

Dentons Newsletter - Key changes resulting from the amendment to the Act on Employment

February 21, 2024

Following last year's major amendment to the Labor Code, an extensive amendment to the Act on Employment has now been adopted. Effective as of the beginning of this year, it introduces new obligations, mainly in the area of agency employment. It also tightens sanctions for employers for enabling illegal work. Below you can find an overview of the key changes.

Previously we informed you about the transposition amendment to the Labor Code and its key points. With that in mind, we believe that your company has already implemented the necessary changes in HR processes as well as employment law documents, particularly in relation to the information obligation of employers, agreements on work performed outside the employment relationship, remote work, electronic signing as well as the delivery of employment law documents.

From 1 January 2024, an amendment to the Act on Employment came into force. It primarily regulates the conditions for employment intermediation through employment agencies. It imposes stricter requirements on employment agencies themselves, changes the definition of illegal work and, last but not least, tightens sanctions for illegal work and disguised employment intermediation. The amendment also includes a change to the Labor Code, which newly regulates the unilateral termination of a temporary assignment to the user and the liability of entrepreneurs in the construction industry for wage claims in subcontracting chains.

Changes in relation to **employment intermediation authorization**:

- An employment intermediation permit (for employment agencies) is now being issued by the Ministry of Labor and Social Affairs (MLSA);
- There is a new obligation for permit applicants to provide the MLSA with certificates of no debts; employment agencies with permits issued before 1 January 2024 are required to provide the certificates of no debts by 1 April 2024;
- The deposit for permit applicants has been raised from the current CZK 500,000 to CZK 1 million; employment agencies with permits issued before 1 January 2024 have to pay the deposit increase by 1 April 2024;
- Permit applicants, their responsible representatives or members of the statutory body cannot have been fined in the past three years for employment intermediation in violation of the issued permit, enabling illegal work, disguised employment intermediation, enabling disguised employment intermediation or repeatedly failing to cooperate with Labor Inspection bodies during an inspection.

Change of the **definition of illegal work and tightening of sanctions** for illegal employment, disguised employment intermediation or enabling disguised employment intermediation:

- The criterion of continuity has been removed from the definition of illegal work (i.e. dependent work performed

outside of an employment relationship, known informally in Czech as the "švarcsystém", or work performed by a foreign national without a corresponding work permit and/or right to reside in the Czech Republic); as a result, the length of the employment relationship is no longer important;

- When determining illegal work, decisive now is only whether the work is performed in a relationship of the employer's superiority and the employee's subordination, on behalf of the employer, according to the employer's instructions, and whether the employee performs work personally;
- Sanctions on the employer for enabling the performance of illegal work, disguised employment intermediation or for enabling disguised employment intermediation, now include the possibility to impose a ban on activity for up to two years.

Other changes include the following:

- **The information obligation** for employment agencies towards the MLSA has been expanded;
- There is a new regulation on **unilateral termination of a temporary assignment** within agency employment;
- **Entrepreneurs in the construction industry are newly obliged to guarantee wage claims in subcontracting chains** up to the minimum wage (for failure to comply with the obligation a fine of up to CZK 2 million may be imposed).

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