

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

**for the period from 1 July 2009 to 30 June 2010**

## 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 Transplants 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
- Act No 262/2006 Coll., the Labour Code, as amended

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

- Act No 435/2004 Coll., on Employment, as amended

#### **Part V – Old age 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
- 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

#### **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 invalidity assessment and regulates the assessment of capacity to work for the purposes of invalidity (effective as of 1 January 2010)

**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 on 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**

Questions on Articles 65 to 68 are answered under the relevant section of the form.

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

In 2009, the average gross monthly salary of a **qualified blue-collar worker was CZK 22,995** and, according to the survey results, approximately 70% of the economically active people earned a lower salary than the stated amount. Qualified worker's salary corresponds to the salary of a metal lathe operator – a tuning and service technician – according to KZAM-R 72231. In 2009, the average gross monthly salary of a **non-qualified blue-collared worker was CZK 17,038** (according to KZAM-R 93211 – a mechanical handling worker in industry (manufacturing)).

The 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 to the statistical research program of the Czech Statistical Office and, as a quarterly salary survey, it monitors the salary levels of individual professions in the Czech Republic, based on the KZAM Job Classification. The data on the average hourly salary 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 quarterly basis. The survey also allows for monitoring the amount and structure of the monthly gross salary, which indicates the average salary level for the period from the start of the year to the end of the current calendar quarter.

As the social security benefits in the Czech Republic are not subject to tax (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 salaries. In 2009, the net salary of a qualified blue-collar worker, with a dependent wife and two children, was CZK 21,764 (the calculated income tax was reduced by tax credits, i.e. by: CZK 2,070 for the taxpayer, 2 \* CZK 890 for two dependent children and CZK 2,070 for a dependent spouse who does not have her own income exceeding CZK 68,000 a year). 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 2009 was 101.0%
- The year-on-year index for the average nominal salary in the national economy in 2009 was 103.5%

#### *Article 69 – Right to 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 a 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. The superior body, which is 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 (Act No 150/2002 Coll., the Civil Procedure Code).

Since 1 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, 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 level-one 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 of the social security body 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 Act No 582/1991 Coll. governing the organisation and realisation of social security, as amended. The decisions which form the basis for decisions concerning benefits from pension insurance are excluded from the judicial review; the court only reviews such decisions when deciding on a lawsuit brought against a decision of the Czech Social Security Administration.

*Article 70 – Costs of benefits*

Updated information:

**Total revenue for 2009<sup>1</sup>**

- Pension insurance ..... CZK 301,040,850 thousand
- Sickness insurance ..... CZK 22,819,825 thousand
- Contributions to the state's employment policy..... CZK 13,264,243 thousand

**Total expenditure for 2009<sup>2</sup>**

- Pension insurance ..... CZK 331,594,683 thousand
- Sickness insurance ..... CZK 26,033,350 thousand
- Unemployment benefits..... CZK 15,077,723 thousand

*Article 71*

No changes

*Article 74*

The total number of employees in 2009: 4,132,104 people. With self-employed persons included among the individuals covered (sickness benefit), the total number is 4,283,580 people.

Total number of employees with pension insurance (the average for February to December 2009 – new survey method): 4,132,104 people

Self-employed persons with pension insurance (the average for 2009) ..... 755,211 people  
of whom individuals with sickness insurance ..... 151,476 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 2009

<sup>2</sup> Source: National Accounts for the Czech Ministry of Labour and Social Affairs chapter for 2009

## PART II – MEDICAL CARE

### *Articles 7 and 8*

No changes

### *Article 9*

A. The Czech Republic refers to letter c).

B. No changes

C. Updated statistical information:

- A. Number of covered individuals: 10,375,884 people (average number of people in 2009)
- B. Population: 10,506,813 people (as at 31 December 2009)
- C. 98.6%

D. The range of the covered individuals includes every person who has permanent residency in the Czech Republic, even if they are not economically active. Each of these individuals has individual health insurance. Act No 48/1997 Coll. on health insurance and the supplementation of some associated Acts, as amended, designates the individuals, for whom the insurance contribution payer is the state using funds from the state budget.

The state pays the health insurance contributions for the following individuals from the state budget (the changes since 1 January 2010 are marked in bold):

- dependent children; the dependency of a child is assessed according to the State Social Support Act;
- the recipients of benefits from pension insurance who were awarded a benefit prior to 1 January 1993 according to the regulations of the Czech and Slovak Federative Republic and after 31 December 1992 according to the regulations of the Czech Republic. For the purposes of the law, individuals according to the previous sentence are also considered to be beneficiaries in the months when they are not entitled to the payment of a benefit according to the pension insurance regulations;
- the recipients of family allowances;
- women on maternity and parental leave and individuals receiving differential allowances in maternity according to the sickness insurance regulations;
- jobseekers, including jobseekers who have accepted short-term employment;
- individuals receiving assistance in material need and individuals jointly assessed with them under the condition that they are not in any employment or similar relations and do not carry out any independent gainful activities, are not listed in the records of jobseekers and are not recipients of **an old age benefit, an invalidity benefit for level-three invalidity**, a widows' or widowers' benefit or a parental benefit for a dependent child;
- individuals who are dependent on the care of another entity at level II (medium dependency) or level III (high dependency) or level IV (full dependency) and the individuals caring for such individuals and individuals caring for individuals under 10

years of age who are dependent on the care of another individual at level I (slight dependency);

