Did September's amendment to the Labor

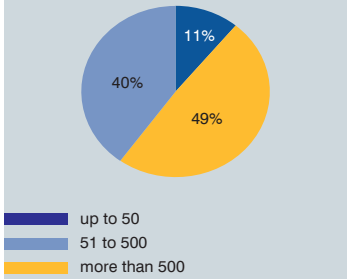
The amendment to the Labor Code was one of the most anticipated changes among employers this year. Managers of Slovak companies were clamouring for the new Labor Code to enhance the flexibility of employment relations. They called for less stringent conditions of hiring and dismissal, more flexible working hours and overtime, among other modifications. Did the legislators succeed in delivering effective tools? The recent results of a survey by Accace capture the initial mood and experiences of CEOs and HR managers at companies in Slovakia.

A quarter of a year has passed since September 1, 2011, giving businesses enough time to come to grips with the amendments to the Labor Code. Accace contacted CEOs and HR managers representing more than 50 major companies operating in Slovakia to gauge their views on a few selected changes brought into practice by the new Labor Code.

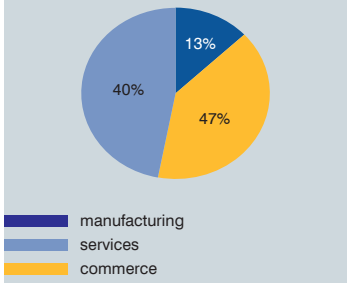
Respondent profile

Graph 1: Respondent profile

Number of employees



Sector



"Our goal was to examine how far this much publicized amendment responds to employers' real needs, and the pros and cons emerging from the initial implementation of these new provisions by employers," says Marian Driensky, Managing Director of Accace Slovakia & Czech Republic.

Termination of employment: Employers keen to reward loyal employees

The notice period is no longer the same for everyone. As the attorney Zuzana Chmeľová observes: *"I would say that grading the notice period to reflect how long an employee has worked for a company is logical and fair. As a result, longer-serving staff are entitled to a longer notice period than those recruited more recently."*

This statement was supported by 93% of the managers surveyed, who applaud the switch to a variable notice period based on length of service.

"Companies value loyal employees and prefer longer service to high staff turnover. This change rewards faithful and loyal employees and is a fairer policy," argues Monika Kubincová, Payroll specialist Accace.

The most compelling change: take your pick – notice period or severance pay?

The requirement to provide both a notice period and severance pay has been repealed. Now, all employees can choose how long their notice period will be and/or how much severance pay they will receive. Most managers feel that this is a change for the better because the most common sticking point in the past was often the amount of severance pay due. Some managers indicated that this amendment has done away with the absurdity of duplication, where employees would receive severance pay and simultaneously be entitled to a notice period.

Graph 2:
Response to the repeal of the concurrent notice period and severance pay

How do you view the repeal of the concurrent notice period and severance pay?

2%	negatively, it is less beneficial for employees
7%	neutrally, our company provides severance pay beyond the legal minimum
35%	positively, it will save the company's costs
30%	positively, employees have a choice
26%	positively, the concurrence of notice period and severance pay was absurd

"The repeal of employees' entitlement to both a notice period and severance pay is regarded as one of the most significant changes. It is particularly helpful for employers in that it puts a lid on the wage costs of non-productive employees. Obviously, employees themselves are not happy with this change because if they lose their job they are also deprived of that 'little bit of extra cash' previously payable for a couple of months after the termination of their employment," notes Zuzana Chmeľová.

The lawmaker forgot to take into consideration the public service employees – health care, transport, education etc. and does not link the overtime work, distribution of uneven working hours, emergencies... Unfortunately the view of overtime is only one-sided.

Respondent of Survey

Brain drain regulation makes little impact

Until September 1, 2011, provisions in employment contracts banning employees from working for competitors had no basis in the Labor Code. Now, it is possible for an employment contract to place restrictions on employees who gain important know-how in their work to prevent them from being employed elsewhere or engaging in competitive activity. However, this restriction is limited to one

Code meet companies' expectations?

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Graph 3:
Response to the possibility of regulating employees' rival activities

How do you view the possibility of regulating the performance of activities by your employees that rival your own operations?

- 33% negatively, the compensation is too high
- 33% neutrally, we do not have any such employees at our company
- 14% positively, we plan to use it
- 10% positively, we have already put it into practice

year, and in return employers must provide employees with compensation amounting to at least 50% of their average monthly earnings.

"Time will tell how this 'competition clause' is used in practice and whether it will serve its intended purpose. That said, it is questionable whether a company will want to invest in its 'former' skilled workers, because presumably its know-how is hardly likely to change that much in the space of a year, so these employees will continue to pose a certain competitive risk to the company anyway. Any agreement on a competition clause is sure to depend on the quality of information which is accessible to and could be exploited by the employee, and clearly also on the economic situation of the company, the developments it is planning, and similar issues," says Zuzana Chmeľová.

Longer probationary period to reduce the risk to the employer

Employers can now extend new recruits' probationary periods, which may be up to six months for those in managerial positions. Up to 50% of respondents are planning to use, or have already drawn on, the possibility to extend the probationary period for employees. Seven percent of respondents are concerned about the risk to the employer if the probationary period is extended.

"A probationary period is essentially always a matter of agreement between the employer and the employee, as is its duration. When it comes to the probationary period, if anything I would train the spotlight on the special protection of pregnant and nursing women and women who have given birth within the past nine months. Employers cannot terminate their employment during the probationary period without giving a reason, as is the case for other employees. Termination of employment must be properly justified, and pregnancy or maternity cannot be cited as grounds," says Zuzana Chmeľová.

Graph 4:
Response to the option of extending the probationary period for new recruits

What is your opinion on the possibility of extending the probationary period?

- 7% positive, we have already made use of it
- 46% positively, we plan to use it
- 36% neutral
- 7% negative, a long probationary period is risky
- 7% other

More overtime for managers welcomed by companies

Senior employees, with the consent of their superiors, will be able to work 56 hours per week, with a cap of 550 hours' overtime per year. For ordinary employees, the maximum overtime they can be ordered to work remains at 150 hours per year. Respondents were upbeat about the possibility of more overtime for senior staff. They welcomed the change (71%) and either plan to introduce it or have already done so.

The paragraph can be meaningfully used by only limited group of companies. From my point of view, the Labour Code should have dealt with much more important issues.

Respondent of Survey

"It's important to point out that increased overtime is not an automatic given. It applies to a limited range of employees, who also agree to a longer weekly working time of up to 56 hours. The increased overtime is at least a partial response accommodating the current workloads of employees," notes Zuzana Chmeľová.

Other new employer-employee rules

The amendment to the Labor Code has introduced a more flexible system for the distribution of uneven working hours. While a certain form of flexitime was already practiced prior to the amendment, the amendment has established clear rules. Up to 40% of respondents – mainly manufacturers – welcomed this change. New employer-employee rules covered by the survey include the automatic entitlement to leave and collective bargaining.

Graph 5:
Response to the possibility of increasing management overtime

How do you view the possibility of increasing overtime for managers?

- 5% positively, we have already introduced it
- 66% positively, we plan to introduce it
- 24% neutrally, there is no need to address overtime issues at our company
- 0% negatively, it is disadvantageous for employees
- 5% other

For more information about the survey visit our webpage www.accace.com or contact tamara.ondruskova@accace.com.

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