

The insured individual is entitled to the payment of the sickness benefit for the period, throughout which

- he/she carries out the insured activities, to which the sickness benefit pertains, i.e. he/she works or is involved in independent gainful activities,
- he/she is still entitled to the qualifying income from employment to which sickness benefit pertains according to the special regulations.

## PART IV – UNEMPLOYMENT BENEFIT

### *Article 19*

No changes

### *Article 20*

Act no. 435/2004 Coll. on employment, as amended, (hereafter “Employment Act”) sets out the conditions under which an individual may be included in the records of jobseekers and under which said individual is entitled to an unemployment benefit.

A jobseeker is a physical entity who personally applies for the mediation of a job vacancy at the regional branch of the Labour Office (the term Labour Office will hereafter be used for simplification), in whose territory he or she is resident, and is registered as a jobseeker by the Labour Office upon fulfilling the legally stipulated conditions.

An individual may not be included in the jobseekers’ registry, if he or she is in employment or in the services (with certain stated exceptions), if he or she is a self-employed individual, an individual gainfully employed abroad, a partner or company secretary in a trading company or a member of a cooperative, a supervisory board or a board of directors, if he or she carries out work for a company or a cooperative which is remunerated at a certain amount or if he or she is a judge, a member of parliament, etc.

#### Within the framework of the reference period from 1<sup>st</sup> July 2010 to 30<sup>th</sup> June 2011:

Jobseekers are entitled to unemployment benefit, if they have acquired a pension insurance period of at least 12 months in the specific period (3 years before inclusion in the jobseekers’ registry) by means of employment or other gainful activities according to the Pension Insurance Act.

#### Unemployment benefit does not apply to jobseekers:

- who have terminated their employment mediated by the Labour Office without any serious grounds for doing so at any time in the last 6 months prior to their inclusion in the jobseekers’ registry,
- who have been dismissed from employment in the period of the last 6 months before their inclusion in the jobseekers’ registry due to an especially gross breach of their obligations arising from the legal regulations pertaining to the work which they performed; this also applies in the case of the termination of any other employment relation for similar reason,
- who have become entitled to a service allowance according to the special legal regulations (Section 131 and the subsequent sections of Act No. 221/1999 Coll. on professional soldiers, Section 157 and the subsequent sections of Act No. 361/2003 Coll. on the service conditions for the members of the security forces, as amended) and if this allowance is higher than the unemployment benefit which the jobseeker would otherwise be entitled to, if he or she were not entitled to the service allowance,

#### and effective as of 1<sup>st</sup> January 2011:

- who carry out any of the activities according to section 25, subsection 3 of the Employment Act, i.e. any activities on the basis of work or service relations with monthly earnings not in excess of half the minimum wage, as of the day when the unemployment benefit should have



been awarded, or

- who carry out activities on the basis of a an agreement on work activity or a service contract with monthly earnings or earnings pertaining to 1 month of the period to which they apply which are not in excess of the half the minimum wage.

#### *Article 21*

A. The Czech Republic refers to letter a).

B.

The group of covered individuals consists of those individuals who meet the conditions for the establishment of the entitlement to the unemployment benefit according to the Employment Act.

C. Updated statistical information:

A. Number of covered employees: 4,930,325 people

B. Total number of employed persons (incl. self-employed): 4,930,325 people

C. 100 %

#### *Article 22*

A. The Czech Republic refers to the provisions of Article 65.

### **Chapter I**

A. Updated information:

Employment Act states that the amount of the unemployment benefit and support during retraining is designated as a percentage of the average earnings which have been ascertained in the case of the jobseeker and last used for employment purposes at his or her last job in the specified period according to the employment regulations; if these employment regulations were not applied to the jobseeker due to the provisions set out in the special legal regulations pertaining to the legal relations under which the jobseeker carried out his or her last completed employment, the average of such a jobseeker's net monthly earnings is ascertained for the purposes of the unemployment benefit and support during retraining analogously according to the employment regulations.

The amount of the unemployment benefit and the support during retraining for a jobseeker who was self-employed prior to being included in the jobseekers' registry is designated using a percentage of the last assessment base in the specified period recalculated for 1 calendar month.

During the first two months of the provision of unemployment benefit (i.e. the so-called support period), the unemployment benefit amounts to 65 % of the average net monthly earnings or the assessment base: it then falls to 50 % for the next two months and 45 % for the remainder of the support period. The percentage rate for support during retraining amounts to 60 %.

From 1<sup>st</sup> January 2011, any jobseeker who has terminated his or her employment without any serious grounds for doing so or by means of an agreement with employer is entitled to unemployment benefit at the amount of 45 % throughout the entire support period

If an individual has fulfilled the condition of previous employment by means of a substitute employment period (see Article 23) and if this period has been assessed as being the last employment, the unemployment benefit is set at the amount of 0.15 times the average wage in the national economy for the 1<sup>st</sup> to 3<sup>rd</sup> quarters of the calendar year preceding the year in which the benefit application was submitted for the first 2 months, at 0.12 times for the next two months and at 0.11 times for the remainder of the support period.

The maximum amount of the unemployment benefit and support during requalification has been set at 0.58 times the average wage in the national economy for the first to third quarters of the calendar year preceding the calendar year in which the benefit application was submitted. In 2010, the maximum amount of the unemployment benefit was CZK 13,280, in 2011 CZK 13,528 per month.