- individuals performing basic (replacement) service in the armed forces, other service or civil service and individuals called up for military exercises;
- individuals in detention or custody or individuals serving a term of imprisonment;
- individuals with permanent residency in the territory of the Czech Republic who are not employees or self-employed persons and are the recipients of sickness insurance benefits;
- individuals who have **level-three invalidity** or who have reached the age required for an old age benefit, but do not meet the further conditions for the awarding of an **invalidity benefit for level-three invalidity** or an old age benefit and do not have any earnings from employment or independent gainful activities and do not receive a pension from abroad or if any such pension does not exceed the amount of the minimum wage;
- individuals who provide all-day personal care to at least one child up to the age of seven or to at least two children up to the age of 15. Only one person is considered to be such an individual, i.e. either the father or the mother of the child or the individual who has assumed the permanent foster care of the child, if they do not have any earnings from employment or from any independent gainful activities;
- minors placed in educational institutions for the purpose of their upbringing and guardianship;
- individuals providing long-term voluntary services at an average of at least 20 hours a calendar week upon the basis of a contract concluded with an organisation which has been accredited by the Ministry of Internal Affairs;
- foreigners who have been granted a residency permit for the territory of the Czech Republic for the purpose of the provision of temporary protection according to the special legal regulation, if they have no earnings from employment or from independent gainful activities;
- applicants for international protection and their children born in the territory, foreigners who have been issued a residency visa for more than 90 days for the purpose of residency and their children born in the territory, if they have no earnings from employment or from independent gainful activities.

#### *Article 10*

A. The Act No 48/1997 Coll., on Public Health Insurance as amended, stipulates the healthcare covered by health insurance funds (the so-called positive definition) and the healthcare which is not covered by such funds (the so-called negative definition). Only the updated information is stated below (since 1 January 2010).

The provision of vaccinations within the framework of covered healthcare now includes vaccinations:

- against rabies,
- against tuberculosis, including booster shots for children between the ages of eleven and twelve after the realisation of a prior tuberculosis test, if the test was negative, and the testing using the tuberculosis test,
- against influenza in the case of insured individuals over 65 years of age, in the case of insured individuals who have had a splenectomy or a transplantation of blood-forming cells, in the case of insured individuals who suffer from a chronic pharmacologically resolved illness of the heart and veins, the respiratory passages or the kidneys or diabetics



and in the case of insured individuals placed in long-term treatment centres for handicapped individuals or in homes with a special regimen,

- against pneumococcus infections, if the vaccination was commenced between the third and fifth month of the life of the insured individual and if 3 dosages of the vaccination have been applied up to the seventh month of life of the insured individual; the paid care also includes the booster shot in the second year of life of the insured individual, provided the aforementioned vaccinations do not belong to the group of medicinal substances according to Annex No 2 of the Act.

Health insurance does not cover any medicinal products and foodstuffs for special medical purposes containing a medicinal substance from the group of medicinal substances set out in Annex No 2 of the Act, if the Institute has not reached a decision on such cover. The Institute does not award cover, if this involves a medicinal product and foodstuffs for special medical purposes

- which are first or second generics and if, during the course of the proceedings on the designation of the amount and conditions for the cover, their registration holder has failed to pledge to supply the given medicinal product or foodstuff for special medical purposes to the Czech market for a period of 12 months from the day that the designated amount and conditions for cover came into effect.

B. The participation of the patient or the patient's breadwinner in the costs of healthcare has not been generally introduced in the Czech Republic. However, so-called **regulatory fees** were introduced from 1 January 2008. The following are the valid legal regulations concerning the regulatory fees (see Act No 48/1997 Coll., on Public Health Insurance and on Changes and Amendments to Certain Related Acts, as amended).

An insured individual or said individual's breadwinner is obliged to pay the healthcare institution providing the medical care a regulatory fee at the amount of CZK 30, 60 or 90 depending on the type of covered healthcare provided.

The regulatory fee at the amount of CZK 30 is paid

- for a visit to a general practitioner, a paediatrician or a gynaecologist, during which a clinical examination is undertaken (hereafter simply referred to as a "visit"), or for a visit to a dentist, where an examination was undertaken;
- for a visit to a doctor providing specialised outpatient care;
- for a visiting service provided by a general practitioner or a paediatrician;
- for a visit to a clinical psychologist;
- for a visit to a clinical speech therapist;
- for the dispensing of each medicinal product or foodstuff for special medical purposes which is prescribed in a prescription which is fully or partially covered by health insurance 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.

The regulatory fee at the amount of CZK 60 is paid for every day, in which the patient received

- institutional care, comprehensive spa care or institutional care at a specialist children's medical institution or sanatorium, whereby the day of arrival and the day of release are counted as one day.

The regulatory fee at the amount of CZK 90 is paid for after-hours services provided by a healthcare institution providing

- a medical first aid service, including medical first aid provided by a dentist;
- an institutional emergency service on Saturdays, Sundays or on public holidays (throughout the entire 24-hour period) and on workdays in the period from 5:00 pm to 7:00 am, provided the insured individual is not subsequently taken into institutional care.

The regulatory fee at the amount of CZK 30 is not paid, if this involves

- a preventative examination;
- dispensary care provided
  1. to selected children from one year of age who suffer from a chronic illness and the threat of health disorders as a consequence of an unfavourable family or other social environment;
  2. to pregnant women from the day that they are found to be pregnant;
- haemodialysis;
- laboratory or diagnostic examinations required by the patient's attending doctor, if a clinical examination is not carried out at the same time;
- an examination by a transfusion service doctor during the collection of blood, plasma or bone marrow;
- children up to the age of 18, including the day they reach that age.

The regulatory fee at the amount of CZK 60 is not paid, if this involves

- institutional care for a newborn child from the day of the birth through to the day of release from the institutional healthcare facility, in which the birth took place, or to the day of release from another institutional healthcare, to which the infant was transferred directly after birth for medical reasons.

