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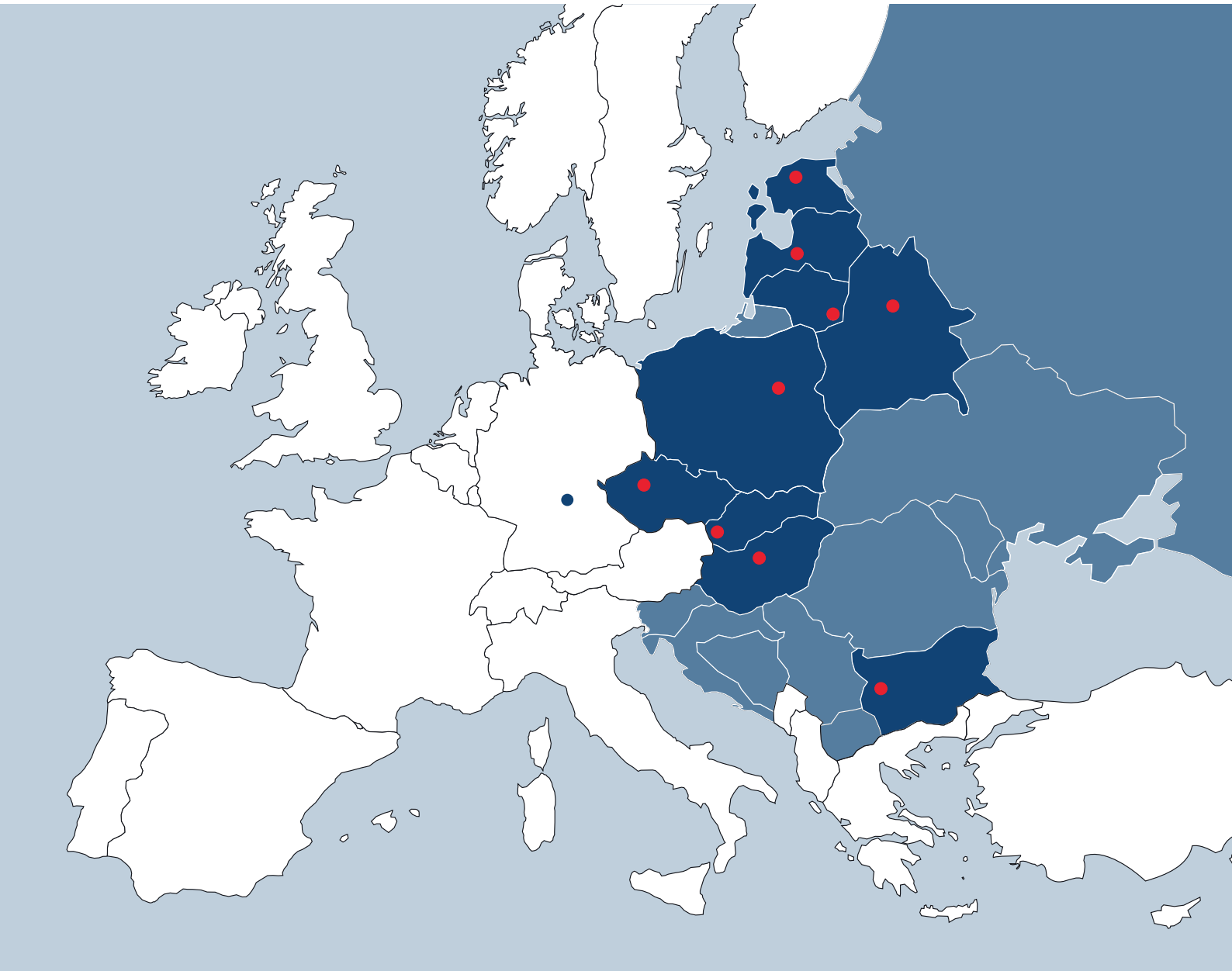
EMPLOYMENT LAW SURVEY

Central- and Eastern Europe

2015/2016



BRATISLAVA BUDAPEST MINSK NÜRNBERG PRAHA RIGA SOFIA TALLINN VILNIUS WARSZAWA

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Contents

Introduction

Employment-related conditions and labour market rules are among the most basic considerations for investors deciding on investment strategies. Many CEE countries have long attracted investors with their flexible employment rules and investment environment, such as Poland with its non-exhaustive list of grounds of termination for employers, the Slovak Republic with its work-time banking up to 30 months, the Czech Republic with its framework for fixed-term employment contracts, Belarus with its low minimum wage and overall low wages, Bulgaria with its low mandatory insurance contributions to be paid by the employer, Estonia with its severance pay provisions, Hungary with its flexible rules for executive staff, Latvia with its set of rules for non-competition clauses, Lithuania with its opportunities for employee assignment and transfers, or Germany with its probation period provisions.

With these conditions, CEE countries remain competitive for investors. Contributing factors are the lower labour costs, the stable legal environment, and swift litigation.

The bnt team, composed of more than 100 lawyers and tax advisors in Bratislava, Budapest, Minsk, Nuremberg, Prague, Riga, Sofia, Tallinn, Vilnius and Warsaw, fluent in both German and English, has analysed the most important data, facts and risks of CEE employment law and summarized them in the CEE Employment Law Survey 2013.

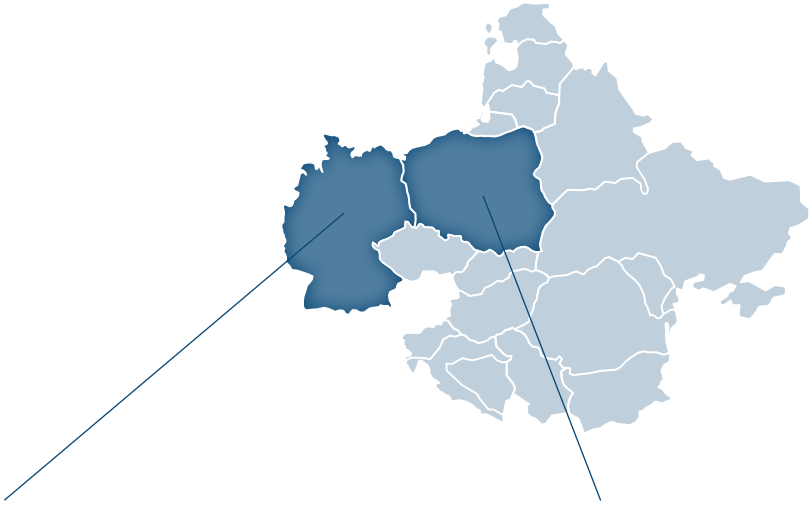
As the Labour Codes of the individual countries have since been amended repeatedly, the bnt team decided to update the Employment Law Survey to reflect current employment and labour law conditions in CEE.

We are glad to present this Employment Law Survey 2015 to help you compare actual employment and labour legislation in CEE in deciding and carrying out your investment plans in the region.

Very sincerely yours,
The bnt Team

Employment / Labour contracts

Employment Law



Germany:

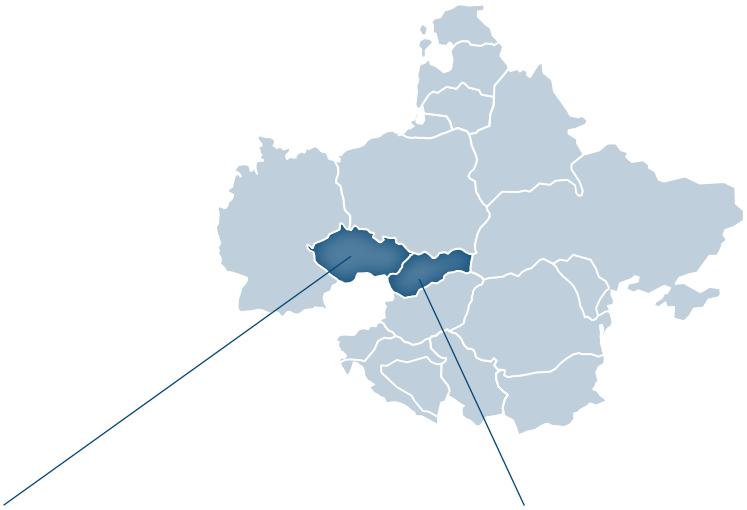
- Employment relationships are governed by the Civil Code and various separate acts.
- The basis for the relationship between employer and employee is an employment contract.
- Employment contracts can be in writing, oral or by actual work performance.
- Employment contracts can be for a definite or indefinite period.
- Essential terms of an employment contract are the type of work to be performed and the salary (since 1.1.2015 employees have the right to a guaranteed minimum wage).
- A collective agreement is a contract between an employer or an organization of employers and a trade union, which can set rules that differ from those set by law.
- The parties to an employment contract can agree a probation period up to six (6) months for an unlimited employment relationship.

Poland:

- Types of employment contract are exhaustively defined in the Labour Code.
- An employment contract is the most commonly used type of contract when entering into an employment relationship.
- An employment contract can be for a definite or indefinite period.
- A probation period may be for up to three (3) months.
- An employer must make an employment contract in writing but employment may also be established by actual work performance; the fact of a contract being unwritten does not invalidate it.
- A valid employment contract must at least specify the parties, job description, working time, workplace, start of employment and salary.
- Apart from an employment contract for a definite or indefinite period, three (3) specific types of agreement may be concluded:
  - employment contract for completion of a specified task,
  - employment contract for a definite period to substitute an employee due to justified absence from work,
  - agreement for practical training between an employer and a trainee, which is not governed by the Labour Code (however, some provisions of the Labour Code apply).
- A collective agreement is a contract between an employer and a trade union governing more favourable employment conditions for employees than those in the Labour Code and other laws and regulations which govern rights and obligations of employees.

Employment / Labour contracts

Employment Law



Czech Republic:

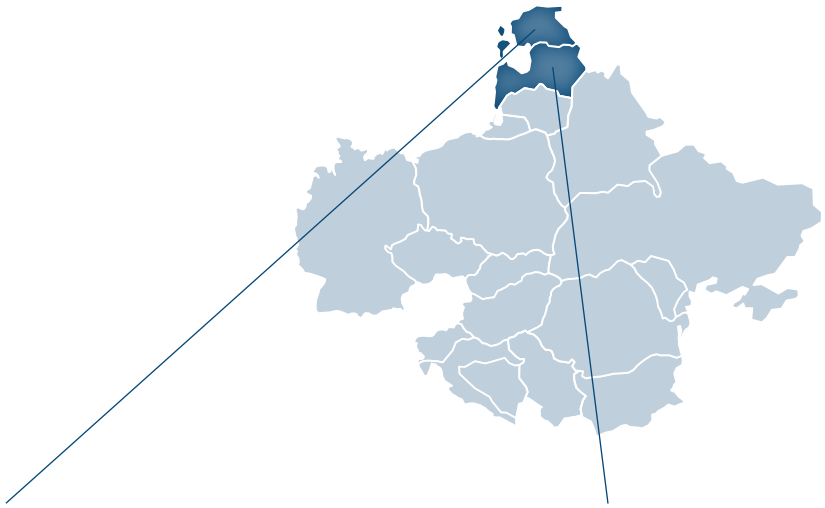
- The various types of employment / labour contract are exhaustively defined in the Labor Code.
- Employment contracts are by far the most commonly used type of contract for work within an employment relationship.
- Employment contracts can be for a definite or indefinite period.
- Employers must principally make employment contracts in writing.
- An employment contract must include at least the type of work, the place of work performance, and the starting day.
- Apart from an employment contract, two (2) specific types of agreement may be concluded under extraordinary circumstances:
  - where the working task is set by a specific result, an employee may be hired to work for up to 300 hours in the given year under what is known as dohoda o provedení práce (‚agreement to perform a job'), and
  - where certain long-term or short-term work without a specific intended result is to be performed, the employee may work up to half the regular weekly working hours under a dohoda o pracovní činnosti (agreement on work performance), with the maximum number of hours to be worked under this type of agreement calculated on average for the entire period for which the agreement was concluded (but in any event for no more than 52 weeks).
- A probation period may be set for up to three (3) months, or up to six (6) months in the case of executive employees.
- The probation period must be agreed in writing no later than the day when the employee first reports for work, otherwise the probation period is invalid.
- A collective bargaining agreement is a contract in which the parties - the employer and a trade union - agree on employment conditions for employees that are more favourable than the minimum requirements set out in the Labour Code. The provisions of these collective bargaining agreements are automatically incorporated in each individual employment agreement.