B. Not applied

C. The state's responsibility for providing unemployment benefits is absolute. The unemployment benefit applies to any individual who meets the legally designated conditions.

Unemployment benefit applies once the conditions have been met, regardless of the individual's assets.

## Chapter II

Updated information (from 1.1.2011):

D. to G.

The average net monthly wage of a qualified blue-collar worker with two children was 20,641 CZK.

The calculation of the unemployment benefit as of 1<sup>st</sup> January 2011:

The benefit for a typical qualified blue-collar worker for the first two months of unemployment:

Benefit amount (65 % of the preceding average income) <i>/of net wage/</i>	% of the original income *)
<b>CZK 12,384</b>	60 %

\*) The maximum amount of unemployment benefits applies.

The benefit for a typical qualified blue-collar worker for the next two months of unemployment

Benefit amount (50 % of the preceding average income) <i>/of net wage/</i>	% of the original income
<b>CZK 10,320</b>	50 %

The benefit for a typical qualified blue-collar worker for the remaining support period:

Benefit amount (45 % of the preceding average income) <i>/of net wage/</i>	% of the original income
<b>CZK 9,288</b>	45 %

Thus **the average monthly benefit** for a qualified blue-collar worker throughout the support period was  $2 \times 12,384 + 2 \times 10,320 + 9,288/5 = \mathbf{CZK 10,939}$ .

The **ratio** between the income after the insured event (unemployment benefit) and the income before the insured event (the net swage) is  $10,939/20,641 \times 100 = \mathbf{53 \%}$ .

The European Code of Social Security requires that the level of unemployment benefits in comparison to preceding wage is at least 45 %. The Czech Republic fulfils the required level.

B. Not applied.

C. No changes

*Article 23*

The establishment of the entitlement to an unemployment benefit in the Czech Republic is bound to the fulfilment of the required period of pension insurance with employment or other gainful activities. The necessary period amounts to 12 months in the last 3 years. It is also possible to count a so-called substitute employment period in that period.

A substitute employment period is considered to be:

- a) the period of preparation for work by an individual with a disability,
- b) the period of receipt of an disability pension for level three invalidity,
- c) the period of providing personal care for a child up to the age of 4,

d) the period of providing personal care for an individual which is considered a person dependent on the help of another physical entity in level II (medium dependency), level III (heavy dependency) or level IV (complete dependency) according to the special legal regulation (Section 8 of Act 108/2006 Coll. on social services), provided said individual lives permanently with the jobseeker and they jointly pay for their needs; these conditions are not required, if this involves an individual who is considered to be a close individual for the purposes of pension insurance,

e) the performance of long-term volunteer services upon the basis of a volunteer contract concluded with a posting organisation which has been accredited by the Ministry of Interior according to Act No. 198/2002 Coll., on volunteer service, or the performance of public service upon the basis of a public service contract according to Act No. 111/2006 Coll. on assistance in material need, provided the extent of the realised service is in excess of at least 20 hours a calendar week,

f) personal care for an individual under 10 years of age who is considered to be an individual with level I (light dependency) dependency upon the assistance of another individual according to the special legal regulation.

#### *Article 24*

1. The period of the provision of the unemployment benefit (the support period) depends on the age of the individual. The support period is 5 months for jobseekers up to the age of 50, 8 months for jobseekers between 50 and 55 and 11 months for jobseekers over 55. The decisive factor for the length of the support period is the jobseeker's age as of the date of the submission of the unemployment benefit application.

The length of the support period is also influenced by the fact as to whether or not the jobseeker has used the entire support period at any time during the last 3 years. If *the entire support period has not been used* and the jobseeker has acquired a pension insurance period of at least 3 months by means of employment or other gainful activities after the end of the used part of the support period, such a jobseeker will be entitled to an unemployment benefit for the entire support period. If said jobseeker has acquired a support period of less than 3 months, he or she will be entitled to an unemployment benefit for the remainder of the support period. At the same time, the requirement of the total necessary period of previous employment must also have been fulfilled.

If the entire support period *has been used* in the last 3 years prior to the inclusion of the individual in the jobseekers' registry, the jobseeker will be entitled to an unemployment benefit, if he or she has acquired a pension insurance period of at least 6 months since the full use of the original support period; this period is not required in cases when the employment was terminated for health reasons or because the employer had breached any of the essential obligations arising from the legal regulations, a collective agreement or agreed employment conditions. At the same time, the condition of the total period of previous employment must have been fulfilled.

2. The period for the provision of an unemployment benefit is not graduated according to the contribution period.

3. In accordance with the European Code of Social Security, the waiting period has not been directly designated by the Employment Act.

A jobseeker is entitled to an unemployment benefit upon the fulfilment of the set conditions from the date of the submission of the written unemployment benefit application. If the jobseeker requests the provision of the unemployment benefit at the latest within 3 workdays of the termination of employment or any other gainful activities or any activities considered to constitute a substitute employment period, the unemployment benefit will be awarded from the day following the termination of the employment or the aforementioned activities.

**Effective as of 1<sup>st</sup> January 2011:**

A jobseeker who is entitled to legal severance pay or settlement from his/her last employment according to other legal regulations is provided with an unemployment benefit after the expiry of the period which corresponds to the number of average months' earnings provided in the form of the legal severance pay or settlement, but at least at the amount of three times the average earnings. These provisions do not affect the length of the support period designated by the Employment Act (i.e. it still remains 5/8/11 months long).

