

Pay Compensation During Illness

In one of our previous Payroll Friday posts, we focused on pay compensation during vacation. Today, we are going to have a closer look at pay compensation during incapacity for work.

Who Pays Compensation During Illness?

Employers cover the pay for the first 14 calendar days of their employees' illness (or, more precisely, the working days of the first 14 calendar days). From the 15th calendar day, your compensation for incapacity for work is covered by the Czech Social Security Administration. The compensation is officially known as sickness benefit.

How Much Do You Receive During Incapacity for Work?

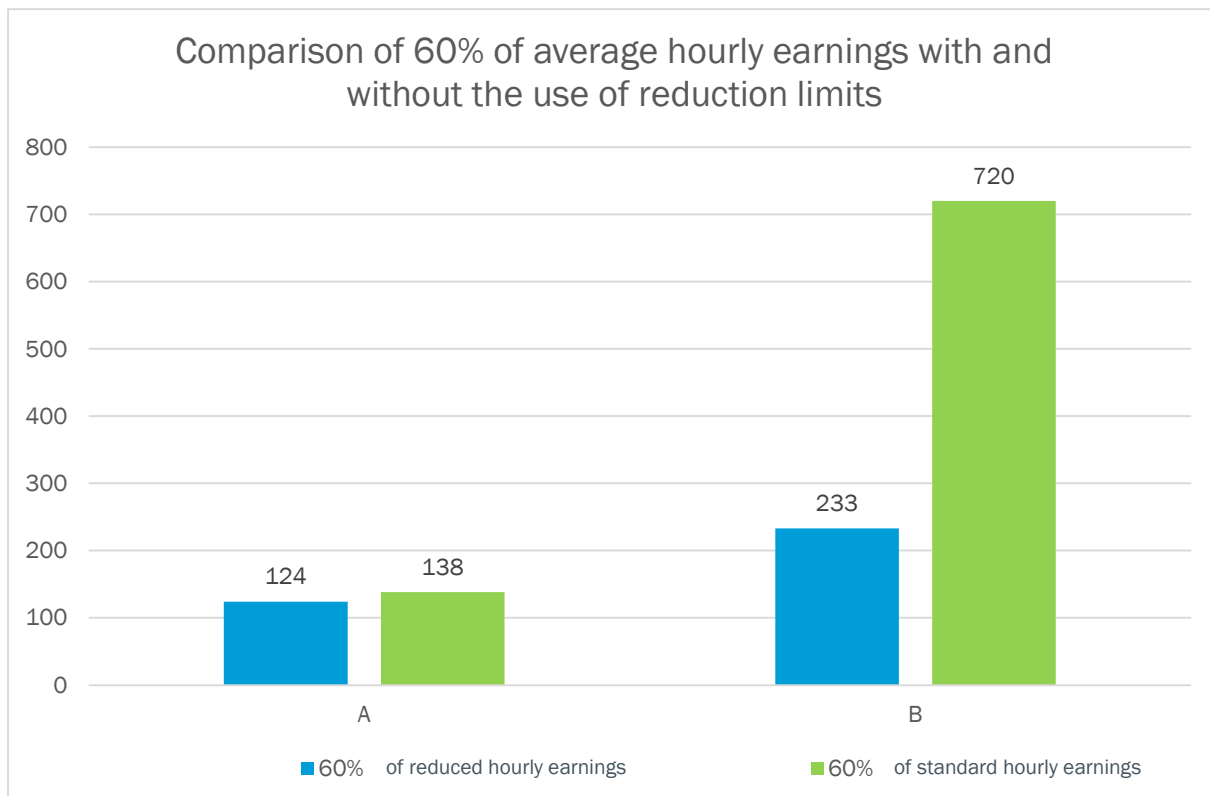
People generally believe they will receive 60% of their pay when they are ill. However, this is a significantly distorted expectation. The compensation calculation is quite complicated, and I do not think there is a point in going into too much detail. However, you should know that the following are used for the calculation:

1. **Your average hourly earnings** (which can usually be found in the head of your payslip or requested from your payroll department)

2. **Reduction limits** (given by valid legislation)

The so-called reduction limits are used to calculate your average hourly earnings, which is what you receive 60% of. Reduction limits are the same for everyone, which causes people with above-average incomes to receive much lower pay compensations than 60% of their standard pay.

For better understanding, imagine person A with an average hourly wage of 230 CZK (with their average monthly wage being 40,000 CZK) and person B with an average hourly wage of 1,200 CZK (their average monthly wage being 208,704 CZK). On the following chart, you can see the difference between 60% of their average hourly wage with and without the use of reduction limits.



The chart clearly shows the impact of incapacity for work on wages. The income of person B, whose standard average daily income amounts to 9,600 CZK, will decrease by 81% during an illness. Person A, with the average daily earnings of 1,840 CZK, will lose 40% of their standard daily remuneration during an illness.

If you want to calculate how much money you will receive from your employer during an illness, here is a freely available calculator <https://www.mpsv.cz/web/cz/kalkulacka-pro-vypocet-vyse-nahrady-mzdy-v-roce-2023>. And if you want to calculate how much the Czech Social Security Administration will pay you, here is a sickness benefit calculator (which can be used to calculate other benefits as well) <https://www.mpsv.cz/kalkulacka-pro-vypocet-davek-v-roce-2022>.

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