Slovakia:

- Types of employment contract are exhaustively defined in the Labour Code and the Act on Collective Bargaining.
- An employment contract is the most commonly used type of contract when entering into an employment relationship.
- An employment contract can be for a definite or indefinite period.
- An employer must make an employment contract in writing but employment may also be established through actual work performance; an unwritten contract does not invalidate the contract.
- An employment contract must include at least the type of work and a brief description, place of work performance, starting day and salary conditions.
- A probation period may be agreed for up to three (3) months, or in the case of top managerial employees for up to six (6) months.
- Apart from an employment contract, three (3) specific types of agreement may be concluded under extraordinary circumstances. These must be in writing, otherwise they are invalid:
  - where the work task is set by specific result, the employee can work up to 350 hours a year;
  - where certain long-term work without specific result is to be performed, the employee may work up to 10 hours weekly;
  - where the agreement is between an employer and a student, work on average up to 20 hours weekly may be done.
- A collective agreement is a contract between an employer and a trade union governing more favourable employment conditions of employees than those in the Labour Code.

Employment / Labour contracts

Employment Law



Estonia:

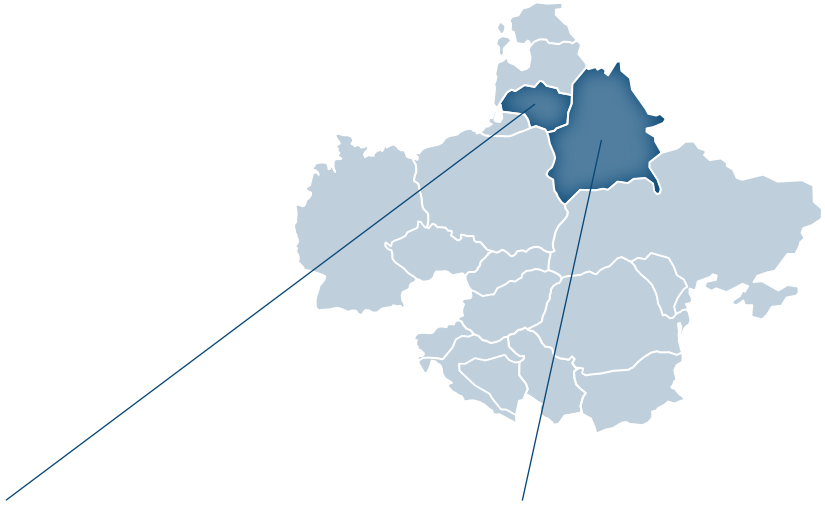
- Employment contracts are regulated in the Employment Contracts Act and other types of labour contract (mainly contracts for the supply of services) in the Law of Obligations Act.
- An employment contract is the most commonly used type of contract when entering into an employment relationship.
- An employment contract can be for a definite or indefinite period.
- An employer must make an employment contract in writing, but an employment relationship may also be established through factual work performance, which can be expected to be done only for remuneration. Even if unwritten, a contract need not be invalid.
- A written employment contract must contain at least the following: name, personal identification code or registry code, place of residence or seat of the employer and the employee, the date of entry into the employment contract and starting day, description of duties, agreed wages, payday, working time, place of work, duration of holidays, reference to the rules of work organisation and termination provisions.
- Probation may not exceed four (4) months.
- During probation either party may terminate by giving no less than fifteen (15) calendar days' advance notice. An employer may not cancel an employment contract for a reason that conflicts with the goal of the probationary period.
- A collective agreement is a voluntary agreement between employees or a union or federation of employees and an employer or an association or federation of employers, and also state agencies or local governments, which regulates labour relations between employers and employees. A collective agreement can include more favourable employment conditions for employees than those in the Employment Contracts Act.

Latvia:

- An employment contract is the most commonly used type of contract when engaging personnel.
- An employment contract can be for a definite or in specific cases for an indefinite period.
- An employer must make an employment contract in writing but employment may also be established through actual work performance; an unwritten contract does not invalidate it.
- An employment contract must include at least the position and its code (under Latvian classification), general duties, place of work, starting day and term, as well as the amount and frequency of salary payments. Certain rules must be either described in the contract or substituted by reference to provisions in laws, in a collective agreement or in working regulations – i.e. daily or weekly working time, length of annual leave, the period for notice of termination (decreasing the dismissal term or prolonging the resignation term set by law are forbidden), and the provisions of a collective agreement or internal regulations.
- A probation period may be for up to three (3) months.
- A collective agreement is a contract between an employer and a trade union governing more favourable employment conditions of employees than those in Labour legislation.

Employment / Labour contracts

Employment Law



Lithuania:

- Types of employment contract are exhaustively defined in the Labour Code.
- Employment may only be based on an employment contract. The law does not provide for intermediate stages between employment and purely civil contracts.
- An employment contract can be for a definite or indefinite period.
- An employment contract is concluded when the parties agree on its essential conditions, which include:
  - the employee's place of work,
  - the employee's specific work duties or job functions
- Every employment contract should include provisions regarding remuneration (e.g. salary, payment aspects). These are not obligatory provisions and therefore they do not have any impact on the validity of the contract.
- The parties may agree on a probation period of a maximum of three (3) months and under special circumstances six (6) months.
- An employment contract must be in writing. Contracting parties must not agree on provisions that are less beneficial for the employee than those regulated by the law or collective labour agreements.
- The employer must inform the Lithuanian social security institution about the employment one day prior to work commencement; otherwise it may be fined for illegal employment.

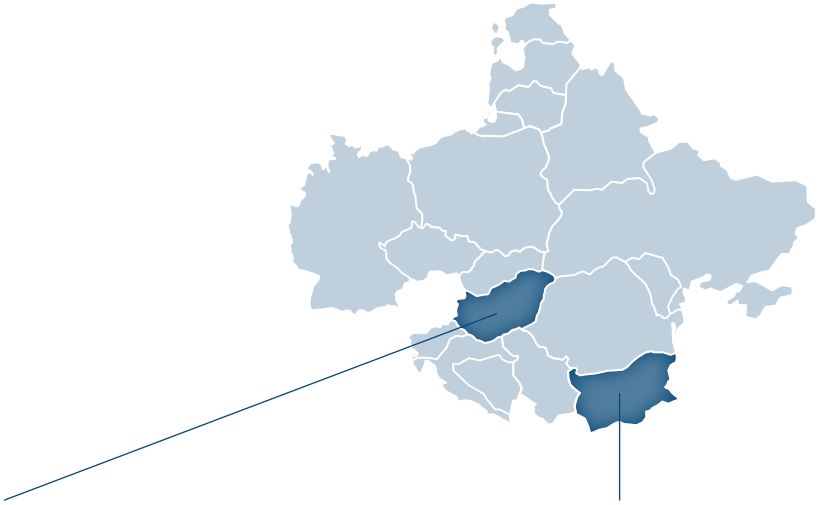
The parties may not set conditions less favourable for the employee than those set by law or collective agreements.

Belarus:

- Types of employment /labour agreement are defined in the Labour Code and in Presidential Decree No. 29 of July 26, 1999 ("the Decree").
- Main types of employment agreement are:
  - employment agreement for an indefinite period and
  - employment agreement for a definite period (of up to five (5) years).
- An employment agreement is concluded in written form, but employment may also be established through factual work performance.
- An employment agreement must include information about the employer and the employee, place of work performance, job/position/title information, main rights and obligations of the parties, term of validity (for fixed-term agreements), working hours, terms of compensation.
- An employment contract is the most commonly used type of employment agreement for a definite period. An employment contract is regulated by the Decree. The Labour Code applies unless otherwise provided in the Decree.
- In comparison to an employment agreement under the Labour Code, an employment contract must include additional more stringent terms but the employee is provided with additional bonuses, e.g. up to five (5) paid days off.
- An employment contract can be for a definite period of no less than one (1) and no more than five (5) years and must be in writing.
- Several specific types of employment agreement may be concluded under particular circumstances. These have to be in writing, otherwise they are invalid. They comprise:
- An agreement where a specific task is to be performed and a working period cannot be defined.
- An agreement for seasonal work – up to six (6) months a year.
- An agreement on a temporary basis to substitute an absent employee whose workplace is preserved under legislation.
- A collective agreement is an agreement for not less than one (1) year and no more than three (3) years between an employer and the employees' representatives (trade unions) governing more favourable employment conditions for employees than those stated in the Labour Code. Such an agreement requires registration with the local authorities.

Employment / Labour contracts

Employment Law



Hungary:

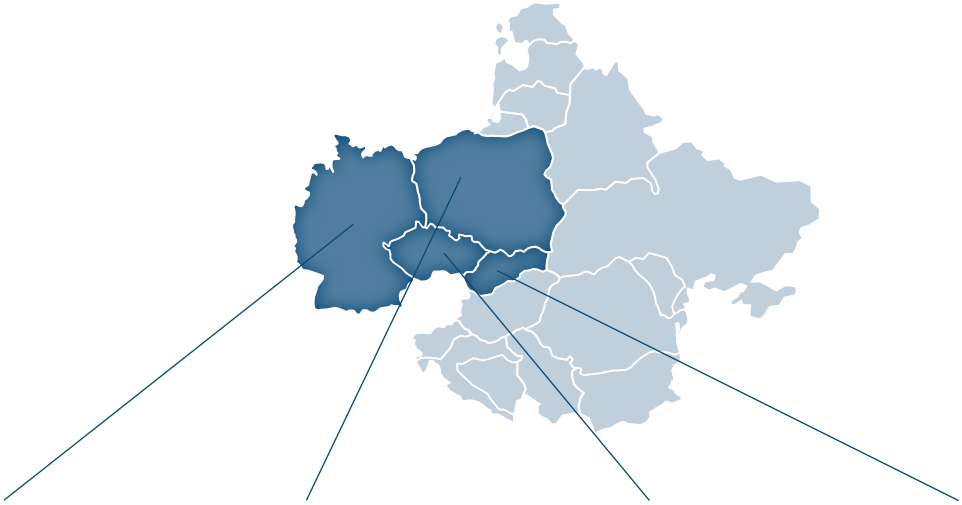
- Agreements under which a person can perform work are defined in the Hungarian Labour Code (Act I of 2012) and the Hungarian Civil Code (Act V of 2013).
- An employment contract as defined in the Labour Code is the most commonly used type of contract when entering into a relationship to perform work.
- An employment contract can be concluded for a definite or indefinite period.
- An employer must make an employment contract in writing but employment may also be established through actual work performance. Lack of a written contract may lead to a fine for the employer but the employment comes into existence unless the employee objects within thirty (30) days after starting work.
- An employment contract must specify at least the position and the basic salary. If the term and workplace are not specified, the agreement is for an indefinite period and the workplace is where the employee usually works.
- A probation period may be agreed for three (3) months (can be extended up to six (6) months by collective agreement). If the parties agree on a shorter period, prolongation is possible by mutual consent; however, the above mentioned maximum durations must not be exceeded.
- Apart from an employment contract, a mandate agreement or contract for professional services can be concluded for performing work.
- However, these contracts can be requalified as employment contracts if they have the characteristics of employment.

