

Press Release

Dismissing an experienced employee is cheaper in the Czech Republic than elsewhere in Europe, while with inexperienced employees it is quite the opposite

Prague, 10 June 2015 – The Czech Republic is among the three European countries where the cost of dismissing an employee, with limited short-term experience, for organisational reasons is the highest. The cost of dismissing this category of employees is only higher in Lithuania and Belgium. Whereas compared to the European average, dismissing a senior employee with long-term experience is substantially cheaper in the Czech Republic. These findings were published in the latest survey conducted by the European network of Deloitte Legal firms, which examined the labour law-related conditions of dismissing employees in 29 European countries.

The study also reveals that generally in Western Europe the average cost of dismissal is higher than in Central European countries. Some countries have recently adapted their dismissal rules (e.g. Belgium, the Netherlands and Italy). The study takes into account the average cost that an employer has to pay to dismiss an employee and reach a final settlement on the dismissal file.

“The Czech Republic is among the countries where the difference between the cost of dismissing an employee with long-term experience and a less experienced is very small,” said Jan Procházka, lawyer and head of the labour law team at Ambruz & Dark Deloitte Legal, and added: *“This is because the Czech labour law distinguishes very little between employees, which is why circumstances like seniority, employer’s size or profession play a minimal to no role at all in terms of labour law-related requirements. Abroad, the differentiation is greater.”*

“Upon dismissal the income tax and insurance costs are relatively low; however, employers in the Czech Republic are disadvantaged in that they cannot dismiss an employee without stating a reason, even if they are willing to provide higher severance pay,” added Lucie Rytířová, manager at Deloitte’s tax function. *“The relatively low dismissal costs are therefore counterbalanced by low flexibility. In other words, dismissal is difficult as such. However, if there are legal grounds for this, the related costs are in no way dramatic compared to other countries,”* added Jan Procházka.

5 countries with the highest cost of dismissal for organisational reasons (employee with 4 years’ experience)	5 countries with the highest cost of dismissal for individual reasons (employee with 4 years’ experience)
Lithuania	Sweden
Belgium	Italy
Czech Republic	Ireland
Italy	Hungary
France	Luxemburg

Termination of Employment in the Czech Republic

In the Czech Republic there are three ways of terminating employment on the part of the employer:

- Termination with a notice period
- Termination at a moment's notice
- Termination during a three-month probationary period (or six-month with senior employees)

In terms of the conditions that have to be met for the termination to be valid, the Czech legislation is relatively formalistic. For instance, concerning dismissal due to unsatisfactory performance, it is expected that the employee receive a written invitation to eliminate unsatisfactory performance no later than 12 months before dismissal. Dismissals due to a less serious breach of duties also have to be preceded by a written invitation. Both documents must include the requirements stated by legislation, otherwise the subsequent dismissal is void. The law sets out similarly formalistic requirements for the medical assessment upon dismissal for health reasons, or for the contents of a notice. *“The reason for dismissal must be articulated in such a manner that it is not possible to confuse it with another reason. It must not be subsequently altered either,”* explained Jan Procházka. In practical application this means that although in reality there was a reason for dismissal, the notice would not be valid if it was not included in the document. As Jan Procházka specified: *“This is why employers should pay attention not only to the documents necessary for terminating employment, but also thoroughly review whether all the statutory requirements for dismissal are satisfied.”* The courts are, in fact, within employees' relatively easy reach, whereby the labour inspection can impose fines on employers for not completing all the formalities, which can amount to CZK 2 million.

The main findings of the European survey:

- Among the five most costly countries are Italy, Sweden and Luxemburg, regardless of whether the dismissal is for economic or individual reasons. They are followed by Belgium and Greece in terms of economic reasons, and Ireland and France in terms of other reasons for dismissal.
- In most countries, the legal grounds for an employer to dismiss employees are restricted and subject to strict formalities. Belgium is one of the exceptions to the rule. There, the possibility to dismiss an employee without stating a reason is counterbalanced by a fairly generous notice period, which might exceed one year in certain cases.
- In most countries, there is little or no difference in cost for employers between a dismissal for individual reasons or organisational reasons. Only a limited number of countries, such as Bulgaria, Czech Republic, Estonia, Germany, Ireland, Poland and Russia may exhibit a difference.
- In most surveyed countries, seniority (the length of service within a certain company) is the key factor in determining the level of dismissal cost.
- In most countries, employees may win their employment back if the dismissal is unlawful. However, in certain countries (Belgium, Finland, Switzerland, United Kingdom, Denmark and Luxemburg), they are entitled to an indemnity only.

Moreover, over 50% of all participating countries have put a cap on the unlawful dismissal indemnity.

- With the exception of Italy, Sweden or Spain, a company's statutory representatives are not protected against dismissal. This applies to Czech executives or board members. According to the law, they are not entitled to a notice period or a severance indemnity unless these are included in the agreement to hold office.

The entire study entitled *International Dismissal Survey 2015*, comparing dismissal conditions and costs in the individual European countries, is available [HERE](#).

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