



Weekly Briefing

**Slovakia economy briefing:
New pay regulations effective since May 2019
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Overview

The employment and labor relations in Slovakia are regulated by various documents including the Constitution and collective bargaining agreements. However, Act no. 311/2001 (Labor Code, 2019) is the underlying legal regulation for employment relationships in Slovakia. The Slovak Constitution (2019) guarantees in Title 2, Section 5 Economic, social and cultural rights the right to fair and satisfactory conditions of work for the employees. The Constitution particularly emphasizes in article 36 that the law shall ensure: 1. The right to remuneration for the work performed; sufficient to ensure the employee's dignified standard of living; 2. The protection from arbitrary dismissal and discrimination at work; 3. The protection of safety and health at work; 4. The setting of maximum working hours; 5. Appropriate rest time after work; 6. The minimum admissible length of paid leave; and 7. The right to collective bargaining. Apart from these, article 35 of the Constitution states (in paragraph 3) states that citizens have the right to work.

The principal legislation regulating employment relationships in Slovakia is the Labor Code. As put by the Ministry of Labor, Social Affairs and Family (2019): “The Labor Code regulates the legal status of employees in the private sphere. Pursuant to the Labor Code, everyone has the right to work and to the free choice of employment, to fair and satisfying working conditions and to protection against arbitrary dismissal. Every employee has these rights without restriction or discrimination. Pursuant to the Labor Code, the employer is entitled to the free selection of employees. The employer determines the conditions and methods for the implementation of this right, unless otherwise stipulated by the Labor Code, special regulations or any international treaty to which Slovakia is bound”. According to the Labor Code, employment relations between an employer and an employee are established by a written employment contract. Based on the paragraph 43 of the Labor Code (2019), the employer is obliged to agree with the employee the following essentials: 1. The type of work to which the employee is recruited and its brief characteristics; 2. The place of work (municipality, part of the municipality or other designated place); 3. The date of commencement of work; and 4. Wage conditions, unless agreed in a collective bargaining agreement. Besides these essentials, the Labor Code obliges the employer to also include other working conditions, namely pay dates, working time, holiday amount and length of notice period in the employment contract. In case working conditions are agreed in a collective bargaining agreement, the Labor Code stipulates it is sufficient to give reference to the collective bargaining agreement provisions.

Increase in the premiums paid to employees

Part Four on wages and average earning of the Labor Code received some significant changes with the approval of Act No. 63/2018 (2019) as an amendment of the Labor Code. Act No. 63/2018 was approved on February 14th, 2018 and entered into force on May 1st, 2018. The most significant change is an increase in the premiums paid to employees for work at night, on holidays and on weekends. According to Kollárová (2019), premiums are based on the minimum hourly wage. An exception is a premium for work on holidays, which is calculated from the average salary of the employee. Since May 2018, the premium has been set at 100% of the employee's average hourly earnings, and will not change from May 2019. If the employee earns a minimum wage (EUR 520 in 2019), the premium for work on holidays will be EUR 2.989 per hour.

The premiums were set to increase in two phases, one from May 1st, 2018 and the second from May 1st, 2019. At the same time several exceptions apply for those employers, where night work is predominant. For the night work the amount of premium depends on the fact whether the work is hazardous or not. Premiums apply for the employees as well as for natural persons on work performed outside an employment relationship. Table 1 shows the changes effective in both phases, since May 1st, 2018 and May 1st, 2019 for both groups.

Table 1 Premiums changes as amended to the Labor Code in February 2018 for employees and for natural persons on work performed outside an employment relationship

	Since May 1 st , 2018		Since May 1 st , 2019	
	%	EUR	%	EUR
Work at night				
Nonhazardous work	30	0.897	40	1.196
Hazardous work	35	1.046	50	1.495
Work on Saturday	25	0.747	50%	1.495
Work on Sunday	50	1.495	100%	2.989
Work on public holidays	100%*	-	100%*	-

*Note: * % of average hourly wage, all other % of minimum wage.*

Source: BDR (2018), Kollárová (2019), VGD (2018).

Exceptions from the increase of premiums

Some employers may benefit from exemptions from premiums. However, these exemptions (lower premiums) include only those employers where the work at night or work during weekends is predominant. Based on the data in table 1, eligible employers are entitled to the exemptions since May 1st, 2019 for:

- Premium for work at night may be decreased up to 5% – employer can apply this decrease only for nonhazardous work (35%), there is no exemption for hazardous work which has to be paid full premium of 40%.
- Premium for work on Saturdays may be decreased up to 5%.
- Premium for work on Sundays may be decreased up to 10%.

On the other hand, the exception cannot be applied for work during public holidays. Kollárová (2019) notes, that in case the public holiday falls on a Saturday or Sunday, premiums are overlapping, meaning in addition to Saturday/Sunday premium, an employee is also entitled to a holiday premium and can earn several times his salary. Employers are able to modify the increase of premiums for work at night, on Saturday or on Sunday via collective bargaining agreements with the trade unions or directly in the employment contract with an employee. The latter is possible only if there is no trade union organization operating at the company and the employer has employed less than 20 employees on December 31st of the previous year.

Problem areas – bakeries and chemical and pharmaceutical industries

Kollárová (2019) cites Slovak Association of Bakers, Confectioners and Pasta Makers that claim bakeries will be one of the most affected sectors since most of the work is carried out during the night. Wage costs will compose on average 40% of total production costs while wages will increase in the second half of 2019 by estimated 10-15%.

Major problem areas of the increased premiums are those sectors of the Slovak economy with continuous operations which may be negatively impacted in two ways. The first one is the increase of minimum wage and the second one is the increase in premiums which are calculated as a percentage from the minimum wage. Chemical industry is one of those sectors that may be negatively impacted. According to Haluza (2019), Slovak chemical and pharmaceutical industries are composed by more than 300 companies with 20 or more employees employing almost 46 thousand employees. As Haluza (2019) notes, total 2018 revenues increased by 5% in these industries, on the other hand the value added decreased by the same percentage caused mainly by the increase of minimum wage as well as by the increase in the premiums for work at night, on weekends and holidays.

Conclusion

We conclude that the amendment of the Labor Code that was approved in February 2018 with the intention to increase the premiums paid to employees for work at night, on holidays and on weekends will mean increased costs for employers in private sphere. Premiums are calculated as percentages and are derived from the minimum hourly wage (EUR 2.989 in 2019) except the premiums paid for the work on public holidays which are paid based on the average salary of the employee.

Two problem areas of the increase in the premiums for employees are bakeries and chemical and pharmaceutical industries with continuous operations and dominant part of work at night.

Based on the simulation test carried out by the Better Regulation Center (CLR, 2018b) on the data from a bakery, a hotel and a nonprofit organization we note that the results clearly show that increase in premiums will have a major impact on the overall amount of the wage costs of all three organizations leading possibly to a reduction in production volume or the range of services provided during weekends, holidays and night hours. CLR (2018a) notes as one of the alternatives for decreasing the costs for small and medium enterprises exemption of premiums from taxes and levies either up to a certain amount or in full.

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