Bulgaria:

- Types of employment contracts are exhaustively defined in the Labour Code, the Act on Collective Bargaining and the Employment Facilitation Act.
- An employment contract is the most common legal basis for an employment relationship. Other legal bases are: choice by voting and choice by contest.
- An employment contract can be for a definite or indefinite period.
- An employer must conclude an employment contract in writing but employment may also be established through actual work; an unwritten contract need not be invalid.
- An employment contract must include at least the type of work and a brief description, place of work, commencement day and salary conditions.
- A collective agreement is a contract between an employer and a trade union governing more favourable employment conditions of employees than those in the Labour Code.
- A probation period may be for up to six (6) months.

Managing directors / Executives

Employment Law



Germany:

- Executives generally perform their activities under a service contract and in most cases are not regarded as employees.
- In specific cases executives are regarded as employees if their relationship with the company is characterized by high personal dependence on the employer, e.g. if subject to directions regarding the content, time and place of employment by the employment contract or factually.
- Exceptionally it is possible to connect the content of the agreement between the managing director and the company with the position as executive body of the company.

Poland:

- Executives may be considered as employees and work under an employment contract. However, their function may also be performed under a civil law contract (management contract) governed by the Civil Code.

Czech Republic:

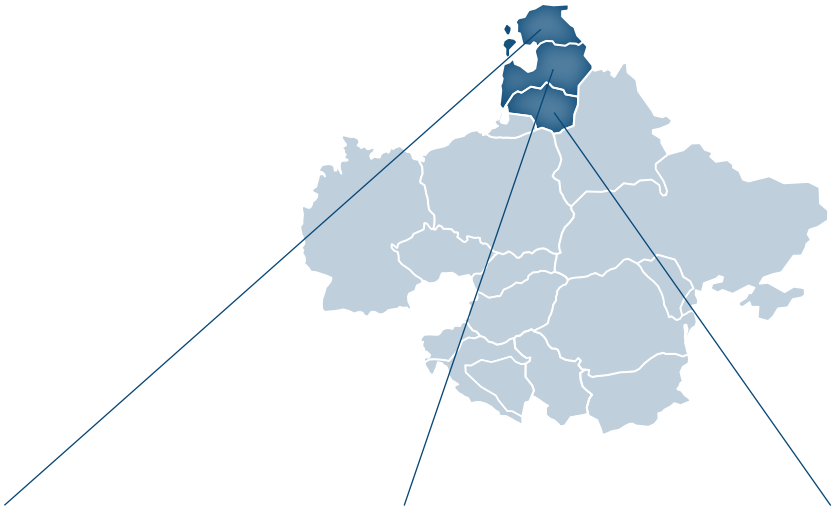
- Managing directors / executives are not employees. Under the preferred interpretation (which is very likely correct, but still contested in some circles), the office of managing director cannot be performed under an employment contract.
- Rather, performing the office of a managing director / executive must be based on an agreement on performance as a corporate officer (manager agreement) under the Corporations Act (Act No. 90/2012 Coll.).

Slovakia:

- Executives are not employees; their function cannot be performed under an employment contract.
- The function of a managing director is performed under an agreement to perform a function governed by the Commercial Code.

Managing directors / Executives

Employment Law



Estonia:

- Executives are not employees; their function cannot be performed under an employment contract.
- The function of a managing director is performed under an authorisation agreement referred to in the Commercial Code and governed by the Law of Obligations Act.

Latvia:

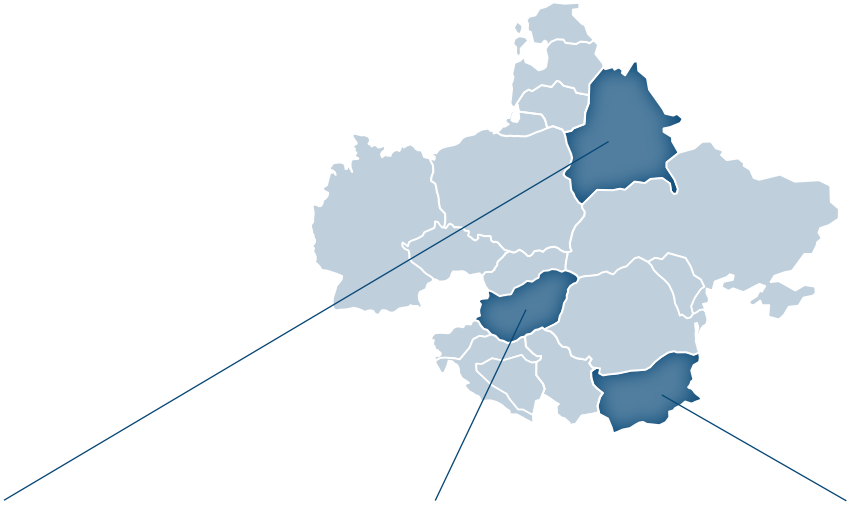
- Board and council members are engaged by an employment contract or based on authorization or entrepreneurship (services) legal relationships.
- Even under an employment contract, board and council members may generally be dismissed by a decision of the shareholders without prior notification or compensation.

Lithuania:

- Managing director is the only leading body of the company. He has to abide by the law, legal regulations, articles of the company, resolutions of the Annual General Meeting, resolutions of the supervisory board and the board of directors.
- Managing direct usually works under employment contract. According to the case law, provision made by the labour law are only restrictively applicable, mainly in case of social guarantees, billing, holiday entitlement, termination of contract and severance payment.

Managing directors / Executives

Employment Law



Belarus:

- Employment agreements with managing directors are subject to specific regulation in the Labour code, the Decree and Presidential Decree No. 5 of December 15, 2014. These agreements are concluded under a decision of the company's authorized body and signed either by the enterprise owner or by the person authorized by the decision.
- Employment of a managing director may be terminated at any time without cause by decision of the authorized body respecting payment of compensation set in the employment agreement. Additional grounds also available for termination for cause.
- Probation period may be up to three (3) months.

Hungary:

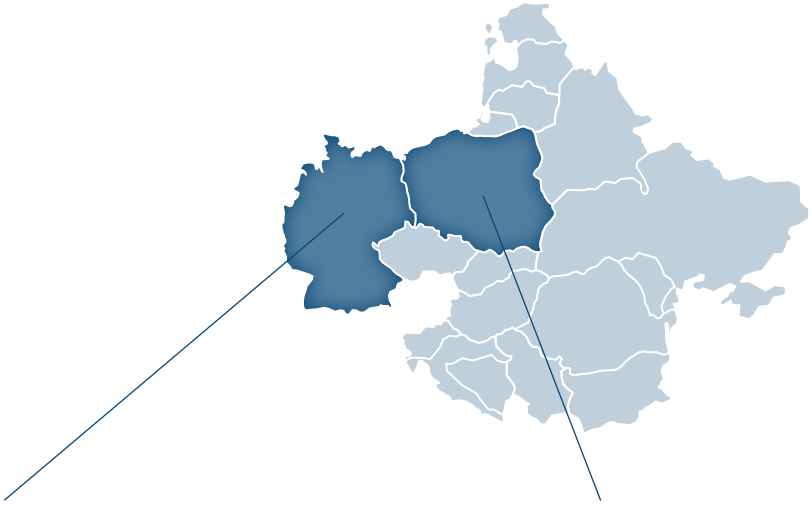
- Managing directors may operate under an employment contract or a mandate contract.
- Managing directors and their deputies are not subject to collective agreements.
- An employment agreement for executives may differ from the Labour Code in almost every aspect

Bulgaria:

- Managing directors and members of executive and supervisory boards are not employees; their function cannot be performed under an employment contract. However, from the point of view of social security law, managing directors are treated as employees.
- Their function is performed under an agreement governed by the Commercial Act and, subsidiarily, the Act on Obligations and Contracts.

Fixed-term employment

Employment Law



→ Germany:

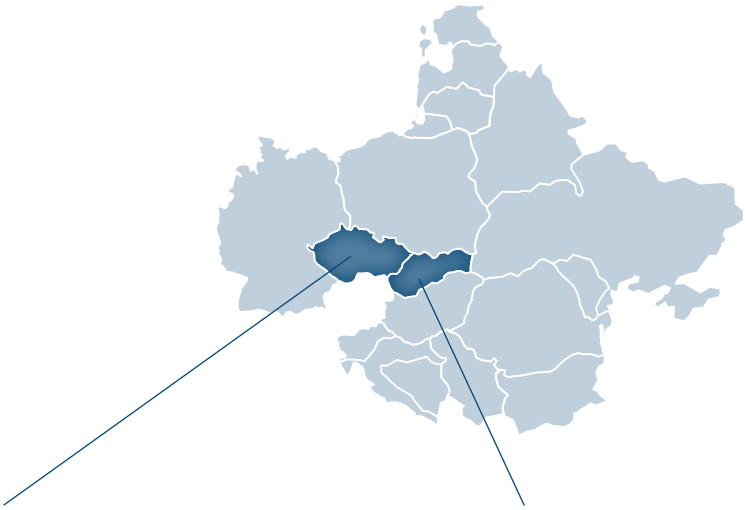
- Employment contracts can be for a fixed term. An employment contract can also be limited in time on achievjng a certain purpose, but without a fixed calendar date for termination.
- An employment contract for a definite period must be in writing, otherwise it is seen as for an indefinite period.
- Without an objective reason, a fixed-term employment relationship is generally only possible for up to two (2) years and may be renewed up to three (3) times within that period. Newly formed companies can make employment contracts without an objective reason for a fixed term up to four (4) years.

→ Poland:

- Fixed-term employment must be expressly agreed in writing; otherwise it can be considered by the court as for an indefinite term.
- The Labour Code does not set a maximum period for fixed-term contracts. The court might consider an excessively long term as an attempt to avoid a contract for an indefinite period.
- The parties may conclude two (2) consecutive employment contracts for a fixed term. However, a third contract for a fixed term in a row is seen as for an indefinite term (provided intervals between particular contracts have not exceeded one (1) month each time). The same applies to extension of ongoing fixed-term contracts (an extension is regarded as a new contract). These regulations do not apply to employment contracts for a fixed term to substitute another employee and to seasonal or occasional employment contracts.

Fixed-term employment

Employment Law



Czech Republic:

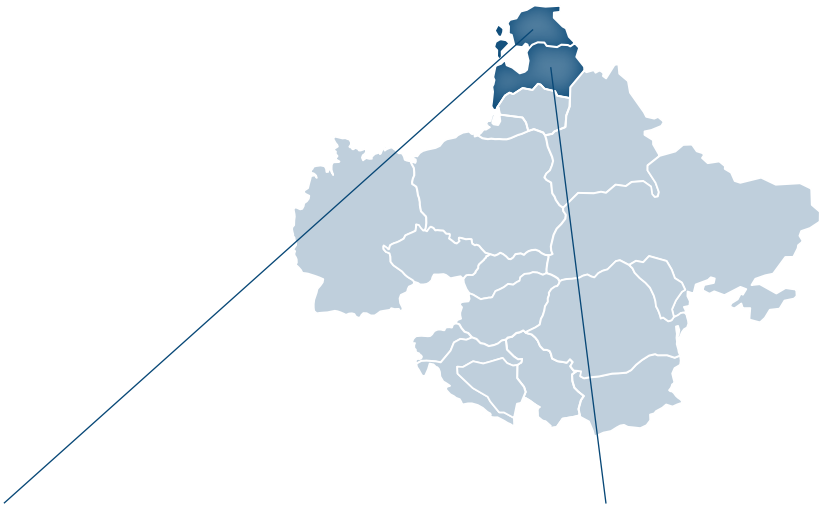
- Fixed-term employment must be expressly agreed; otherwise it is seen as being for an indefinite term.
- Fixed-term employment may be agreed for up to three (3) years, and may be repeated but no more than twice. According to the prevailing opinion, this should allow for fixed-term employment of up to nine years; however, a legally sound interpretation limits the twice-repeating option to extensions within the original three-year period, i.e., no fixed-term employment should last longer than three years.
- The prohibition of repeat fixed-term employment does not apply to cases in which serious operational reasons would make it unconscionable to require the employer only to enter into unlimited employment contracts. Before these employers may proceed and make repeat fixed-term contracts, they need to come to an arrangement in writing with the trade union representatives (or, if their business is not unionized, issue an internal policy notice to that effect). An extension of fixed-term employment is considered re-contracted employment. If three years have passed since the end of preceding fixed-term employment between the same contracting parties, the preceding employment is not taken into account.