No regulatory fee is paid,

- if this involves an insured individual placed
  - in a children's home,
  - in an educational institution for the purpose of their upbringing and guardianship,
  - in institutional care in a home for the handicapped,
  - in an institution for children requiring immediate assistance upon the basis of a court ruling;
- if this involves an insured individual assigned to foster care upon the basis of a court ruling according to the Families Act;
- during protective treatment ordered by a court or during the placement of an insured individual in institutional care without his/her agreement for the reasons set out in the special Act, if a court expresses its agreement with the admissibility of taking and holding the insured individual in institutional care, or during the realisation of protective detention;
- during the treatment of an infectious illness, which the insured individual is obliged to undergo, in the case of ordered isolation in an healthcare institution or ordered quarantine measures aimed at ensuring the protection of public health according to the special legal

regulation; if this involves an insured individual who can demonstrate by means of a decision, notification or confirmation issued by the appropriate body and not older than 30 days that he/she has received assistance in material need according to the special legal regulation;

- when assessing the suitability of a insured individual for the collection of tissue and organs, during the collection of tissue and organs and during the dispensary care of the insured party after the collection of tissue and organs according to the Transplantation Act;
- if this involves an insured individual who is, pursuant to other legislation, provided with residential social services in the homes for people with disabilities, homes for senior citizens, homes with special regimen or in healthcare institutional facilities if, after the payment for accommodation and food, the set balance of such insured person of at least 15% of the person's income is less than CZK 800 or if the person has no income.

The regulatory fee is the revenue of the healthcare facility that collected it. The healthcare facility is obliged to use the collected regulatory fees for the payment of the costs associated with the operation and modernisation of the healthcare facility.

The regulatory fee at the amount of CZK 30 and 90 is paid to healthcare facilities in association with the provision of medical care. The regulatory fee at the amount of CZK 60 is paid to the healthcare facility at the latest within 8 calendar days of being released from institutional care with the exception of cases where the insured individual is placed in a healthcare facility for longer than 30 days; in such a case, the regulatory fee is always paid as of the last day of each calendar month. The healthcare facility is obliged to issue the insured individual or his/her legal guardian with a document on the payment of the fee, including the insured individual's insurance number, the amount of the regulatory fee, the day it was paid, the imprint of the healthcare facility's stamp and the signature of the individual who received the regulatory fee and, if this involves a pharmaceutical healthcare facility, also the name of the medicinal product or the foodstuff for special medical purposes and the amount of the supplementary charge which is included in the limit.

The healthcare facilities are obliged to inform the health insurance companies of the regulatory fees, including the insurance numbers of the insured individuals, whom the fees concern, the amount of the paid fees and the day, to which the regulatory fee applies, within the framework of the settlement for the provided medical care for the appropriate calendar month or for the appropriate calendar quarter.

The pharmaceutical healthcare facilities are obliged to inform the health insurance companies of the regulatory fees including the numbers of the insured individuals, whom the regulatory fees concern, the amount of the paid fees, the date of issue of the fully or partially reimbursed medicinal product or foodstuff for special medical purposes and the amount of the paid supplementary charge, which is included in the limit within the framework of the settlement for the appropriate period.

The healthcare facility is obliged to collect the regulatory fee from the insured individual or his/her legal guardian, unless this involves an exception to the payment of the regulatory fee. In the case of the discovery of a repeated and systematic breach of this obligation, the health insurance company is authorised to impose a fine of up to CZK 50,000 on the healthcare institution in question. The fine may be imposed repeatedly. When imposing the fine, the health insurance company will take into account the seriousness of the breach, the degree of

culpability and the circumstances which led to the breach of obligations. The fine can be imposed within one year of the day when the health insurance company discovered the breach or the failure to fulfil the obligations, but at the latest within 3 years of the day when the breach or failure to fulfil the obligations occurred. The fine constitutes earnings for the health insurance company which imposed it.

A healthcare institution may not collect regulatory fees in association with the provision of covered care which is not subject to regulatory fees in accordance with the Regulatory Fee Act. If a repeated breach of this act is discovered, the health insurance company is authorised to impose a fine of up to CZK 50,000.

The repeated imposition of such a fine to a healthcare facility according to the previous two paragraphs constitutes grounds for the termination of the contract on the provision and defrayal of medical care without the need for giving a period of notice.

The limits to the regulatory fees and supplementary charges for medicinal products or foodstuffs for special medical purposes:

If the total amount of CZK 30 regulatory fees and supplementary charges for prescribed medicinal products or for foodstuffs for special medical purposes paid by an insured individual or on behalf of said individual by his/her legal guardian exceeds CZK 5000 in a calendar year or if this amount exceeds CZK 2,500 in the case of children who are younger than 18, including the calendar year in which they reached 18 years of age, or insured individuals who are older than 65, the health insurance company is obliged to pay the insured individual or his/her legal guardian the amount by which this limit was exceeded. The limit according to the first sentence includes the supplementary charges for partially subsidised medicinal products or foodstuffs for special medical purposes, but only at the amount of the supplementary charge for the cheapest available medicinal product or foodstuff for special medical purposes containing the same medicinal substance and the same means of use on the market. This does not apply, if the prescribing doctor states in the prescription that the prescribed medicinal product cannot be replaced; in such a case, the supplementary charge is included in the limit in full.

The supplementary charges for partially subsidised medicinal products or foodstuffs for special medical purposes containing medicinal substances designated for ancillary or supplementary treatments are not included in the limit; this does not apply, if this involves medicinal products and foodstuffs for special medical purposes prescribed for insured individuals who are older than 65, including the day when they reached 65 years of age. The list of medicinal products designated for ancillary or supplementary treatments is designated by the Ministry of Health in a decree. The list of the medicinal products which are subsidised and partially subsidised from health insurance, including the statement of the amount of the subsidy and the amount of the supplementary charge which is counted in the limit, is published by the Ministry of Health in a manner which enables remote access.