4. The Employment Act does not set any special conditions for the provision of unemployment benefits to seasonal workers. The general system applies.

5. No unemployment benefit is provided throughout the period of:

- Provision of an old age pension;
- Provision of a sickness insurance benefit;
- Custody.

The provision of an unemployment benefit is suspended throughout this period.

Jobseekers are not provided with an unemployment benefit throughout the period of any legal relations, on the basis of which they realise any of the activities which prevent inclusion in the jobseekers' registry and throughout the period when they are provided with support during requalification.

The entitlement to an unemployment benefit ceases with the expiration of the support period, the completion of the inclusion of an individual in the jobseekers' registry or when he/she is discharged from the registry.

## PART V – OLD AGE BENEFIT

### *Articles 25 and 26*

#### Updated information (from 1<sup>st</sup> January 2011):

The retirement age and the gradual increases in it are specified by the Pension Insurance Act. In 2011, the retirement age is 62 years and 4 months for men, 61 years for childless women, 60 years for women who have raised one child, 59 years for women who have raised two children, 58 years for women who have raised 3 or 4 children and 57 years for women who raised 5 or more children. The retirement age will increase annually by 2 months for men and 4 months for women until it reaches 65 years for men, childless women and women who have raised one child, 64 years for women who have raised two children, 63 years for women who have raised 3 or 4 children and 62 years for women who have raised 5 or more children

An amendment to the Pension Insurance Act which enables gradual increases in the age limit so that there will be a uniform age limit of 67 for insured men and women born in 1977 has been approved effective as of 30<sup>th</sup> September 2011. After 2034, the age limit will continue to increase by 2 months every year.

### *Article 27*

- A. The Czech Republic refers to letter a).
  
- B. The group of covered individuals also includes the groups specified under letter b). Covered individuals are those who are or were participants in the pension insurance scheme. Participation in the pension insurance scheme is mandatory for all economically active individuals, both employed and self-employed. By law, there are certain other population groups that are also covered by pension insurance without having to make contributions, such as women caring for a child of up to 4 years of age. Students have not been participants in the pension insurance since 1<sup>st</sup> January 2010, but they have the option of registering for voluntary participation.
  
- C. Updated statistical data:
  - A. Number of covered employees: 4,196,648 people
  - Number of covered self-employed persons: 733,677 people
  - B. Total number of employees: 4,196,648 people
  - C. 100 %
  
- D. Not applied

### *Article 28*

- A. The Czech Republic refers to Article 65

## Chapter I

Updated information (as of 1<sup>st</sup> January 2011):

A. Old age pension consists of two components:

**Basic Part:** CZK 2,230 per month

**Percentage Part:** depends on the individual's income (calculated from the calculation base) and the number of years of insurance. For the old age benefit, this amounts to 1.5 % of the calculation base for each year of insurance. The calculation base is determined on the basis of the average indexed gross income (earnings are indexed in relation to growth in average salaries in the national economy) usually for the period from 1986 to the year preceding the year in which the person first qualified for the old age pension. When determining the calculation base, this average ("personal assessment base") is reduced in such a way that only 30 % of the income is counted from the amount between the first and second reduction limits and only 10 % of the income is counted from the amount above the second reduction limit.

In 2011, the reduction limits are 11,000 CZK and 28,200 CZK.

B. No changes

C. In 2010, the average gross monthly wage of a qualified blue-collar worker was CZK 24,146 (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician).

## Chapter III

Updated information (from 1<sup>st</sup> January 2011):

D. – G. **Calculation of the ratio for the evaluation of the pension benefit:**

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician) in 2010, i.e. CZK 24,146.
- **The net wage** for a taxpayer after applying the tax deductions amounts to 18,707 CZK per month.
- The personal assessment base of CZK 24 146 is reduced  $11,000 + (24,146 - 11,000) \times 30\% = \text{CZK } 14,944$ .
- The **percentage part** for thirty years of insurance is  $30 \times 1.5\% \times 14,944 = \text{CZK } 6,725$ .
- **The amount of the old age benefit** is composed of the basic part and the percentage part  $2,230 + 6,725 = \text{CZK } 8,955$
- The **ratio** between the income after the insured event (the old age benefit) and the income before the insured event (the net wage) is  $8,955 / 18,707 = 47.9\%$ .

Monthly wage in CZK		Monthly old age benefit in CZK	Ratio pension / salary in %	
Gross	Net		Gross	Net
24,146	18,707	8,955	37.1	47.9

The European Code of Social Security requires that the ratio of old age benefit in comparison with preceding income is at least 40 %. The Czech Republic fulfils the required level of the amount of old age benefit in respect to net wagey.

#### *Article 29*

##### Updated information (from 1<sup>st</sup> January 2011):

The pension is provided to a covered individual who had fulfilled the qualification period of at least 25 years in 2009 in accordance with the Pension Insurance Act; this period is gradually increasing by 1 year from 2010 and the target period of 35 years of insurance will apply for insured individuals who reach retirement age after 2018. Apart from that, the entitlement to an old age pension also applies to an insured individual who reaches retirement age and achieves an insurance period of at least 30 years (only the period of employment without any non-contributory periods). The requirement for the provision of an old age pension to an insured individual at an advanced age is also met upon the acquisition of the minimum insurance period. Insured individuals who had acquired a minimum insurance period of 15 years in 2009 and reached an age of at least 65; from 2010, this minimum insurance period will gradually be extended by 1 year and the necessary age will also be increased, whereby the target of a 20-year insurance period will apply for insured individuals who reach an age at least 5 years higher than the retirement age for a man of the same date of birth after 2013.