Slovakia:

- Fixed-term employment and its duration must be expressly agreed in writing; otherwise it is regarded as employment for an indefinite term.
- Fixed-term employment may be agreed for up to two (2) years and may be extended or renewed up to twice (2) in that period.
- Renewed fixed-term employment is employment to be set before the expiry of six months after the end of previous fixed-term employment between the same parties.
- Further extension or renewal of fixed-term employment for two years or exceeding two years is only possible in cases of:
  - filling in for an employee during maternity leave, parental leave, temporary inability to work;
  - seasonal work and temporary work for up to eight (8) months in a calendar year;
  - performance of work agreed in a collective agreement.
- The working conditions of employees under a fixed-term contract must be similar to those of employees under a contract for an indefinite period.
- Limitations of an extension or a renewal of fixed-term employments do not apply to temporary job agencies.

Fixed-term employment

Employment Law



→ Estonia:

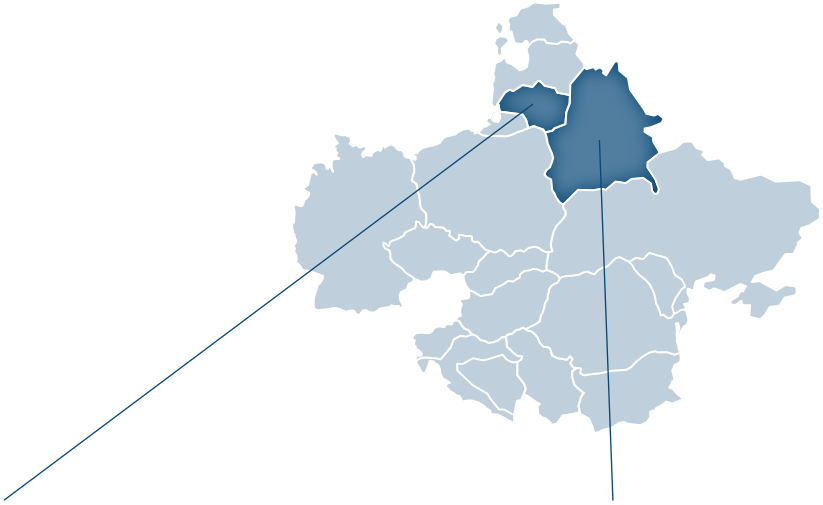
- An employment contract may be entered into for a specified term only if it is justified by good reasons from the temporary fixed-term characteristics of the work.
- Fixed-term duration has to be expressly agreed in writing; otherwise the contract is regarded as concluded for an indefinite term.
- Fixed-term employment may be agreed for up to five (5) years and may be extended or renewed once (1) in that period. If this rule is not followed and a consecutive fixed-term employment agreement is concluded more than once, the employment relationship is deemed to have been entered into for an indefinite term from the outset.
- Entry into employment contracts for a specified term is deemed consecutive if the time between expiry of one employment contract and entry into the next one does not exceed two months.

→ Latvia:

- Fixed-term employment must be expressly agreed in writing, otherwise it is regarded as for an indefinite term.
- A fixed term may be agreed only in limited cases:
  - in certain business areas set by law (e.g. art, agriculture, property management) and positions (office manager of an embassy) or seasonal work (e.g. landscaping, heating),
  - for temporary work related to short-term increase of activity (the increase must be provable and described in the contract),
  - for emergency work to deal with consequences of force majeure situations or accidents,
  - to replace a particular employee (named in the contract) who is temporarily absent,
  - with a trainee, if the work relates to their area of study,
  - for members of the board or council - until the end of their powers as set by law and the articles of association of the company.
- A fixed term must not exceed five (5) years, including any interruptions of less than 61 consecutive days. Therefore, a fixed-term contract may also be renewed unlimited times after five (5) years if the interruption between contracts exceeds 60 days.

Fixed-term employment

Employment Law



Lithuania:

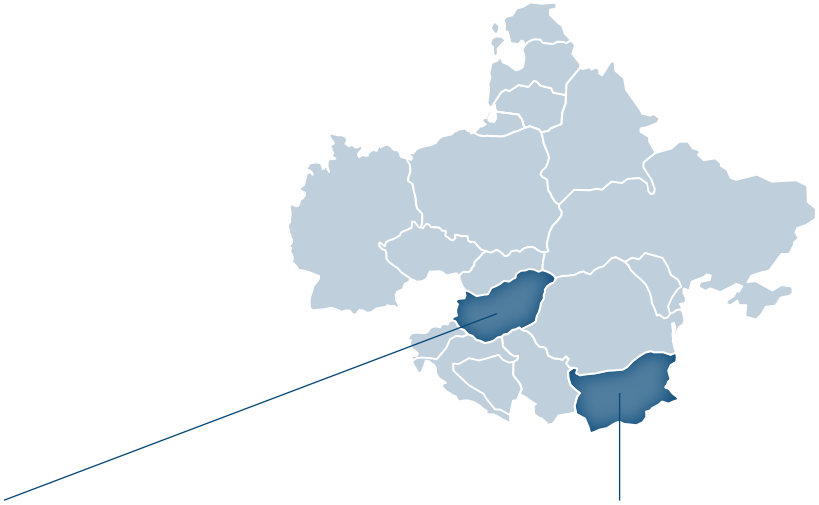
- As a rule, an employment contract is concluded for an indefinite term.
- A fixed-term employment contract needs to be expressly agreed in writing; otherwise it is regarded as for an indefinite term.
- A fixed-term contract for continuous work may only be agreed where permitted by law or collective agreement.
- An employer may not discriminate against employees with fixed-term contracts. Fixed-term employment relationships may not exceed five (5) years.
- In case of continuing the employment agreement without terminating it, the contract is considered to be an unfixed one. In case of prolongation an fixed term contract within a month after the end of the contract, this contract is also considered to be an unfixed-term contract.

Belarus:

- Fixed-term duration must be expressly agreed on in writing; otherwise the employment is regarded as for an indefinite term.
- Fixed-term employment may be established for up to five (5) years.
- The maximal number of possible prolongations or renewals of a fixed-term employment contract is not statutorily governed.

Fixed-term employment

Employment Law



Hungary:

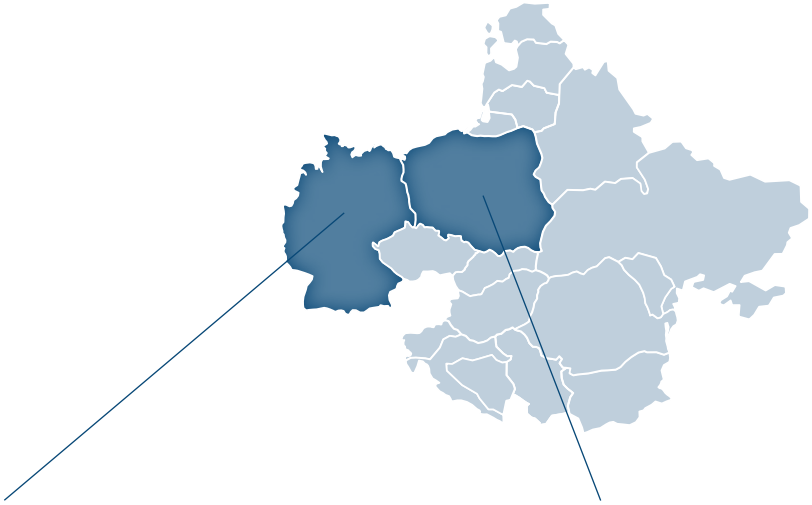
- Fixed-term employment must be expressly agreed in writing; otherwise employment is regarded as for an indefinite term.
- Fixed-term employment may be agreed for up to five (5) years. Subsequent fixed-term employment between which six (6) months has not lapsed must be added together in calculating whether the limit has been reached.

Bulgaria:

- Fixed-term employment must be expressly agreed in writing; otherwise it is regarded as for an indefinite term.
- Fixed-term employment may be agreed for up to three (3) years and is permissible only for temporary, seasonal, or short-term work. Exceptionally, fixed-term employment contracts may be for a period no shorter than one (1) year and can be prolonged once (1) but prolongation may not be shorter than one (1) year either.

Temporary assignment of employee / Emp. leasing

Employment Law



→ Germany:

- The employment agreement between a temporary worker and a temporary work employer is an ordinary employment contract with all the rights and duties arising from it.
- Normally no contractual agreements exist between a hirer and a temporary employer .
- Temporary workers must be treated the same way as permanent workers.
- To run a temporary employment agency requires permission from the State Employment Agency.

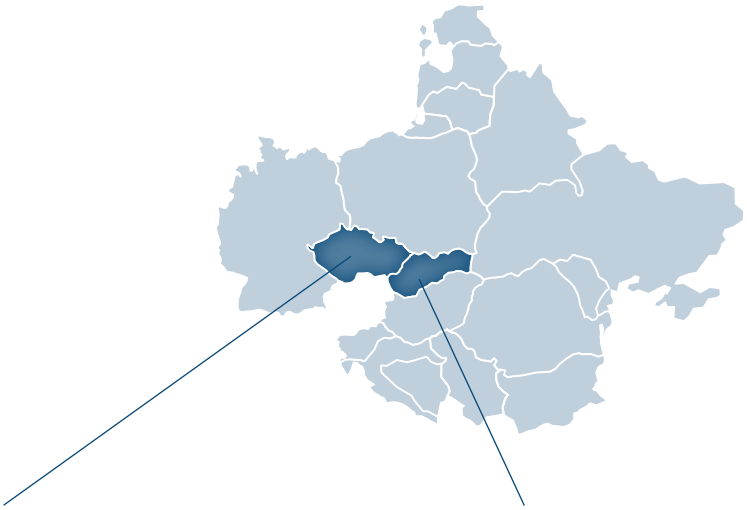
→ Poland:

- Allowed only for:
  - seasonal, periodic, or casual work;
  - work that employees of the user-undertaking would not be able to perform on time;
  - substitution of an absent employee.
- Employer is a temporary-work agency
- The employment contract is in writing. If not, the temporary work agency must provide the worker with written confirmation of the type of employment contract and its terms, no later than the second day of doing temporary work.
- In an employment contract for a definite period, the parties may set out the possibility of early termination by either party giving:
  - three days' notice if the employment contract is for up to two weeks;
  - one week's notice if the employment contract is for longer than two weeks.
- Over thirty-six successive months, a temporary-work agency may not assign a worker to a single user-undertaking from a total period of work exceeding 18 months, or 36 months in the case of substitution for an absent worker.
- A temporary worker may not be assigned to perform work at the same user-undertaking within the subsequent thirty-six months.

