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European Monitoring Centre on Change

Czechia: Wage guarantee in case of insolvency

 Czechia

Phase:
Type:

Management
Wage guarantee in case of insolvency

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Last modified: 22 March, 2023

Native name:

Zákon č. 118/2000 Sb., o ochraně zaměstnanců při platební neschopnosti zaměstnavatele ve znění pozdějších předpisů; Zákon č. 182/2006 Sb., o úpadku a způsobech jeho řešení (insolvenční zákon ve znění pozdějších předpisů)

English name:

Act No. 118/2000 Coll., on the protection of employees in the event of insolvency of their employer; Act No. 182/2006 Coll., on bankruptcy and settlement (Insolvency act)

Article

Section 169 and 305 in Act No. 182/2006 Coll., on bankruptcy and settlement (Insolvency act); Section 2-5, 10, 11 in Act No. 118/2000 Coll., on the protection of employees in the event of insolvency of their employer

Description

In case of employer insolvency, employees' claims have priority in the liquidation process (judicial liquidation and reorganisation). All private law employment relationships are eligible, including part-time workers, fixed-term workers, domestic servants, but excluding some public officials.

In the following cases, employees are excluded from protection:

- employees who are members of the employer's statutory body and shareholders with half and higher participation;
- employees who work for the employer as temporary agency workers (TAW) and whose wages are covered by a TAW insurance in case of insolvency.

In court decisions, wages have the same rank as the claims of the liquidation administrator ('super priority') (Bankruptcy law).

Managers must not obtain any property from assets of their employer (Bankruptcy law).

The application for claims has to be submitted for approval by the employee to the public employment service. The employee has to apply within 5 months and 15 calendar days following the date on which the labour office published its to official board information regarding the employer who has filed an insolvency petition or had been impounded property. The application has to be submitted to the public employment service which approves or rejects it. The instruction of the Deputy Minister for Employment of the MoLSA came in force in January 2019. It pinpoints the due date of the wage entitlements for the purposes of Act No. 118/2000 Coll.

All claims (wage, payment for holidays, termination of a job, payment for time off to visit a doctor, etc.) that arose in the period of three months before and three months after the month when the insolvency was announced are covered. Wage claims are covered for a maximum period of three months, for a monthly amount of one and a half average wage in the Czech Republic as it is determined by law.

The guarantee is financed by the state; there are no employers' contributions.

Comments

The number of employers, processed applications (satisfied workers) and paid funds followed the economic cycle in the country, as it can be seen in the table below (Source: Úřad práce ČR - The Labour Office of the Czech Republic, https://portal.mpsv.cz/sz/politikazamest/trh_prace).

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of employers - submitted applications	382	386	750	847	840	961	802	693	437	n.d.	n.d.	n.d.	n.d.
Submitted applications	5,983	3,973	16,281	9,998	7,100	9,101	8,031	6,094	4,569	3,826	2,177	n.d.	n.d.
Processed applications	6,888	5,055	19,451	11,028	8,253	7,694	8,202	6,830	5,610	4,402	3,290	3,793	4,431
Paid funds (thousands CZK)	196,033	150,330	844,033	497,837	389,142	451,799	333,208	391,856	229,500	250,339	167,343	257,154	277,672
Paid funds (thousands EUR)	7,128	5,467	30,692	18,103	14,151	16,429	12,117	14,513	8,500	9,300	6,436	9,891	10,680

Cost covered by

National government

Involved actors other than national government

Public employment service
Other

Involvement others

Local court

Thresholds

No, applicable in all circumstances

Sources

- Deutsch, A., 2011, Europäische Beispiele für die Insolvenzentgeltsicherung, Vienna, Federal Ministry of Labour, Social Affairs and Consumer Protection/IEF
- Sargant, M., 2007, Implementation Report Directive 80/987 EEC amended by Directive 2002/74/EC [protection of employees in the event of the insolvency of their employer], Human European Consultancy/Middlesex University Business School
- European Commission, 2011, Report on the implementation and application of certain provisions of Directive 2008/94/EC on the protection of employees in the event of the insolvency of their employer, Brussels, COM(2011) 84 final
- Ministry of Labour and Social Affairs
- Law on the Protection of Employees in the Event of Insolvency of Their Employer (Act No. 118/2000 Coll.)
- Insolvency Law (Act No. 182/2006 Coll.)
- ERM database on restructuring support instruments

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