In the case of an old age pension, to which an individual becomes entitled by reaching an age higher than the retirement age and acquiring the minimum necessary insurance period according to the second sentence in the previous paragraph, there will be no reduction of the benefit on the grounds of the percentage rate for one year of insurance, but the benefit is usually lower than the average paid old age pension due to the lower number of acquired years of insurance.

#### *Article 30*

No changes



## PART VII – FAMILY BENEFIT

### Articles 39

The regular family benefits in the Czech Republic according to Article 42 are the child allowance, the social allowance and the parental allowance.

### *Article 40*

The child allowance is provided to dependent children living in families whose decisive income is lower than the sum of the amount of the family's living minimum amount multiplied by the coefficient of 2.4. The child allowance is provided at three different amounts depending on the age of the child.

The social allowance is provided to families with children whose decisive income is lower than the sum of the amount of the family's living minimum amount times the coefficient of 2.0. The social allowance helps to cover the costs associated with securing the needs of children not only in low income families with children, but also of those in unfavourable health or social situations.

The parental allowance is provided to a parent who personally provides all-day care for the youngest child in the family. The parental allowance is provided in three variants (short, classic or long periods of receipt) until the child is two, three or four years of age. The parent's choice of the period for receiving the allowance also affects the amount of the contribution. The parent's gainful activities and income are not monitored, but the placement of the child in pre-school facilities is limited.

### *Article 41*

The scope of covered persons for the regular family benefits according to Article 42 is determined Act no. 117/1995 Coll. on State Social Support.

For the purposes of the child allowance, the covered group is considered to consist of dependent children. The child's eligibility does not depend on whether or not the parent is an employee, an economically active individual or a participant in the pension or sickness insurance schemes.

For the purposes of the social allowance, low-income families and families in unfavourable social situation are considered to be the group covered. The family's eligibility does not depend on the parent's economic activity or whether or not he or she is a subscriber to the insurance scheme.

For the purposes of the parental allowance, parents caring for small children are considered to be the group covered. The eligibility does not depend on the parent's economic activity or whether or not he or she is a subscriber to the insurance scheme.

According to the definition of the individuals covered in Czech legislation, it is not possible to apply this to any of the articles in Article 41.

The statistical information for 2010:

the number of dependent children entitled to a child allowance	530.0 thousand
the number of families entitled to the social allowance	148.4 thousand
the number of parents receiving a parental allowance	337.1 thousand
the number of dependent children	2,305.2 thousand
the number of families with independent children	1,430.0 thousand

In 2010, the child allowance was received by an average of 530 thousand dependent children every month, which means that it was provided to ca 23 % of all dependent children.

In 2010, the social allowance was received by an average of 148 thousand families with dependent children, i.e. ca 10 % of families with dependent children.

In 2010, the parental allowance was received by an average of 337 thousand families with small children, i.e. ca 24 % of families with dependent children.

#### *Article 42*

The Czech Republic refers to paragraph a): the family benefits take the form of monthly, regularly occurring financial payments.

The amount of the child allowance is set at a fixed monthly amount of 500 CZK for a child up to 6 years of age, 610 CZK for a child aged from 6 to 15 and 700 CZK for dependent children from 15 to 26 years of age.

The amount of the social allowance depends on the income of the family with children and the social allowance gradually falls as the family income increases. At the same time, it also reacts to other family situations. The social allowance is increased in cases when a child has a long-term serious disability, a long-term disability or a serious illness, while any disabilities of the parent or the fact that a parent is a single parent are also taken into account. The higher social allowance is also provided to families where several children have been born at once until they reach three years of age and to families with a child attending secondary school daily or university according to the required attendance for the given course.

The amount of the parental allowance is set in fixed monthly amounts in three variants: the increased variant at 11,400 CZK, the basic variant at 7,600 CZK and the reduced variant at 3,800 CZK which corresponds to the length of receipt of the parental allowance selected by the parents.

#### *Article 43*

No qualifying period has been set for the entitlement to family benefits. Also see the answer to Article 41.

#### Article 44

Statistical information for 2010:

Gross monthly wage of a non-qualified blue-collared worker – male (mechanical handling worker in industry KZAM-R 93211)	CZK 17,491
Annual expenditure on the child allowance	CZK 3.9 billion
Annual expenditure on the social allowance	CZK 3.1 billion
Annual expenditure on the parental allowance	CZK 27.7 billion
Number of dependent children	2,305.2 thousand
Total required expenditure for monetary family benefits	CZK 7.3 billion

Total required (monetary) expenditure for family benefits:

CZK 17,491 (average gross monthly salary of an unqualified blue-collar worker) x 0.015 (1.5 % of the salary) x 12 (months) x 2,305.2 (thousand children) = **CZK 7.3 billion**

**In 2010, the total expenditure on family benefits was CZK 34.7 billion which means that the Czech Republic has fulfilled Article 44 in relation to the total required expenditure on monetary family benefits at the amount of CZK 7.3 billion.**

Families with dependent children are also supported by means of tax relief for the supported children in the form of tax exemptions and tax bonuses or the combination thereof. The tax relief for a dependent child is higher than the child allowances which are limited by the family's income. To the contrary, the tax relief is applied by all families with dependent children who have taxable income.