Temporary assignment of employee / Emp. leasing

bnt attorneys-at-law

Employment Law



Czech Republic:

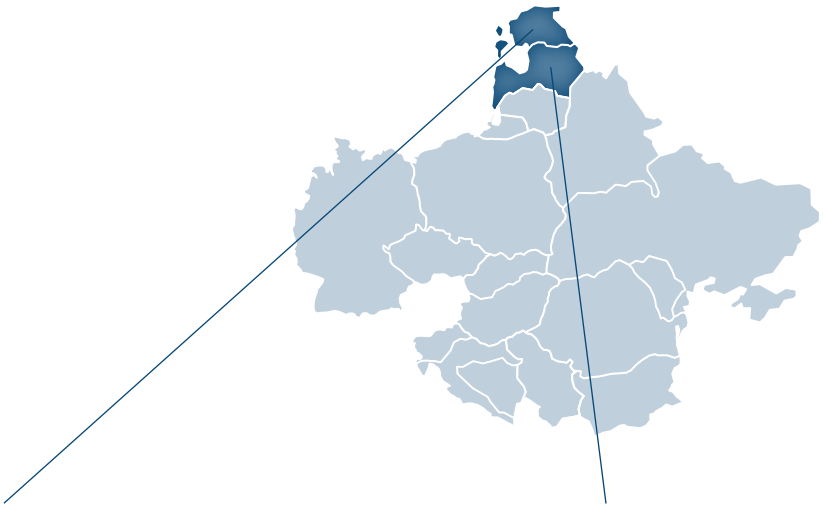
- The Labour Code does not address posting („secondment“) of employees, but only their temporary transfer.
- Under the principles of the temporary transfer of employees, the „receiving“ employer may assign working tasks to a temp worker, but cannot engage in legal transactions with them. The „parent employer“ continues to pay salaries and travel expenses. The working and salary conditions of temp workers may not be inferior to those of regular staff in a comparable position at the receiving employer.
- Agreements on temporary assignments may be made with employees no earlier than six months after entering into an employment relationship, and the assignment may be cancelled on 15 days notice. The parent employer and the receiving employer should enter into an agreement on temporary assignment, even though the Labour Code contains no specific provisions to this effect. The parent employer must not charge any consideration beyond passing on the salary costs (including travel expenses, if any).

Slovakia:

- Employees can be temporarily assigned to work with another employer by a temporary job agency with a valid licence or by any employer with objective operational reasons for doing so.
- An agency can acquire a licence to operate as a temporary job agency by applying to the Slovak Ministry of Labour, Social Affairs and Family if the agency fulfills the legal requirements (especially, equity of EUR 30,000).
- Employees are assigned to the borrower employer under an agreement for temporary assignment between the agency and the borrower employer and under an agreement for temporary assignment between the employee and the agency; the essentials regarding these agreements are set forth in the Labour Code.
- A temporary assignment of one employee to one employer can last a maximum 24 months and can be extended up to four times within that period.
- If the period is exceeded, the employment of the employee with the agency is automatically terminated by operation of law and employment for an indefinite period is established with the borrower employer.
- The working and salary conditions of a temporarily assigned employee as well as the conditions of their employment must be at least equally favourable to the conditions of a comparable regular employee of the borrower employer.
- The borrower employer is responsible for payment of a salary at least equally favourable to the salary of a comparable employee of the borrower employer, otherwise the borrower employer must pay the difference.

Temporary assignment of employee / Emp. leasing

Employment Law



Estonia:

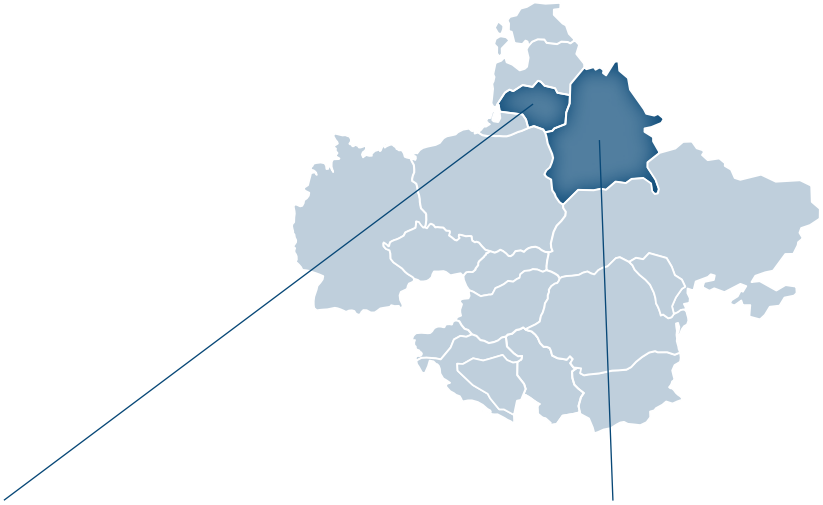
- The employer must notify the employee of the requirement to perform duties by temporary agency work and in a user undertaking.
- If duties are performed by way of temporary agency work, an employment contract may also be entered into for a specified term if it is justified by the temporary characteristics of the work in the user undertaking.
- Temporary agency employment may be agreed for up to five (5) years and may be extended or renewed once (1) in that period.
- The restriction on consecutive entry into or extension of an employment contract for a specified term applies to every user undertaking separately.
- If duties are performed by way of temporary agency work, the employee must also follow the instructions of the user undertaking. In case of a conflict between the instructions of the employer and of the user undertaking, the employee must follow the instructions of the employer.

Latvia:

- A temporary work agency (Agency) is considered as the employer. Temporary agency work is provided on the basis of two contracts entered into by the Agency - one (a service contract) with the Customer, the other (an employment contract) with the Employee (a fixed term may be agreed). Agencies require a licence from the State Employment Authority.
- Agencies must ensure the same conditions for assigned employees as for their Customers' own staff (regarding working time, similar remuneration, protection of minors and pregnant or breastfeeding woman etc., under the principle of equal treatment).
- Agencies must pay employees a statutory minimum wage for idle time between assignments.
- Agency employees are directly liable to the Customer for damage caused and vice versa.

Temporary assignment of employee / Emp. leasing

Employment Law



Lithuania:

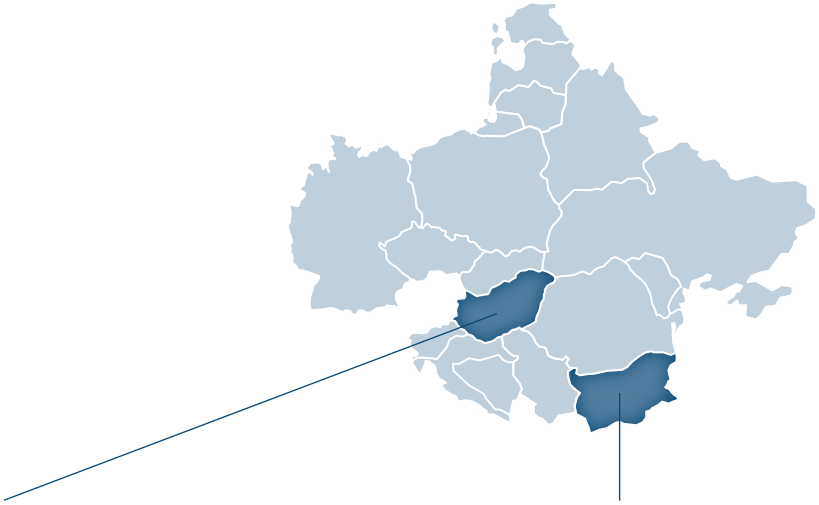
- The general principle of outstaffing in Lithuania is as follows: an employer is acting as an temporary employment agency. It finds workers and places them with the appropriate company (the „beneficiary“). The single act specifically regulating outstaffing: Law on Employment through Temporary Employment Companies (the “LETEC”).
- Temporary employment agreement’ must contain a number of clauses not required for regular employment agreements. A temporary employment agreement must provide for: (i) procedures on the way the employees are to be delegated and recalled; (ii) procedures on how the employment beneficiary is to be informed about the initiation and ending of work; (iii) the amount of salary for the employee (both during the employee’s delegation and at times when the employee is not delegated); (iv) working time regime of the employee.
- Temporary employment agency activities in Lithuania are not licensed; companies are only required to constantly provide reports to the State Labour Inspectorate. Thus, it is in principle possible for the employers to become engaged in employment agency activities without excessive difficulty.

Belarus:

- No legislative provisions on outstaffing.

Temporary assignment of employee / Emp. leasing

Employment Law



Hungary:

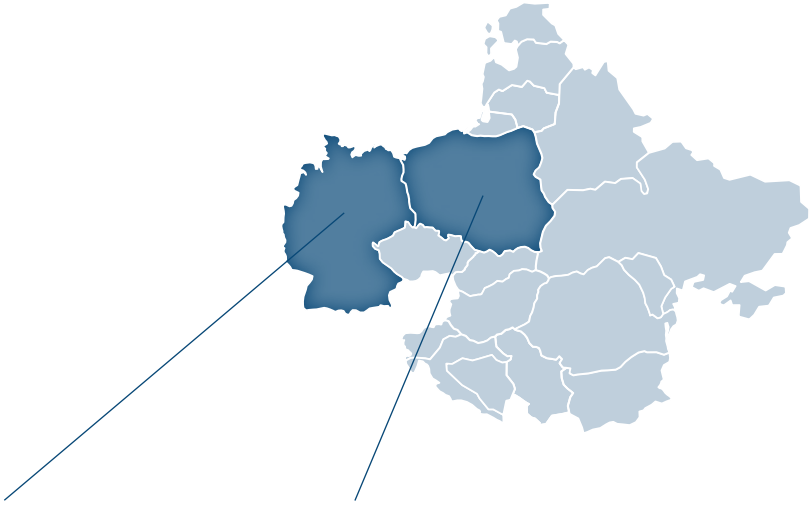
- In employee leasing, employees of one company (lessor) are leased by another employer (lessee) which pays them and manages other costs and responsibilities relating to them.
- Employee leasing allows the lessee to add workers without creating administrative complexity. The lessee retains essential management control over work performed by leased employees.
- Leasing of an employee may be agreed for up to five (5) years.
- The lessor may be a company with its registered seat in Hungary or another EEA member state.
- An employee leasing contract must be in writing. It must regulate sharing of employer's rights, but the details of the contract can be freely agreed between the parties. In any case, the lessor may terminate a leased employee's employment.
- Employee leasing is ineffective if the lessor and lessee are connected to each other through ownership.

Bulgaria:

- Temporary Employment Agencies must be registered with the Bulgarian State Employment Agency. Registration is valid for five years and can be prolonged an indefinite number of times. The register of temporary employment agencies is public, accessible online and updated monthly. Registration requires a fee of 740 BGN (ca. 370 EUR) plus 80 BGN (40 EUR) payable for a registration certificate issued to an agency for legitimacy purposes.
- The employer is the temporary employment agency. However, for obligations towards the employee the agency and the borrowing party are jointly liable.
- Employers may only borrow up to 30% of their personnel from temporary employment agencies. They cannot borrow personnel within six months after a collective redundancy or during a strike. Personnel employed for hard and very work as well as personnel in the field of national security cannot be borrowed.
- The borrower must inform the temporary employment agency of the comparable working conditions, including remuneration rates, though no duty to secure equal pay is expressly set.
- An employee can refuse to follow a secondment which does not suit their qualifications or state of health or which involves moving home.