The health insurance company is obliged to pay an insured individual or his/her legal guardian the amount, by which the sum of the regulatory fees and supplementary charges announced to the health insurance company by the healthcare facilities, exceeds the limit and to do so within 60 calendar days of the end of the calendar quarter, in which the limit was exceeded. In the calendar quarters following the calendar quarter, in which the limit was

exceeded, the health insurance company is obliged to pay the insured individual or his/her legal guardian the amount of the sum of the regulatory fees and the supplementary charges for the appropriate calendar quarter reported to the health insurance company by the healthcare facilities and to do so within 60 days of the end of each such calendar quarter. Any amount according to the first or second sentence of this paragraph, which did not exceed CZK 50 in the calendar quarter, will be paid by the health insurance company within 60 calendar days of the end of the last calendar quarter in the calendar year.

In the case of a change of health insurance company during the course of the calendar year, the health insurance company, at which the insured individual was insured, is obliged to inform the insured individual's new health insurance company of the facts which are decisive for the calculation of the amount according to the previous paragraph. The insurance company, with which the insured individual was insured as of the last day of the calendar year, in which the limit was exceeded, pays the amount to the insured individual or his/her legal guardian. The health insurance company stated in the second sentence of this paragraph will inform the health insurance companies, with which the insured individual was insured in the calendar year, of the total amount, by which said insured individual's limit has been exceeded, as well as the commensurate amount according to the period of insurance pertaining to the insurance company, to which the amount has been reported. The health insurance companies are obliged to pay the amount pertaining to them to the health insurance company set out in the second sentence of this paragraph within 30 days of the day of the delivery of the notification of this amount.

C. No changes

D. No changes

#### *Article 11*

No changes

#### *Article 12*

No changes

## PART III – SICKNESS BENEFIT

### *Articles 13 and 14*

Sickness benefit entitlement applies to all employees who are acknowledged in accordance with the Act on Sickness Insurance to be temporarily incapacitated for work, if said incapacity for work lasts longer than 14 calendar days. The employee is entitled to salary compensation according to the Labour Code during the period of the first 14 calendar days of the duration of the temporary incapacity for work.

The group of insured individuals is defined by the Act on Sickness Insurance. This involves employees in employment, employees active upon the basis of a work contract, judges, volunteer workers in social 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:          | 4,132,104 people |
| Number of self-employed persons covered: | 151,476 people   |
| B. Total number of employees:            | 4,132,104 people |
| C. 100%                                  |                  |

### *Article 16*

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

## **Chapter I**

Updated information (since 1 January 2010):

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

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

1. The compensation is paid out for working days – only for the first 14 calendar days of the incapacity 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 salary, 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 ('waiting period'); however, it is possible to make 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 3 days of the temporary incapacity for work.
6. The daily amount of salary compensation from the fourth working day of the incapacity for work corresponds to the amount of sickness benefits from the 15th to the 30th calendar day of the incapacity for work (60% of the daily assessment base).

**b) Sickness benefit**

1. The specified period to determine the average salary is 12 calendar months preceding the calendar month in which the incapacity for work occurred.
  2. Daily assessment base: qualifying income divided by the number of calendar days of the specified period (some days are not counted to avoid an unjustified dilution of the daily assessment base – for example, the days when sickness benefits were paid).
  3. Qualifying income – All 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: 90% of the income is counted from the amount of up to the first reduction limit; 60% of the income is counted from the amount between the first and the second reduction limit; 30% of the income is counted from the amount between the second and the third reduction limit, and the amount above the third reduction limit is not taken into account.
  5. In 2010, the first reduction limit is CZK 791, the second reduction limit is CZK 1,186 and the third reduction limit is CZK 2,371.
  6. The daily benefit is calculated as 60% of the daily assessment base from the 15th day of the incapacity for work.
  7. The sickness benefit is calculated as a multiple of the daily benefit and the number of calendar days of the work incapacity duration.
- 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 2009 the average gross salary of a qualified blue-collar worker was CZK 22,995 (based on Job Specification KZAM 72231 – metal lathe operator – tuning and service technician).

**Chapter II**

Updated information (since 1 January 2010):

The salary compensation for the first 14 days of incapacity for work corresponds to the amount of sickness benefit from the 15th day of the incapacity for work; therefore we only specify 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 salary of a qualified blue-collar worker (based on Job Specification KZAM 72231– metal lathe operator – tuning and service technician) in 2009, i.e. CZK 22,995.
- Gross salary from employment: CZK 22,995, of which the net salary is CZK 21,764 (the calculated income tax was reduced by the following deductions: CZK 2,070 for the taxpayer, 2 \* CZK 890 for two dependent children and CZK 2,070 for a dependent spouse who does not have her own income exceeding CZK 68,000 per year)
- Daily assessment base for the calculation of sickness benefit (DAB): the ratio between annual salary and the number of days in the year:  $22,995 * 12/365 = \text{CZK } 756$ .
- The daily assessment base is reduced as follows:  
DAB:  $756 * 90\% = \text{CZK } 680$ .
- Daily sickness benefit:  
from the 4<sup>th</sup> day of the incapacity for work it is 60% of the DAB,  
 $60\% \text{ of } 680 = \text{CZK } 409$
- **Monthly sickness benefit:**  $30 * 409 = \text{CZK } 12,270$
- Amount of the **allowances for 2 children** aged 6 to 15:  $2 * \text{CZK } 610 = \text{CZK } 1,220$
- **Sickness benefit and allowances for two children:**  $12,270 + 1,220 = \text{CZK } 13,490$ .
- **Net income and child allowances:**  $21,764 + 1,220 = \text{CZK } 22,984$ .
- The **ratio** between the income after the insured event (the sickness benefit and allowances for two children) and income before the insured event (net salary and allowances for two children):  $100 * 13,490/22,984 = \mathbf{58.7\%}$ .

| 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 |
| 22,995                | 21,764 | 1,220                                    | 55.7                            | 58.7                                   |     |

\*) sickness benefit and income including allowances for 2 children

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 salaries.