#### Article 45

The family benefits are paid out throughout the entire period of the social event and they are not dependent upon insurance.

## PART VIII – MATERNITY BENEFIT

### *Article 46 a 47*

According to the Sickness Insurance Act, the covered social events include pregnancy, delivery and their consequences. The institution of the suspension of earnings is not expressly defined in the Czech legal regulations, but it can be inferred from a systematic interpretation that this involves the overall halting of earnings as a consequence of an absence from work and not simply the reduction of said earnings. The maternity benefit corresponds to this structure.

### *Article 48*

A. The Czech Republic refers to letter a)

B. No changes

C. Updated information:

A. Number of covered employees:

- |  |                  |
|--|------------------|
| a) Employees with pension insurance              | 4,196,648 people |
| b) Self-employed persons with sickness insurance | 143,732 people   |

B. Total number of employees: 4,196,648 people

C. 100 %

### *Article 49*

No changes

### *Article 50*

A. The Czech Republic refers to Article 65.

B.

## **Chapter I**

Updated information (from 1.1.2011):

### **A. Rules for the calculation of the maternity benefit**

1. Specified period: 12 calendar months preceding the calendar month in which the employee started his/her maternity leave.
2. Daily assessment base (DAB): qualifying income divided by the number of calendar days of the specified period (some days are not counted in order to avoid the unjustified dilution of the daily assessment base – for example, days when sickness benefits were paid).

3. Qualifying income – All the income subject to social security contributions and contributions to the state employment policy that is calculated for an employee in the specified period.
  4. Reduction of the daily assessment base: the entire amount is counted until the first reduction limit is reached; 60 % of the income is counted from the amount between the first and the second reduction limits; 30 % of the income is counted from the amount between the second and the third reduction limits, and the amount above the third reduction limit is not taken into account.
  5. In 2011, the first reduction limit is CZK 825, the second reduction limit is CZK 1,237 CZK and the third reduction limit is CZK 2,474.
  6. The daily benefit is calculated as 70 % of the daily assessment base.
  7. Maternity benefit is paid out for a period of 28 weeks. This period is extended to 37 weeks for women who have given birth to more than one child at the same time and are taking care of at least two such children.
- B. No changes
- C. The average gross monthly wage of a qualified blue-collar worker in 2010 was CZK 24,146.

## Chapter V

### Updated information (from 1.1.2011):

#### D. – G. Calculation of the ratio for the evaluation of the level of the maternity benefit

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker in 2010, i.e. CZK 24,146.
- **Net wage** (of the taxpayer) is **CZK 18,707**.
- Daily assessment base (DAB) for calculation of the maternity benefit is the ratio between the annual wage and the number of days of the year:  $\text{CZK } 24,146 \times 12/365 = \text{CZK } 794$ .
- The **daily assessment base** is reduced  
DAB from the 1<sup>st</sup> day:  $794 \times 100 \% = \text{CZK } 794$ .
- **Daily amount** of the maternity benefit from the 1st day:  $70 \% \times 794 = \text{CZK } 556$ .
- **Monthly amount of the maternity benefit:**  $30 \times 556 = \text{CZK } 16,680$ .
- The **ratio** between the income after the insured event (maternity benefit) and the income before the insured event (net wage) is:  $16,680/18,707 = \mathbf{89.2 \%}$ .

Monthly wage in CZK		Monthly amount of the maternity benefit in CZK	Ratio maternity benefit / wage in %	
Gross	Net		Gross	Net
24,146	18,707	16,680	69.1	89.2

The European Code of Social Security requires that the ratio of maternity benefit to the preceding income is at least 45 %. The Czech Republic fulfils the required level of the maternity benefit in respect of both gross and net wage.

## *Article 51*

Maternity benefit applies to an employee, if she has participated in at least 270 days of sickness insurance in the last two years before commencing the receipt of this benefit.

The following is also included in the required period of 270 days of insurance:

- the period of study at a secondary, specialist upper secondary or tertiary education institution or at a conservatoire considered to constitute systematic preparation for a future profession for the purposes of pension insurance, if the beginning of the sixth week before the expected date of the birth falls within the period of 270 days from the day of the successful completion of the studies,
- the period of receipt of an disability pension for level-three disability, if this benefit has been withdrawn and the insured activity has arisen or continued after the withdrawal of the benefit,
- the period of interruption to the sickness insurance.

If a claim is made for maternity benefit from sickness insurance, in which the condition of 270 days of participation in sickness insurance has not been met, the periods of participation in previous insurance in the period of two years before the entry into maternity benefit are also included for the fulfilment of this condition; the overlapping period of participation in the insurance can only be counted once. If a claim for maternity benefit is made simultaneously from one or more types of insurance, in which the condition of participation of 270 days in sickness insurance has been met, and from insurance, in which this condition has not been met, only the days in the period of two years before the entry into maternity benefit, in which the participation in insurance for 270 days occurred in parallel in the given types of insurance, from which the claim for maternity benefit has been made, are counted towards the fulfilment of this condition for the insurance, in which this condition has not been met. If the participation condition has not been met in several types of insurance, the periods of participation in the insurance in a period of two years prior to the entry into maternity benefit are only counted for the fulfilment of this condition in the case the insurance, which has the highest daily assessment base.