Working time

Employment Law



→ Germany:

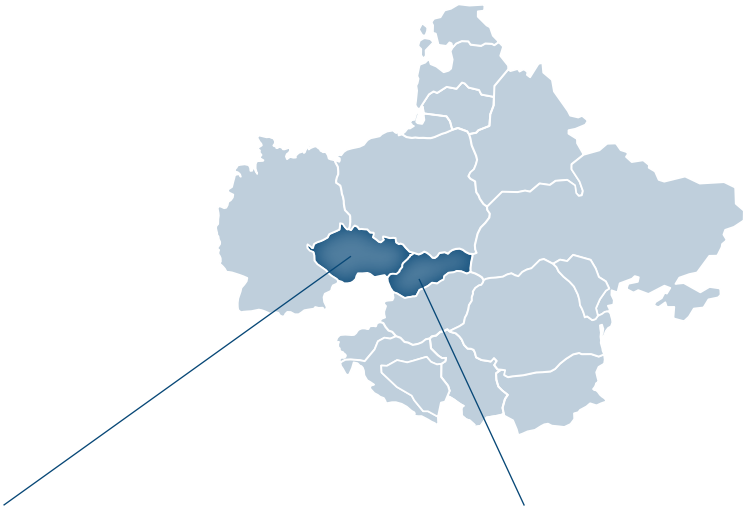
- Different working time models exist. Each working time model describes the individual characteristics of how work is to be done. The most common are: standard working time, flexible working time, part-time-work and shift work.
- Most of the relevant regulations on working hours are in the Working Hours Act, which is valid for most employees. In addition, there are some special regulations such as the Young Workers Protection Act.
- In general standard daily working time is limited to eight (8) hours, but under certain circumstances can be extended to ten (10) hours a day. This rule does not apply to executive employees.
- If no agreement exists between employer and employee on overtime, an employee need not work overtime. The obligation to do so only exists if absolutely necessary to avert risks to the company.
- Violations of the rules set by the Working Hours Act or other laws regulating daily working time are administrative offences which can lead to fines.

→ Poland:

- Working time may not exceed 8 hours in a 24-hour period and an average of 40 hours in an average five-day working week in an applicable calculation period not exceeding 4 months. This limitation does not apply to employees managing a work establishment in the name of an employer.
- The calculation period may be prolonged but may not exceed 12 months, ensuring general safety principles and the health of employees.
- Each public holiday during the calculation period that falls on a day other than Sunday reduces the length of working time by 8 hours.
- Shift work is allowed regardless of the applicable working time system.
- Different working time systems may be used if justified by the type of work:
  - Balanced working system: daily working time may be extended to 12 hours within a calculation period not exceeding 1 month (3 or 4 months in particular cases) and is balanced by shorter working time on certain days or with days off.
  - For work that cannot be discontinued due to production technology, working time may be increased up to an average of 43 hours a week. For each hour of work over 8 hours in a 24-hour period, the employee is entitled to a bonus.
  - Interrupted working time, meaning one break from work in a 24-hour period, lasting no longer than 5 hours. The break is not counted in working time, but, for the period of the break, the employee is entitled to 50 % remuneration.
  - A task-based working time system may be used if the employer, having consulted the employee, sets the time necessary to perform assigned tasks, taking into account the standard working time.
- At the written request of an employee, the employer may set out an individual working time schedule, a shortened working week system or system of weekend work.
- Work done beyond the set daily and average weekly working time may be performed only exceptionally due to special needs of the employer, or if the need arises to carry out rescue action for statutorily specified purposes.
- The employer may order overtime work of up to 150 hours within a calendar year.
- In collective agreements, internal work regulations or an employment contract, the maximum hours may be extended up to 416 hours within a calendar year (this hypothetical maximum value should be reduced by the amount of annual holiday leave to which an employee is entitled).
- Managerial employees decide at their own discretion whether the need for overtime work arises. The limit on overtime work applies.
- For overtime work, employees are entitled to a bonus of 50 %, in specific cases up to 100%.
- Time off may be granted instead of bonus.
- As a general rule overtime work by managerial employees does not attract additional remuneration or bonus. Only managers of separate company organizational units are entitled unless additional time off is granted to them for overtime work on bank holidays or Sunday.

Working time

Employment Law



Czech Republic:

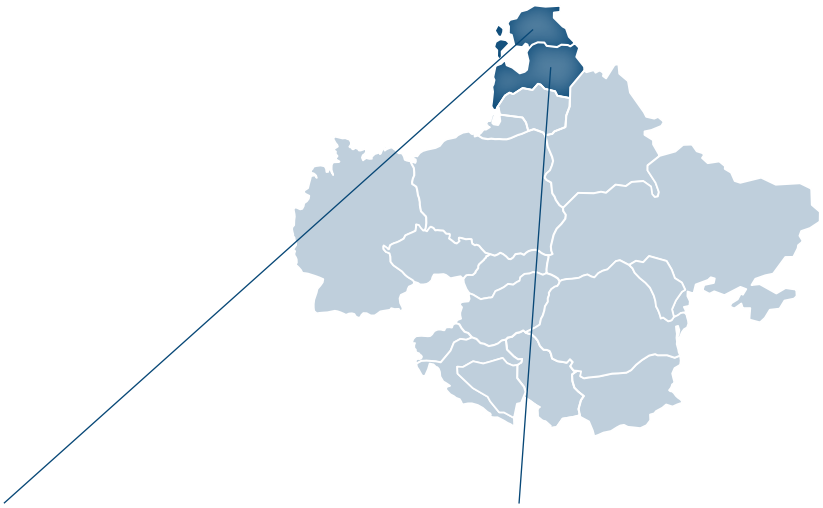
- Regular working hours are 40 hours a week, or 37.5 hours in the case of three-shift schedules; no individual shift may exceed 12 consecutive hours.
- Every six hours, a rest break must be scheduled.
- Work on Sundays and public holidays is permitted only in exceptional cases. If such work is assigned, then the affected employee is entitled to a bonus.
- Distribution of working hours falls within the scope of the employer's powers and responsibilities. In this regard, the Labour Code also recognizes flexitime schemes under which employees may choose for themselves (within a set time window) when to report for work and when to leave work; however, during core working hours, they must be present at the workplace.
- At employers who have introduced working time accounts, the specified weekly working hours must on average be achieved during a ‚balancing period' of no more than 26 weeks (unless where a collective bargaining agreement extends it to 52 weeks). However, it should be noted that the introduction of working time accounts for flexitime schemes is associated with a rather substantial administrative burden.
- Overtime is work beyond scheduled weekly working hours. As such, it may only be performed exceptionally due to serious operational reasons, e.g. if required by urgent economic concerns of the employer.
- An employer may order overtime up to 8 hours a week and 150 hours within a calendar year.
- The total average amount of overtime must not exceed eight hours a week over 26 consecutive weeks (or, where agreed in a collective bargaining agreement, 52 weeks).
- For overtime, employees are entitled to a wage bonus of at least 25 % of their average earnings, or alternatively compensatory leave. Employers may agree with employees a salary that already reflects potential overtime work if the scope of overtime covered by the salary is specifically agreed. Overtime must not exceed 150 hours a year (or, in the case of executive staff, the scope of maximum permissible overtime).

Slovakia:

- Employee working hours may not exceed 40 hours a week in a one-shift regime, 38.75 hours a week in a two-shift regime and 37.5 hours a week in a three-shift or uninterrupted regime.
- The maximum working time of an employee including overtime is 48 hours a week.
- The employer can distribute working time evenly or unevenly to individual weeks; uneven distribution of working time can take up to 12 months.
- A special type of uneven distribution of working time is work-time banking which can only be introduced if employees' representatives are operating at the employer; work-time banking can be arranged for up to 30 months.
- The employer can also introduce flexible working hours in the form of a flexible working day, working week, working month or other period.
- For serious operational reasons, e.g. if required by urgent economic concerns of the employer, the employer may exceptionally order overtime of up to 150 hours within a calendar year. Additionally, a further 250 hours may be performed by agreement with the employee. Up to 400 hours of overtime is possible for employees within a calendar year.
- In justified cases the employer may order the employee up to 100 hours of on-call duty a year to ensure performance of necessary tasks.
- An employee whose working shift is longer than six (6) hours is entitled to a break of 30 minutes for rest and meals.
- The employer must observe uninterrupted daily rest which generally lasts 12 consecutive hours within 24 hours and uninterrupted weekly rest which generally lasts two consecutive days which must fall on Saturday and Sunday or Sunday and Monday.

Working time

Employment Law



Estonia:

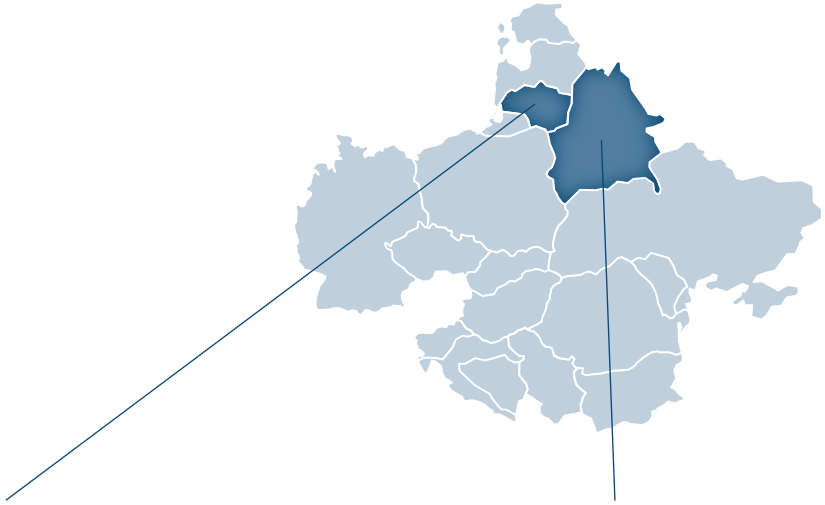
- The normal working time foreseen by law is 40 hours a week. The parties may agree a shorter working time in the employment agreement.
- Hours worked beyond normal working time are considered as overtime.
- In the case of aggregated working time, overtime means work exceeding the agreed working time at the end of the calculation period. In this case the working time must not exceed on average 48 hours for every seven (7) days over a calculation period of four (4) months. Longer working time may be agreed if the average working time does not exceed 52 hours for every seven (7) days over a calculation period of four (4) months.
- The employer may require an employee to do overtime due to unforeseen circumstances in the enterprise or activity by the employer, in particular to prevent damage.
- The employer must compensate overtime by time off equal to overtime unless the parties have agreed that overtime is compensated in money. Overtime must be paid at 1.5 times the usual pay rate.

Latvia:

- Normal working time is eight (8) hours daily, 40 hours weekly.
- Part time work is less than normal working time hours. If for any reason an employee works extra but not exceeding 40 hours weekly overall, the extra hours do not constitute overtime.
- Aggregated working time is calculated for each reference period.
  - A reference period may not exceed three months (unless a collective agreement sets a longer period up to 12 months).
  - Maximum working time is 24 hours daily, 56 hours weekly. Minimum average daily rest time is 12 hours and average consecutive weekly rest time 35 hours for the reference period. Regular rest time (12 hours consecutively each day, 24 hours consecutively each week) may only be applied in exceptional cases set by law.
  - Hours beyond normal working time for a reference period are considered as overtime and attract overtime pay.
- Shift work (where employees replace each other) may be applied for any of these working time organization types above.
- Work during public holidays must be paid at double the usual rate or compensated by paid time off on another day.
- Overtime:
  - May be performed only with an employee's written consent, except if the overtime work is required due to urgent immediate needs of the employer, completion of previously unexpected urgent work, force majeure, accidental or external emergency cases.
  - If the above conditions last for more than six (6) consecutive days, a written State Labour Inspection permit for further overtime is required, unless repetition of similar work is not expected.
  - Maximum overtime within a seven (7) day period amounts on average to 8 hours, to be calculated for a four (4) month reference period.
  - Paid at double the usual hourly rate. Overtime pay may not be replaced by time off instead.