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 15<sup>th</sup> calendar day of the duration of the temporary incapacity for work, but up to a maximum of 380 calendar days from the establishment of the



temporary incapacity for work according to the Sickness Insurance Act. Sickness benefit may also be provided after the expiry of this period of support, 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 incapacity for work, the previous period of temporary incapacity for work is counted in the period of 380 calendar days from the beginning of the temporary incapacity for work. This period of previous temporary incapacity for work is not, however, counted, if the insured activity lasted at least 190 calendar days from the end of the last case of temporary incapacity for work,

The Sickness Insurance Act enables the payment of sickness benefit abroad upon the basis of a request received from the 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 incapacitated applies for an invalidity benefit and is acknowledged as an invalid by a social security body, the attending physician will decide on the termination of the temporary incapacity for work upon the basis of the social security body's suggestion and will do so at the latest thirty days from the day following the day, on which the insured individual was acknowledged as an invalid. The invalidity benefit will be awarded from the day following after the day of the termination of the temporary incapacity for work.

If an old age benefit is awarded 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 incapacity for work alongside the payment of an old age benefit. Sickness benefit is paid to a recipient of an old age benefit for a maximum period of 70 calendar days, but not longer than the day of the completion of the insured activity and not longer than would be paid out up to the completion of the "general length" of the period of support.

During the course of the temporary incapacity for work, the insured individual loses his/her entitlement to sickness benefit in the situation where the insured individual becomes entitled to an old age benefit 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, from which the individual became entitled to the payment of the old age benefit.

The temporary incapacity for 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 birth, provided she has not begun receiving 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 on 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 on the benefit.

If the insured individual has brought about his/her incapacity for 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 is still entitled to sickness benefit, but **at half the amount**. An insured individual who has deliberately brought about his/her temporary incapacity 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, 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 employment regulations.

## PART IV – UNEMPLOYMENT BENEFIT

### *Article 19*

No changes

### *Article 20*

No changes

### *Article 21*

A. The Czech Republic refers to letter a).

B. No changes

C. Updated statistical information:

- A. Number of covered employees: 4,132,104 people
- B. Total number of employees: 4,132,104 people
- C. 100%

### *Article 22*

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

#### **Chapter I**

A. Updated information:

The maximum level of the unemployment benefit (0.58 times the average salary in the national economy for the first to third quarter of the calendar year preceding the calendar year in which the application for unemployment benefits was submitted) was CZK 13,280 per month in 2010.

B. Not applied

C. No changes

## Chapter II

Updated information (since 1 January 2010):

D to G

The average net monthly salary of a qualified blue-collar worker with two children and a dependent spouse who does not have her own income was CZK 21,764.

### **The calculation of the unemployment benefit as of 1 January 2010:**

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

|  |                                |
|--|--------------------------------|
| Benefit amount<br>(65% of the preceding<br>average income)<br><i>/of net salary/</i> | % of the original<br>income *) |
| CZK 13,280   | 61.0%                          |

\*) 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<br>(50% of the preceding<br>average income)<br><i>/of net salary/</i> | % of the original<br>income |
| CZK 10,882   | 50%                         |

The benefit for a typical qualified blue-collar worker for the remaining period of receiving the benefits:

|  |                             |
|--|-----------------------------|
| Benefit amount<br>(45% of the preceding<br>average income)<br><i>/of net salary/</i> | % of the original<br>income |
| CZK 9,794  | 45%                         |

Thus the average monthly benefit for a qualified blue-collar worker throughout the period of receiving the benefit was  $(2 * 13,280 + 2 * 10,882 + 9,794) / 5 = \text{CZK } 11,624$ .

The **ratio** between the incomes after the insured event (unemployment benefit) and before the insured event (the net salary) is  $11,624 / 21,764 * 100 = \mathbf{53.4\%}$ .

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

B. Not applied.

C. No changes

*Article 23*

No changes

*Article 24*

No changes

## PART V – OLD AGE BENEFIT

### *Articles 25 and 26*

#### Updated information (since 1 January 2010):

The retirement age is specified under the Act on Pension Insurance. In 2010, the retirement age is 62 years and 2 months for men, 60 years and 8 months for childless women, 59 years and 8 months for women who raised one child, 58 years and 8 months for women who raised two children, 57 years and 8 months for women who raised 3 or 4 children, and 56 years and 8 months for women who raised 5 or more children. The retirement age annually increases by 2 months for men and by 4 months for women until it reaches 65 years for men, childless women and women who raised one child, 64 years for women who raised two children, 63 years for women who raised 3 or 4 children, and 62 years for women who raised 5 or more children

### *Article 27*

- A. The Czech Republic refers to letter a).
- B. The scope of covered persons also includes groups specified under letter b). Covered persons are those who are (or were) subscribers to the pension insurance scheme. Subscription to the pension insurance scheme is mandatory for all economically active individuals, both employed and self-employed. Under the applicable law, there are certain other population groups that are also covered by pension insurance, without having to make contributions, and thus included among the covered persons, such as women caring for a child of up to 4 years of age. Students are no longer participants in the pension insurance since 1 January 2010, but they have the option of registering for voluntary participation.

#### C. Updated statistical data:

|  |                  |
|--|------------------|
| A. Number of covered employees:          | 4,132,104 people |
| Number of covered self-employed persons: | 755,211 people   |
| B. Total number of employees:            | 4,132,104 people |
| C. 100%                                  |                  |

D. Not applied

### *Article 28*

A. The Czech Republic refers to Article 65

## Chapter I

### Updated information (as of 1 January 2010):

A. The pension benefit consists of two components:

**Basic Part:** CZK 2,170 a 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 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 2009 and 2010, the reduction limits are CZK 10,500 and CZK 27,000 (2010 is an exception from the annual increases in association with the growth in salaries).

B. No changes

C. In 2009, the average gross monthly salary of a qualified blue-collar worker was CZK 22,995 (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician).