## *Article 52*

The insured individual is not entitled to the maternity benefit throughout a period, in which:

- she (he) carries out the insured activities, on which this benefit is based, i. e. work or other independent gainful activities,
- she is still entitled to receive the qualifying income from the employment, which this benefit is based on, according to the special legal regulations.

The maternity benefit is not paid out:

- to the mother of a child throughout the period, during which the mother has an agreement with the father of the child or the mother's husband as to the fact that said individual will assume the care of the child and as such the insured individual, with whom the mother of the child has concluded said agreement, is entitled to receive the maternity benefit,
- to an insured individual throughout the period, during which the child has been taken into the institutional care of a healthcare facility for medical reasons and during which the insured individual carries out the insured activity, upon the basis of which the maternity benefit is provided, work or independent gainful activities,

- to an insured individual throughout the period, during which said individual is unable to or not permitted to care for the child due to a serious long-term illness, due to which said individual has acquired temporary inability to work and because of which the child has been taken into the care of a different physical entity or legal entity,
- throughout the period, in which the insured individual does not take care of a newborn child and the child is therefore assigned to foster care or to institutional care,
- to an insured individual throughout the period, in which the child was in institutional care for reasons other than medical grounds on the part of the child or the insured individual.

## PART IX – INVALIDITY BENEFIT

*Articles 53 and 54*

Updated information (from 1<sup>st</sup> January 2011):

The covered social events include level one, two and three disability.

An insured individual is disabled, if his/her work ability has fallen

- by at least 35 %, but not by more than 49 %: **level-one disability**
- by at least 50 %, but not by more than 69 %: **level-two disability**
- by at least 70 %: **level-three disability**.

The percentage of the fall in work ability, the prerequisites for the disability assessment and the assessment of the work ability for the purposes of the designation of disability are set out in Decree No. 359/2009 Coll.

*Article 55*

A. The Czech Republic refers to letter a).

B. No changes

C. Updated information:

- A. Number of covered employees:
  - a) Employees with pension insurance: 4,196,648 people
  - b) Self-employed persons with pension insurance: 733,677 people
- B. Total number of employees: 4,196,648 people
- C. 100 %

*Article 56*

The Czech Republic refers to Article 65.

### **Chapter I**

Updated information (from 1<sup>st</sup> January 2011):

The benefit is a periodic payment calculated on the basis of the same rules as the old age pension (see the explanation of Article 26)

#### **A. The rules for the calculation of the level-three disability benefit**

The benefit consists of two components:

**Basic Part:** CZK 2,230 per month



**Percentage Part:** depends on the individual's income (calculated from the calculation base) and the length of insurance in years. For full disability pension, it is 1.5 % of the calculation base for each year of insurance. The calculation base is determined on the basis of the average indexed gross wage (earnings are indexed in relation to growth in average wages in the national economy) usually for the period from 1986 to the year preceding the year in which the person first qualified for the benefit). When determining the calculation base, this average ("personal assessment base") is reduced in such a way that only 30 % of the income is counted from the amount between the first and second reduction limits, and only 10 % of the income is counted from the amount above the second reduction limit. In 2010, the reduction limits are CZK 11,000 and CZK 28,200 (2010 is an exception from the annual increases in association with the growth in salaries).

B. No changes

C. In 2010, the average gross monthly wage of a qualified blue-collar worker was CZK 24,146 (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician).

As a great majority of social security benefits in the Czech Republic are not subject to tax (as regards pensions, only the amount that exceeds CZK 288,000 a year is taxed), and they are not subject to health insurance and social security contributions either, it is possible to calculate the ratio of the benefits to net wages. To determine the level of disability benefit in the Czech Republic, the insurance period also includes the 'add-in' period, from the date of entitlement to the full disability benefit until the retirement age; therefore, in determining the pension amount, the relevant person can be considered to have been insured for 30 years.

## Chapter II

Updated information (from 1st January 2011):

### D. – G. Calculation of the ratio for the evaluation of the level-three disability benefit

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician) in 2010, i.e. CZK 24,146.
- The **net wage** amounts to **CZK 20,641**.
- The personal assessment base (CZK 24,146) is reduced:  
 $11,000 + (24,146 - 11,100) \times 30 \% = \mathbf{CZK\ 14,944}$ .
- **Percentage part** for thirty years of insurance:  $30 \times 1.5 \% \times 14,944 = \mathbf{CZK\ 6,725}$
- **Amount of the level-three disability benefit:**  
Basic part and percentage part  $2,230 + 6,725 = \mathbf{CZK\ 8,955}$ .
- The **ratio** between the income after the insured event (full level-three disability pension and allowances for two children) and the income before the insured event (net wage and allowances for two children) is:  $8,955/20,641 = \mathbf{43.4 \%}$ .

Monthly wage in CZK		Allowances for 2 children in CZK	Invalidity benefit in CZK	Ratio benefit / wage *)	
Gross	Net			Gross	Net
24,641	20,641	0	8,955	37.1	43.4

\*) invalidity benefit and salary including allowances for 2 children

The European Code of Social Security requires that the ratio of disability benefit to preceding income is at least 40 %. The Czech Republic fulfils the required level of the disability benefit in respect to net wage ratio.