Working time

Employment Law



Lithuania:

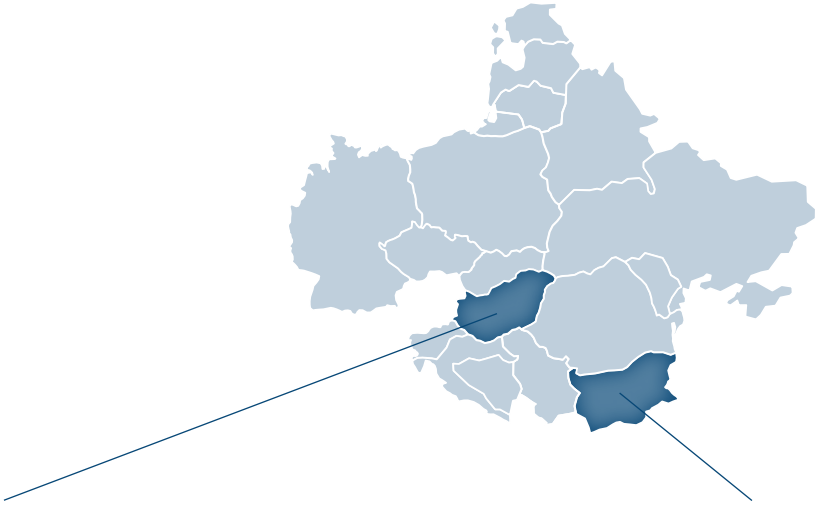
- The usual working time in Lithuania is 8 hours daily and 40 hours per week. In this constellation the employee has the right to two free days a week. For firms whose business has to run continuously, it is possible to set a 6 day working week with one free day a week. In this case usual working time is 7 hours daily and working time on the day before the free day may not exceed 5 hours.
- The working time of the employee between 22 und 6 o'clock is considered as night work. Every working time of more than three hours within the period mentioned above is considered to be night work. The working time during the night working hours is usually one hour shorter than the normal day working time, unless uninterrupted business operation is required or the person is only employed for night work.
- The maximum working time for employees with several employers must not exceed 12 hours per day. The same applies to the employee who provides several services for one employer.
- Companies where uninterrupted business operation is required may implement accumulated timekeeping. In case of accumulated timekeeping the maximum weekly working time is 48 hours and maximum daily working time 12 hours. The variable working time can be compensated. The maximum period of timekeeping is four months.
- Any hours worked beyond the set weekly working time is considered to be overtime work.Overtime work may only be performed with written consent of the employee or in exceptional circumstances, e.g. if required by urgent economic concerns of the employer. Work beyond normal hours by managerial employees is not considered as overtime.
- Overtime must be remunerated with a 50 % surcharge. Overtime pay cannot be replaced by time off (compensatory time).Overtime may not exceed four (4) hours over two (2) consecutive days and 120 hours a year, unless a collective agreement states otherwise.

Belarus:

- Normal working time can be full and reduced.
- Full working time cannot exceed 40 hours a week.
- Reduced working time is up to 23 hours a week (for employees from 14 till 16 years) or up to 35 hours a week (for work in harmful conditions, employees aged from 16 to 18, physically challenged, etc.).
- Daily working time limits are also established for some categories of employee. For a shift working regime, one shift cannot usually last more than 12 hours.
- The employer can introduce other working time regimes, such as cumulated working hours, division of working time into parts, shift working regime, flexible working time, etc.
- The parties may agree upon part-time work. For some categories the employer must set up part-time work of set duration.
- The parties may agree that at the request of the employer the employee will occasionally work longer hours which will not be regarded as overtime work and will be compensated with 1-7 additional paid days off.
- Overtime is work performed at the employer's initiative and exceeding the set working time.
- Employees may be ordered to work overtime without consent in exceptional cases, e.g. industrial or natural disasters, serious operational reasons.
- The employer may order overtime for up to 180 hours within a calendar year, on condition that one employee may be ordered no more than 10 overtime hours in a working week and total daily working hours (normal and overtime) may not exceed 12 hours.
- Overtime hours are compensated by a 100% surcharge.

Working time

Employment Law



Hungary:

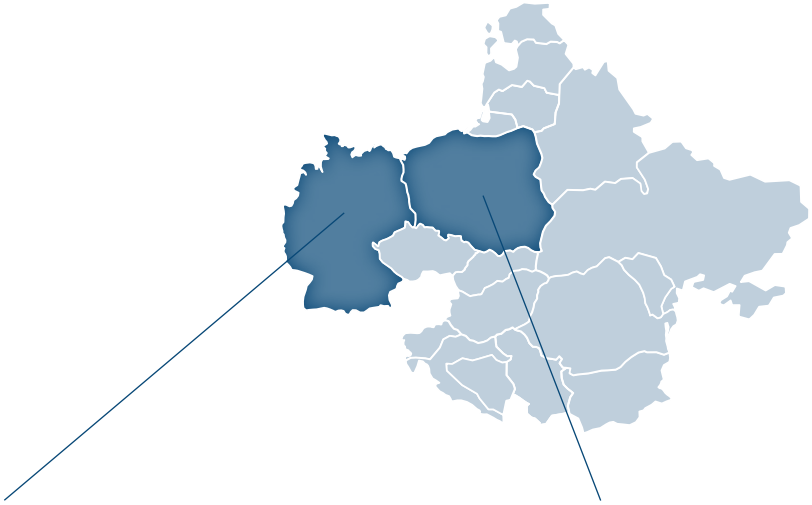
- Full-time daily working time is eight (8) hours, which may be extended up to twelve (12) hours in some cases. In general, weekly working time must not exceed forty-eight (48) hours. An employee may also be employed part-time, in which case their daily working time is less than eight (8) hours.
- Rules of working time scheduling are laid down by the employer. Working time must be scheduled seven (7) days ahead for a week, but at least four (4) days in advance in case of unforeseen events.
- In a normal working schedule, working time is scheduled for five (5) days a week from Monday to Friday.
- In the case of flexible working time, an employee enjoys full discretion to schedule their working time. If certain tasks have to be completed by a deadline, this will not affect the flexible working time status.
- Working time can be scheduled unequally in case of application of a working time frame or the so-called payroll period.
- Using the working time frame or payroll period provides some degree of flexibility in scheduling working time. Certain limitations must be observed (e.g. mandatory rules on rest periods) when scheduling working time.
- In general, the length of a working time frame can be no longer than four (4) months or sixteen (16) weeks. In certain cases, maximum length might be six (6) months or twenty-six (26) weeks. A collective agreement may allow up to twelve (12) months or fifty-two (52) weeks.
- Extraordinary working time is working time beyond the working schedule or in excess of accumulated ordinary working time to be performed in the working time frame or payroll period.
- For full-time employees, extraordinary working time must not exceed 250 hours in a calendar year. A collective agreement may increase this limit up to 300 hours.
- In the case of extraordinary working time, employees are entitled to a wage supplement of 50% on working days and 100% on rest days and public holidays. Instead of a wage supplement, free time may also be provided for employees under an individual or collective agreement.
- Performing work on Sunday is possible only in cases allowed by law. Stricter rules apply to the trade and retail industry. Employees who work on Sunday are entitled to a wage supplement; however, working time performed on Sundays does not qualify as extraordinary working time in some cases.

Bulgaria:

- Work beyond the set weekly working time is overtime. Usually, a full time contract implies a 40-hour week comprising 5 working days (Monday to Friday) of 8 working hours each.
- Overtime may be done only exceptionally for serious operational reasons explicitly listed in the Labour Code, e.g. due to strenuous seasonal work, or for finishing work started that cannot be completed within the regular working time, or both.
- An employer may order overtime up to 150 hours in a calendar year, 30 hours' day work and 20 hours' night work in a calendar month, 6 hours' day work and 4 hours' night work in a calendar week, 3 hours' day work and 2 hours' night work in a calendar day.
- Compensating overtime with free time is generally forbidden. Overtime must be remunerated with higher hourly rates. Surplus payment of 50% applies to overtime on working days, 75% at weekends and 100% on public holidays.
- If an employer introduces "summarized working time", then working hours of up to 12 hours a day and 56 hours a week are permissible. However, the average workload over a period no longer than 6 months may not exceed the regular working time. In the case of overtime, a bonus payment of 50% hourly applies.

Notice of termination

Employment Law



Germany:

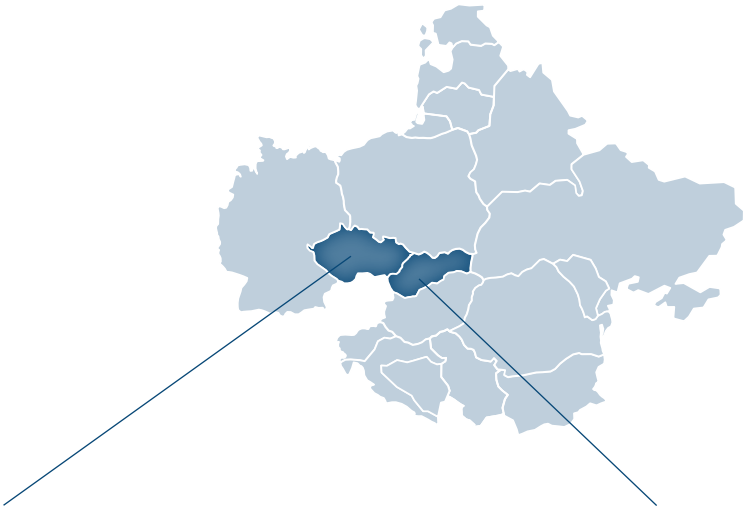
- Employment is regularly terminated by a written notice of termination without giving a reason for termination.
- Employees who have worked for longer than six (6) months in a business with more than ten (10) or more than five (5) employees – depending on the period of employment - are under dismissal protection. Notice of termination by the employer is only legally valid if based on reasons resulting from the employee personally or their behaviour or if notice of termination is for operational reasons (e.g. redundancy).
- The statutory notice period is regularly from two (2) weeks to seven (7) months depending on the seniority of the employee.

Poland:

- Notice by an employer to terminate an employment contract for an indefinite period must state real grounds for termination, though these are not explicitly set by the Labour Code.
- Termination notice from the employer for other kinds of employment contract need not include grounds.
- The termination period of a contract for an indefinite period is:
  - two (2) weeks if employed for less than 6 months,
  - one (1) month if employed for at least 6 months,
  - three (3) months if employed for at least 3 years.
- The termination period of a contract for a definite period is two (2) weeks (termination allowed only if the contract was for more than 6 months, provided the parties agree).
- In statutorily specified cases each employment contract may be terminated immediately; real grounds for termination must be stated in all cases of immediate termination, regardless of employment contract type.

Notice of termination

Employment Law



Czech Republic:

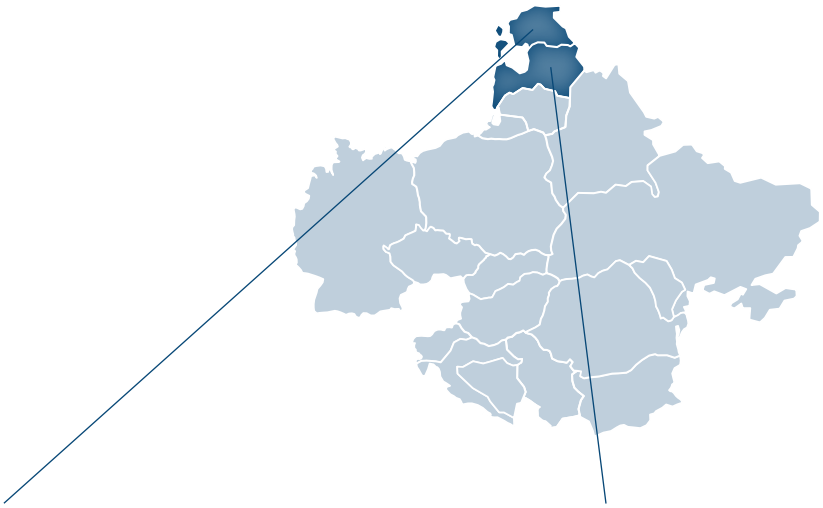
- Termination by the employer is possible only in specific cases expressly stated in the Labour Code:
  - closure or relocation of the employer's business, redundancy of employees due to operational business reasons (job cuts);
  - health reasons on the part of the employee;
  - non-compliance with statutory provisions regarding conditions for performance of agreed work duties;
  - unsatisfactory work performance;
  - breach of duties by the employee - dismissal on grounds of conduct.
- The basic notice period is two (2) months.
- Employer and employee may agree a longer notice period for termination; the extended notice period is binding on both parties.
- Employees may give proper notice of termination (i.e., observing the notice period) at any time, or agree with the employer on early release.
- Under certain circumstances, employees may walk away from the employment contract with immediate effect and without prior notice:
  - in the case of a transfer of undertakings, on the day when they are supposed to transfer to the new employer (subject to conditions, and with a claim for severance pay);
  - if the employer is in default with paying salary (or parts thereof) for more than 15 days since the date when payment was due;
  - if for serious health reasons they are no longer able to perform their job, and the employer fails to transfer them to a suitable position within 15 days.
- Under certain circumstances, the employer may summarily dismiss an employee:
  - if the employee has committed an especially gross breach of duty;
  - if the employee is convicted of a criminal offence (of a certain kind as listed in statutory regulations) with no possibility of appeal.
- In certain cases set out in the Labour Code, both termination for convenience and summary dismissal for cause may be prohibited (e.g. termination of an employee during pregnancy or the maternity protection period).