## Chapter III

### Updated information (since 1 January 2010):

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

- The calculation is based on the average gross monthly salary of a qualified blue-collar worker (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician) in 2009, i.e. CZK 22,995.
- The **net salary** for an individual with a dependent spouse is **CZK 19,984**.
- The personal assessment base (CZK 22,995) is reduced  
 $10,500 + (22,995 - 10,500) * 30\% = \text{CZK } 14,249$ .
- The percentage part for thirty years of insurance is  $30 * 1.5\% * 14,249 = \text{CZK } 6,413$ .
- **The amount of the old age benefit** is composed of the basic part and the percentage part  
 $2,170 + 6,413 = \text{CZK } 8,583$
- The **ratio** between the income after the insured event (the old age benefit) and the income before the insured event (the net salary) is  $100 * 8,583/19,984 = 42.9\%$ .

| Monthly salary in CZK |        | Monthly old age benefit<br>in CZK | Ratio pension / salary in % |      |
|-----------------------|--------|-----------------------------------|-----------------------------|------|
| Gross                 | Net    |                                   | Gross                       | Net  |
| 22,995                | 19,984 | 8,583                             | 37.3                        | 42.9 |

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 salary.

### *Article 29*

#### Updated information (since 1 January 2010):

An insured individual is entitled to an old age benefit, if he/she has achieved a period of insurance of at least:

- 25 years and reached the retirement age before 2010,
- 26 years and reached the retirement age in 2010,
- 27 years and reached the retirement age in 2011,
- 28 years and reached the retirement age in 2012,
- 29 years and reached the retirement age in 2013,
- 30 years and reached the retirement age in 2014,
- 31 years and reached the retirement age in 2015,
- 32 years and reached the retirement age in 2016,
- 33 years and reached the retirement age in 2017,
- 34 years and reached the retirement age in 2018,
- 35 years and reached the retirement age after 2018.

An insured individual who has fulfilled the conditions of 31 to 35 years of the insurance period is also entitled to an old age benefit, if he/she reached the retirement age after 2014 and has reached at least 30 years of the insurance period without counting any replacement insurance periods.

The insured individual is also entitled to an old age benefit, if he/she has not fulfilled the conditions according to the previous paragraph, but has achieved an insurance period of at least:

- 15 years and reached an age of at least 65 years before 2010,
- 16 years and reached an age of at least 5 years higher than the retirement age designated for a man of the same date of birth in 2010,
- 17 years and reached an age of at least 5 years higher than the retirement age designated for a man of the same date of birth in 2011,
- 18 years and reached an age of at least 5 years higher than the retirement age designated for a man of the same date of birth in 2012,
- 19 years and reached an age of at least 5 years higher than the retirement age designated for a man of the same date of birth in 2013,
- 20 years and reached an age of at least 5 years higher than the retirement age designated for a man of the same date of birth in 2013.

In the case of an old age benefit, for which entitlement arises as a result of reaching a higher retirement age and acquiring the minimum required insurance period according to the previous paragraph, the pension is not reduced on the grounds of the percentage rate for one year of insurance, but the pension is usually lower than the average paid old age benefit due to the lower number of acquired years of insurance.

### *Article 30*

No changes



## PART VII – FAMILY BENEFIT

### *Articles 39 and 40*

The child allowance is granted in three different amounts, depending on child's age. The eligible person is a dependent child living in a family whose decisive income is lower than the family's minimum subsistence amount times the coefficient of 2.4.

The social allowance is granted families with low incomes and helps to cover the costs of their children's needs. Eligible is a family whose decisive income does not exceed aggregate of the family's living minimum amount and the coefficient of 2.0. The amount of the social allowance does not only reflect the family's income but also other family situations; the higher the family income, the lower the allowance. The social allowance is raised in cases where the child has a long-term severe disability, a long-term disability or a long-term illness. Situations where the parent is a single parent or disabled are also taken into account. A higher level of social allowance is also paid to families in cases of multiple births - up to the age of three years, and to families whose child is studying secondary school on a daily basis or attending university.

### *Článek 41*

The scope of covered persons is determined by Act No 117/1995 Coll., on State Social Support.

For the purpose of the child allowance, dependent children are considered to be the group covered. The child's eligibility does not depend on whether or not the parent is a subscriber to the pension insurance scheme or social insurance scheme.

For the purpose 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 whether or not they are subscribers to the pension insurance scheme or social insurance scheme.

In 2009, the child allowance was awarded to approximately 28% of dependent children.  
In 2009, the social allowance was awarded to approximately 147,000 of families per month.

### *Article 42*

The Czech Republic refers to paragraph a).

The amount of the benefit is unchanged.

### *Article 43*

No changes

*Article 44*

Updated information for 2009:

|  |                        |
|--|------------------------|
| Expenditure on the child allowance under State Social Support .....  | CZK 4.7 billion        |
| Expenditure on the social allowance under State Social Support ..... | CZK 3.0 billion        |
| Total amount of the child allowance and the social allowance.....    | <b>CZK 7.7 billion</b> |
| Number of dependent children .....                                   | CZK 2,310.6 thousand   |
| Number of dependent children entitled to child allowance .....       | CZK 639.9 thousand     |
| Gross salary of an unqualified blue-collar worker .....              | CZK 17,038             |

Required family benefit expenditure:

CZK 17,038 (average gross monthly salary of an unqualified blue-collar worker) \* 0.015  
(1.5% of the salary) \* 12 (months) \* 2,310.6 (thousand children) = **CZK 7.1 billion.**

**The Czech Republic fulfils the requirement of this Article. In 2009, the actual expenditures on the child allowance and the social allowance amount to CZK 7.7 billion, i. e. higher amount than required by the European Code of Social Security.**

*Article 45*

No changes

## PART VIII – MATERNITY BENEFIT

### *Articles 46 and 47*

According to the national regulations, the covered social events include pregnancy, birth 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 4,132,104 people

b) Self-employed persons with sickness insurance 151,476 people

B. Total number of employees 4,132,104 people

C. 100%

### *Article 49*

No changes

### *Article 50*

A. The Czech Republic refers to Article 65.

B.