## Chapter VI

See Annex No 1

### Article 57

#### Updated information ( from 1.1.2011):

The benefit is provided to covered individuals under the condition of acquiring the necessary insurance period. The necessary insurance period is not required, if the disability arises as a result of a work accident. An individual who is 18 years of age, has permanent residency in the territory of the Czech Republic and is an disabled with level-three disability is also entitled to disability pension, if this disability arose before said individual reached the age of 18 and said individual has not participated in the insurance for the required period. The required insurance period for other disabled persons is graded according to age in the age groups of up to 20 and from 20 to 38. It amounts to less than one year up to the age of 20, is set at one to four years up to the age of 28 and amounts to five years secured in the last ten years before the occurrence of disability from the age of 28. In the case of insured individuals who are older than 38 years of age, the condition of the insurance period required for an disability pension is also considered to have been fulfilled, if the period was acquired in the period of the last 20 years before the occurrence of the disability; the required insurance period in this case amounts to 10 years.

### Article 58

A full disability pension up to 31<sup>st</sup> December 2009 and a disability pension for level-three disability from 1<sup>st</sup> January 2010 applies throughout the entire period of the duration of the disability. Since 1<sup>st</sup> January 2010, it has been transformed into an old age pension when the recipient of the disability benefit reaches the age of 65.

As far as Article 68 is concerned, the following letters are used:

- a) if the total disability occurred before the person reached the age of 18, the pension is not paid out unless the beneficiary is a permanent resident of the Czech Republic.
- c) full disability pension is not paid out while the beneficiary is receiving sickness benefits awarded before the beneficiary became entitled to the disability pension.

- d) If it is discovered that the person no longer qualifies for disability pension or its payment, the beneficiary will be deprived of the benefit or its payment will be discontinued. If the benefit has been awarded or is being paid in an amount greater than that to which the beneficiary is entitled, or if the pension has been awarded or is being paid unjustly, the pension will be reduced or the beneficiary will be deprived of it, and the payments will be discontinued, starting on the day following the day whereby the period for which the benefit was paid elapses. If the pension has been awarded in an amount lower than that to which the beneficiary is entitled or has been wrongfully denied, or if it has been awarded from a later date than that from when the beneficiary was entitled to it, the benefit will be increased or awarded as of the date from which the beneficiary becomes entitled to such a benefit or its increase, but for no more than five years retroactively prior to the date on which the entitlement to such a benefit or its increase has been discovered or claimed. However, the pension or its increase will be retroactively paid out from the day when the beneficiary was entitled to the benefit or its increase, if the benefit was not awarded or if it was paid at an amount lower than that to which the beneficiary was entitled or was wrongfully denied or was awarded from a later date than that which the beneficiary was entitled to it due to an incorrect procedure on the part of the Social Security Authority.
- e) if the total disability occurred as a result of intentional harm to health that the insured person self-inflicted or had someone else inflict on the insured person or if harm to the insured person's health occurred as a consequence of the insured person's intentional crime, the 'add-in' period, i.e. the time between the date on which the person becomes entitled to the full or partial disability pension and the attainment of retirement age, will not count for the purposes of the full or partial disability pension.
- f) the payments of the full disability pension may be suspended, if the beneficiary has failed to undergo a medical examination.

## PART X – SURVIVORS’ BENEFIT

### *Articles 59 and 60*

No changes

### *Article 61*

A. The Czech Republic refers to letter a).

B. No changes

C. Updated statistical information:

A. Number of covered employees:	4,196,648 people
Number of covered self employed persons:	733,677 people
B. Total number of employee:	4,196,648 people
C. 100 %	

### *Article 62*

A. No changes

#### **Chapter I**

Updated information (from 1st January.2011):

#### **A. The rules for the calculation of widow’s (widower’s) pension**

The benefit consists of two components:

**The basic part:** CZK 2,230 per month.

**The percentage part:** depends on the income and the length of insurance, in years, of the insured person.

The percentage assessment:

- **widow’s (widower’s) pension:** 50 % of the percentage part of the full disability or old age pension to which the deceased was or would be entitled (see the old age or full disability pension).
- **orphans’ benefit:** for each parent, 40 % of the percentage part of the full disability or old age pension to which the deceased was or would be entitled (see the old age or full disability pension).

B. No changes

C. The average monthly gross salary of a qualified blue-collar worker in 2010 was CZK 24,146.

## Chapter IV

Updated information (from 1<sup>st</sup> January 2011):

### D. – G. The calculation of the ratio for evaluating the survivors' benefit

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician) in 2010, i.e. CZK 24,146.
- The **net wage** for a family with two children (and only one parent) is **CZK 20,641**.
- The personal assessment base (CZK 24,146) is reduced  
 $11,100 + (24,146 - 11,000) \times 30\% = \text{CZK } 14,944$
- The percentage part of the old age (disability) pension of the deceased person for thirty years of insurance amounts to:  $30 \times 1.5\% \times 14,944 = \text{CZK } 6,725$ .
- Percentage part of widow's pension:  $50\%$  of CZK 6,725 = **CZK 3,363**.
- **Amount of widow's (widower's) pension:** the basic part and percentage part  
 $2,230 + 3,363 = \text{CZK } 5,593$ .
- Percentage part of the orphan's benefit:  $40\%$  of CZK 6,725 = **CZK 2,690**.
- **Amount of the orphan's benefit:** basic part and percentage assessment  
 $2,230 + 2,690 = \text{CZK } 4,920$
- Widow's benefit and two orphan's benefit  
 $\text{CZK } 5,593 + 2 \times \text{CZK } 4,920 = \text{CZK } 15,433$
- The **ratio** after the insured event (the survivors' benefit) and income before the insured event (the net wage) amounts to:  $15,433/20,641 = \mathbf{74.8\%}$ .