## **Chapter I**

Updated information (since 1 January 2010):

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

1. Specified period: 12 calendar months preceding the calendar month in which the employee started 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's 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 2010, the first reduction limit is CZK 791, the second reduction limit is CZK 1,186 and the third reduction limit is CZK 2,371.
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 of such children.

B. No changes

C. The average gross monthly salary of a qualified blue-collar worker in 2009 was CZK 22,995.

## Chapter V

Updated information (since 1 January 2010):

### 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 salary of a qualified blue-collar worker in 2009, i.e. CZK 22,995
- **Net salary** (of the taxpayer) is **CZK 17,914**.
- Daily assessment base (DAB) for calculation of the maternity benefit is the ratio between the annual salary and the number of days of the year:  
 $CZK 22,995 * 12 / 365 = CZK 756$
- The daily assessment base is reduced  
DAB from the 1<sup>st</sup> day:  $756 * 100\% = CZK 756$ .
- Daily amount of the maternity benefit from the 1st day:  $70\% * 756 = \mathbf{CZK 530}$ .
- **Monthly amount of the maternity benefit:**  $30 * 530 = \mathbf{CZK 15,900}$ .
- The **ratio** between the income after the insured event (maternity benefit) and the income before the insured event (net salary) is:  $100 * 15,900 / 17,914 = \mathbf{88.8\%}$ .

| Monthly salary in CZK |        | Monthly amount of the maternity benefit<br>in CZK | Ratio maternity benefit / salary<br>in % |      |
|-----------------------|--------|---|--|------|
| Gross                 | Net    |   | Gross                                    | Net  |
| 22,995                | 17,914 | 15,900  | 69.1                                     | 88.8 |

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 salaries.

### *Article 51*

Maternity benefit applies to a female 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, expert 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 invalidity benefit for level-three invalidity, 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 payment of maternity benefit throughout a period, in which:

- she (he) carries out the insured activities, on which this benefit is based, 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 entered into temporary incapacity for 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 (since 1 January 2010):

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

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

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

The percentage of the fall in work ability, the prerequisites for the invalidity assessment and the assessment of the work ability for the purposes of the designation of invalidity 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:             | 4,132,104 people |
| b) Self-employed persons with pension insurance: | 755,211 people   |
| B. Total number of employees                     | 4,132,104 people |
| C. 100%  |                  |

*Article 56*

The Czech Republic refers to Article 65.

### **Chapter I**

Updated information (since 1 January 2010):

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

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

The benefit consists of two components:

**Basic Part:** CZK 2,170 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 salary (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 10,500 and CZK 27,000 (2010 is an exception from the annual increases in association with the growth in salaries).

B. No changes

C. In 2009, the average gross monthly salary of a qualified blue-collar worker was CZK 22,995 (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 proportions of the benefits to net salaries. To determine the level of invalidity benefit in the Czech Republic, the insurance period also includes the ‘add-in’ period, from the date of entitlement to the full invalidity 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 (since 1 January 2010):

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

- The calculation is based on the average gross monthly salary of a qualified blue-collar worker (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician) in 2009, i.e. CZK 22,995.
- The **net salary** for a taxpayer with a dependent spouse and two children amounts to **CZK 21,764**.
- The personal assessment base (CZK 22,995) is reduced:  
 $10,500 + (22,995 - 10,500) * 30\% = \mathbf{CZK\ 14,249}$
- Percentage part for thirty years of insurance:  $30 * 1.5\% * 14,249 = \mathbf{CZK\ 6,413}$
- **Amount of the level-three invalidity benefit:**  
Basic part and percentage part  $2,170 + 6,413 = \mathbf{CZK\ 8,583}$
- Amount of the **allowances** for 2 children aged 6 to 15:  $2 * 610\ \text{CZK} = \mathbf{CZK\ 1,220}$
- Level-three invalidity benefit and the allowances for two children:  $8,583 + 1,220 = \mathbf{CZK\ 9,803}$ .
- Net salary and allowances for two children:  $21,764 + 1,220 = \mathbf{CZK\ 22,984}$ .
- The **ratio** between the income after the insured event (full level-three invalidity benefit and allowances for two children) and the income before the insured event (net salary and allowances for two children) is:  $9,803/22,984 * 100 = \mathbf{42.7\%}$ .

| Monthly salary in CZK |        | Allowances<br>for 2 children<br>in CZK | Invalidity<br>benefit in CZK | Ratio benefit / salary *) |      |
|-----------------------|--------|--|------------------------------|---------------------------|------|
| Gross                 | Net    |  |                              | Gross                     | Net  |
| 22,995                | 21,764 | 1,220                                  | 8,583                        | 40.5                      | 42.7 |

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

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

## Chapter VI

See Annex No 1

### *Article 57*

#### Updated information (since 1 January 2010):

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 invalidity 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 invalid in level-three invalidity is also entitled to an invalidity pension, if this invalidity 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 invalids 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 invalidity 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 invalidity benefit 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 invalidity; the required insurance period in this case amounts to 10 years.

### *Article 58*

A full invalidity benefit up to 31 December 2009 and an invalidity benefit for level-three invalidity from 1 January 2010 applies throughout the entire period of the duration of the invalidity. Since 1 January 2010, it is transformed to an old age benefit, when the recipient of the invalidity benefit reaches the age of 65.

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

- a) If the total invalidity occurred before the person reaches the age of 18, the pension is not paid out unless the beneficiary is a permanent resident of the Czech Republic.
- c) Full invalidity benefit is not paid out while the beneficiary is receiving sickness benefits awarded before the beneficiary became entitled to the invalidity benefit.