Monthly wage in CZK		Allowances for 2 children in CZK	Survivors' benefit in CZK	Ratio benefit / wage *)	
Gross	Net			Gross	Net
24,146	20,641	0	15,433	63.9	74.8

\*) child allowances do not apply

The European Code of Social Security requires that the ratio of survivors' benefit to preceding income is at least 40 %. The Czech Republic fulfils the required level of survivors' benefit in respect to both gross and net wage.

## Chapter VI

See Annex No 1

### *Article 63*

#### Updated information (from 1<sup>st</sup> January 2011):

The survivor's benefit is paid to a covered individual, whose husband (wife) or the parent of a child was the recipient of an disability pension or an old age pension or who would have met the conditions for them to be awarded as of the day of their death or who died as a consequence of a work accident. This involves benefits derived from pension insurance – see the interpretation of Article 29 and Article 57

### *Article 64*

#### Widow's (widower's) pension is paid for the period of one year following the death of the recipient's spouse; and afterwards in cases where the survivor:

- a) cares for a dependent child,
- b) cares for a child who is dependent on the care of another person in Category II (medium dependency), Category III (heavy dependency) or Category IV (total dependency),
- c) cares for his or her parent or a parent of the deceased spouse, with whom the beneficiary shares the same household, and is dependent on the care of another person in Category II (medium dependency) or Category III (heavy dependency) or Category IV (total dependency),
- d) is an disabled with level-three disability, or
- e) has reached an age which is 4 years lower than the retirement age set for a man of the same date of birth or the retirement age, if the retirement age is lower.

The precondition for the entitlement to an orphan's pension is the child's dependency. The dependency is defined in section 20, subsection 3 of the Pension Insurance Act and is recognised as lasting until the completion of the compulsory school attendance and then (if the other conditions are met) up to a maximum age of 26. The entitlement to the widow's or widower's benefit ceases when the beneficiary remarries. The entitlement to the orphan's pension ceases upon the child's adoption.

As far as Article 68 is concerned, the following letters are used:

- a) If it is discovered that the person no longer qualified for the benefit or its payment, or if the benefit has been awarded or is being paid at an amount greater than that to which the beneficiary is entitled or if the pension has been awarded or is being paid unjustly, the benefit will be reduced or cancelled, and the payments will be discontinued, starting on the day following the day whereby the period for which the benefit was paid ends. If the benefit has been awarded at an amount lower than that to which the beneficiary is entitled or has been wrongfully denied or if it has been awarded from a later date than when the beneficiary was entitled to it, the benefit will be increased or awarded as of the date when the beneficiary became entitled to such a benefit or its increase, but for no more than five years retroactively prior to the date on which the entitlement to such a benefit or its increase has been discovered or claimed. However, the benefit or its increase will be retroactively paid out from the day when the beneficiary was entitled to the benefit or its increase, if the benefit was not awarded or if it was paid at an amount lower than that to which the beneficiary was entitled or was wrongfully denied or was awarded from a later date than that since which the beneficiary has been entitled to it, due to an incorrect procedure by the Social Security Authority. If the amount of widow's benefit to which an

entitlement (re)occurred prior to 1<sup>st</sup> January 1996 or to which an entitlement reoccurred after 31<sup>st</sup> December 1995 was limited due to the concurrent entitlement to the payment of old age benefit or full disability pension pursuant to legislation in force prior to 1<sup>st</sup> January 1996 or for the said reasons the widow's benefit was not paid, the payments due after 1<sup>st</sup> July 2006 will be adjusted by the amount of the difference between the paid amount and the amount without any such limitation. If, for the same reasons, the widow's benefit was not paid, the procedure applied is similar, with the date of awarding the widow's benefit being considered to be the day when the entitlement to such widow's benefit occurred,

- e) The entitlement to the widow's or widower's benefit ceases to exist on the date of the finality of a court ruling on the widow or widower having intentionally caused the death of his or her spouse as a perpetrator or co-perpetrator or as a participant in a crime. Likewise, this applies to the entitlement to orphan's benefit.

## Annex No 1

The year-on-year indexes for old age pensions, average gross nominal waes and consumer prices (living expenses) according to Article 65, Chapter VI

Year	Old age pension *		Average wage (for recalculated numbers)		Average year-on-year consumer price index (living expenses) for households in total in %
	<i>abs. in CZK</i>	<i>index in %</i>	<i>abs. in CZK</i>	<i>index in %</i>	
<b>2001</b>	6,352		14,378	108.8	104.7
<b>2002</b>	6,830	107.5	15,524	108.0	101.8
<b>2003</b>	7,071	103.5	16,430	105.8	100.1
<b>2004</b>	7,256	102.6	17,466	106.3	102.8
<b>2005</b>	7,730	106.5	18,344	105.0	101.9
<b>2006</b>	8,175	105.7	19,546	106.6	102.5
<b>2007</b>	8,735	106.9	20,957	107.2	102.8
<b>2008</b>	9,151	104.8	22,592	107.8	106.3
<b>2009</b>	10,029	109.6	23,344	103.3	101.0
<b>2010</b>	10,090	100.6	23,797	101.9	101.5
<b>2011</b>	10,527	104.3			