- d) If it is discovered that the person is no longer qualified for invalidity benefit 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 benefit 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 since which the beneficiary has been entitled to it, the benefit will be increased or awarded as from 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 since which the beneficiary has been entitled to the benefit or its increase if the benefit was not awarded or if it was paid in 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.
- e) If the total invalidity occurred as a result of intentional harm to health that the insured person self-inflicted or had someone else inflict it 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 invalidity benefit and the attainment of retirement age, does not count for the purposes of the full or partial invalidity benefit.
- f) The payments of the full invalidity benefit 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:          | 4,132,104 people |
| Number of covered self employed persons: | 755,211 people   |
| B. Total number of employees:            | 4,132,104 people |
| C. 100%                                  |                  |

### *Article 62*

A. No changes

#### **Chapter I**

Updated information (since 1 January 2010):

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

The benefit consists of two components:

**The basic part:** CZK 2,170 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)** benefit: 50% of the percentage part of the full invalidity or old age benefit to which the diseased was or would be entitled (see the old age or full invalidity benefit)
- **orphans’** benefit: for each parent, 40% of the percentage part of the full invalidity or old age benefit to which the diseased was or would be entitled (see the old age or full invalidity benefit)

B. No changes

C. The average monthly gross salary of a qualified blue-collar worker in 2009 was CZK 22,995.

## Chapter IV

Updated information (since 1 January 2010):

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

- The calculation is based on the average gross monthly salary of a qualified blue-collar worker (according to Job Specification KZAM 72231 – metal lathe operator – tuning and service technician) in 2009, i.e. CZK 22,995.
- The **net salary** for a family with two children (and only one parent) is **CZK 19,680**.
- The personal assessment base (CZK 22,995) is reduced:  
 $10,500 + (22,995 - 10,500) * 30\% = \text{CZK } 14,249$
- The percentage part of the old age (invalidity) benefit of the diseased person for thirty years of insurance amounts to:  $30 * 1.5\% * 14,249 = \text{CZK } 6,413$ .
- Percentage part of widow's benefit: 50% of CZK 6,413 = **CZK 3,207**
- **Amount of widow's (widower's) benefit:** the basic part and percentage part  
 $2,170 + 3,207 = \text{CZK } 5,377$
- Percentage part of the orphan's benefit: 40% of CZK 6,413 = **CZK 2,566**.
- **Amount of the orphan's benefit:** basic part and percentage assessment  
 $2,170 + 2,566 = \text{CZK } 4,736$
- Amount of the **allowances** for 2 children at the age of 6 to 15:  
 $2 * \text{CZK } 610 = \text{CZK } 1,220$
- Widow's benefit, two orphan's benefit and allowances for two children:  
 $\text{CZK } 5,377 + 2 * \text{CZK } 4,736 + \text{CZK } 1,220 = \text{CZK } 16,069$
- Net salary and allowances for two children:  $19,680 + 1,220 = \text{CZK } 20,900$ .
- The **ratio** after the insured event (the survivors' benefit and allowances for two children) and income before the insured event (the net salary and allowances for two children) amounts to:  $100 * 16,069/20,900 = \mathbf{76.9\%}$ .

| Monthly salary in CZK |        | Allowances for 2 children in CZK | Survivors' benefit in CZK | Ratio benefit / salary *) |      |
|-----------------------|--------|----------------------------------|---------------------------|---------------------------|------|
| Gross                 | Net    |                                  |                           | Gross                     | Net  |
| 22,995                | 19,680 | 1,220                            | 14,849                    | 66.4                      | 76.9 |

\*) survivors' benefit and salary including allowances for 2 children

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 salary.

## Chapter VI

See Annex No 1

### *Article 63*

#### Updated information (since 1 January 2010):

The survivor's benefit is paid to a covered individual, whose husband (wife) or the parent of a child was the recipient of an invalidity benefit or an old age benefit 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 involved benefits derived from pension insurance – see the interpretation of Article 29 and Article 57.

### *Article 64*

#### Widow's (widower's) benefit 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 invalid with level-three invalidity, 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 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 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 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 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 since which the beneficiary has been entitled to it, the benefit will be increased or awarded as from 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 (Section 56). However, the benefit or its increase will be retroactively paid out from the day since which the beneficiary has been entitled to the benefit or its increase if the benefit was not awarded or if it was paid in 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 January 1996 or to which an entitlement reoccurred after 31 December 1995, pursuant to Section 82, paragraph 2, was limited due to the concurrent entitlement to the payment of old age benefit or full invalidity benefit pursuant to legislation in force prior to 1 January 1996 or, for the said reasons, the widow's benefit was not paid, the payments due after 1 July 2006 will be adjusted by the amount of the difference between the paid amount and the amount without 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 benefits, average gross nominal salaries and consumer prices (living expenses) according to Article 65, Chapter VI

| Year | Old age benefit |            | Average salary |            | Average year-on-year consumer price index (living expenses) for households in total |
|------|-----------------|------------|----------------|------------|---|
|      | abs. in CZK     | index in % | abs. in CZK    | index in % |   |
| 2001 | 6,352           |            | 14,378         |            | 104.7   |
| 2002 | 6,830           | 107.5      | 15,524         | 108.0      | 101.8   |
| 2003 | 7,071           | 103.5      | 16,430         | 105.8      | 100.1   |
| 2004 | 7,256           | 102.6      | 17,466         | 106.3      | 102.8   |
| 2005 | 7,728           | 106.5      | 18,344         | 105.0      | 101.9   |
| 2006 | 8,173           | 105.8      | 19,546         | 106.6      | 102.5   |
| 2007 | 8,736           | 106.9      | 20,957         | 107.2      | 102.8   |
| 2008 | 9,347           | 107.0      | 22,691         | 108.3      | 106.3   |
| 2009 | 10,027          | 107.3      | 23,488         | 103.5      | 101.0   |