Slovakia:

- Termination is possible only in specific cases expressly stated in the Labour Code:
  - closure of employer;
  - relocation of employer, if the employee does not agree with the new place of work;
  - redundancy of employee for operational business reasons or if temporary assignment of employee ends before the expiry of his fixed-term employment with the temporary job agency;
  - employee health reasons;
  - non-compliance with statutory provisions for performing agreed work;
  - unsatisfactory work performance;
  - breach of duties by employee.
- Basic notice period is at least one (1) month.
- If employment lasts more than five (5) years and the employer gives notice of termination due to dissolution or relocation, redundancy or employee medical reasons, the notice period is at least three (3) months.
- All other employment lasting over one year requires a minimum two (2) months notice.
- Notice must be in writing and delivered, otherwise it is invalid. The notice must include the reason for termination, which cannot subsequently be changed. The law specifies cases when the employer is banned from giving notice as well as cases when it must offer the employee other suitable work.
- The employer must discuss notice of termination with employees' representatives in advance, otherwise it is invalid.

Notice of termination

Employment Law



Estonia:

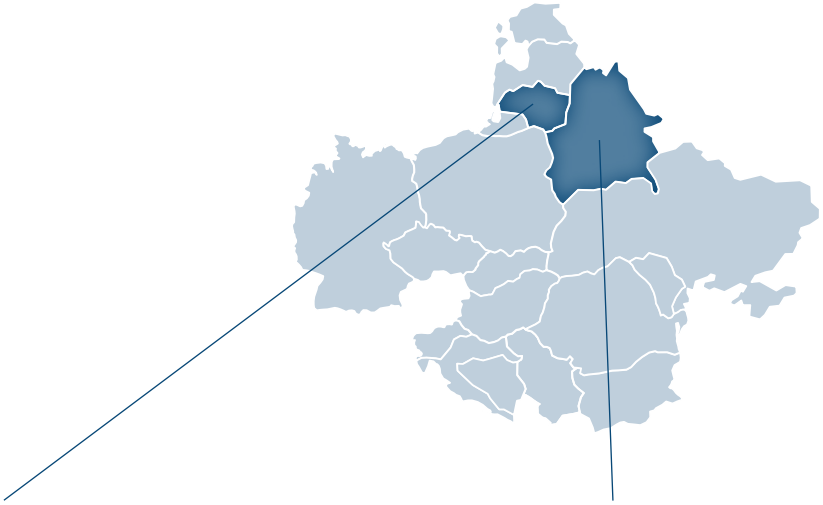
- An employer may extraordinarily terminate an employment contract for cause dependent on the employee, especially in the following cases:
  - long-term inability to work for health reasons;
  - long-term inability to perform duties due to insufficient skills, unsuitability for the job or inadaptability;
  - disregard of the employer's reasonable instructions or breach of duties;
  - being at work in a state of intoxication in spite of the employer's previous warning;
  - the employee commits theft, fraud or an act resulting in loss of the employer's trust;
  - causing a third party to distrust the employer;
  - wrongful and significant damage to the employer's property or causing the threat of such damage;
  - violation of an obligation to maintain confidentiality or restriction of trade;
  - impossibility of further employment upon the agreed conditions due to decrease in work volume, reorganisation of work or other cessation of work (lay-off).
- Generally, an employee may terminate employment for an indefinite term at any time. However, a fixed-term contract may not ordinarily be terminated by the employee, except where made for replacement of an absent employee. Nevertheless, an employee may cancel an employment contract extraordinarily, in particular if continuance of the contract cannot reasonably be required.
- The basic termination period is one (1) month.
- Specific termination periods vary from two (2) months up to three (3) months depending on how many years the employee has worked for the employer.

Latvia:

- Notice of termination by the employer is possible only in specific cases expressly stated in Labour legislation:
  - significant violation of contract or working procedure without justified cause;
  - illegal act(s) and subsequent loss of trust of the employer;
  - acting contrary to moral principles resulting in incompatibility with further employment;
  - performing work under the influence of alcohol, narcotic or toxic substances;
  - substantial violation of work safety rules and jeopardising the safety and health of others;
  - lack of adequate professional competence;
  - inability to work for health reasons;
  - an employee who previously did the job has been reinstated at work (when an employee is engaged only for a definite term for temporary replacement);
  - redundancy for operational reasons,
  - absence due to incapacity for health reasons for more than six (6) consecutive months, or for one (1) year (with interruptions) in a three (3) year period;
  - liquidation of the employer.
- Notice periods vary from immediate to ten (10) days or one (1) month depending on the reason for dismissal.

Notice of termination

Employment Law



→ Lithuania:

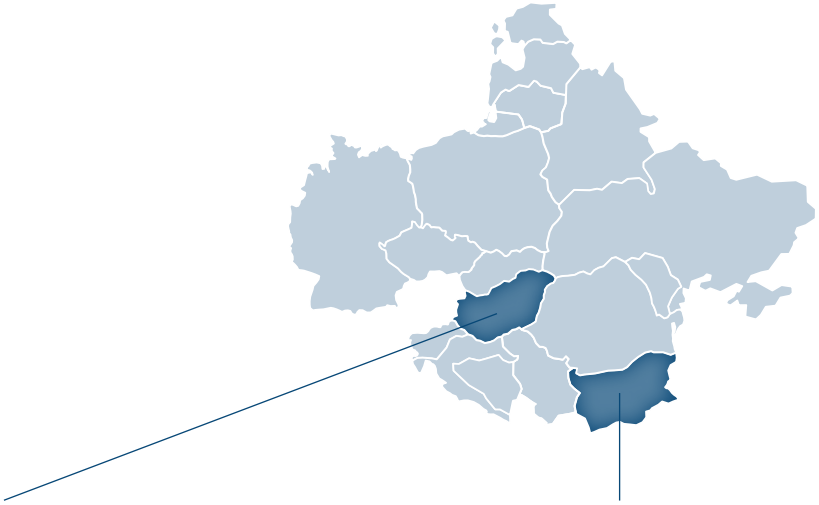
- In case of ordinary termination an employee must receive written notice two (2) months prior to termination of employment.
- For certain categories of employees, a four (4) month term applies (e.g. persons under 18, the disabled, persons raising children under 14).
- In case of ordinary termination the notice of termination by the employer must be based on one of the following grounds:
  - lack of employee qualifications or professional skills or unacceptable behaviour at work, or
  - economic / technological grounds (e.g. restructuring of employer).
- Extraordinary termination by the employer is only possible in cases described by the law. An extraordinary termination is possible for instance in case of final judgement that makes it impossible for the employee to fulfill its duties that result out of employment contract.
- The termination period for the employee is 14 days.

→ Belarus:

- The Labour Code specifies grounds for termination of employment at the employer's initiative which are applicable to all types of employment agreement:
  - liquidation, collective redundancy;
  - employee health reasons;
  - lack of professional skills and qualifications;
  - systematic or gross breach of job duties;
  - absence from work for over three (3) hours;
  - absence from work for over four (4) months for health reasons (not applicable to cases of maternity leave, employment injury, temporary and seasonal employment);
  - presence at the workplace under influence of alcohol, narcotic or toxic substances;
  - theft of employer's property;
  - breach of industrial safety rules causing injury or death of other persons;
  - violation of non-disclosure obligations;
  - property damage to the State, legal persons or individuals caused by performance of work duties;
  - failure to ensure labour discipline, hiding subordinates' misconduct, not bringing offenders to liability;
  - failure to eliminate violations found by control bodies.
- Notice must be given to an employee only in cases of liquidation, collective redundancy or liquidation of a particular job position two (2) months before the date of termination. The obligation to notify may be replaced by two (2) months' average salary payments or proportionately.

Notice of termination

Employment Law



Hungary:

- Termination possible only in specific cases expressly stated in the Labour Code.
- Employer's termination of employment for an indefinite period can be based only on
  - employee abilities,
  - employee behaviour in relation to employment or
  - reasons related to the employer's operations.
- Employer can terminate fixed-term employment on the following basis:

liquidation or bankruptcy proceedings; or
employee's abilities; or

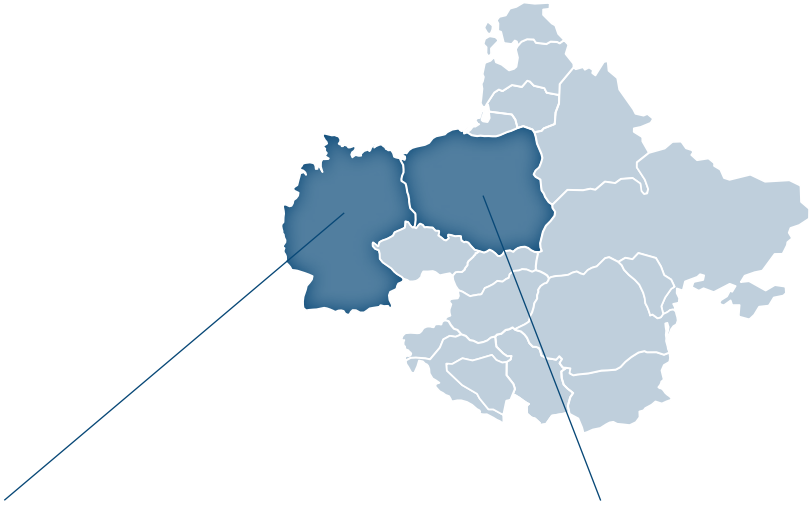
- if maintaining employment is no longer possible due to unavoidable external reasons.
- Notice periods vary from thirty (30) days to ninety (90) days depending on years spent with the employer (duration of notice period: 30 days – after 3 years: 35 days – after 5 yrs: 45 days – after 8 yrs: 50 days – after 10 yrs: 55 days – after 15 yrs: 60 days – after 18 yrs: 70 days – after 20 yrs: 90 days). The agreement may provide for a longer period with up to six (6) months. Without agreement, the employee's notice period is 30 days.
- In the case of material breach, employment may be terminated with immediate effect by extraordinary notice within fifteen (15) days. With fixed-term employment, no reason need be given but the employee must be paid remaining salary (up to 12 months' salary).

Bulgaria:

- Termination is only possible in specific cases expressly set in the Labour Code. Among these are:
  - closure of employer or structural parts thereof,
  - relocation of employer if the employee refuses to follow,
  - employee redundancy due to cutting their working position,
  - employee health reasons,
  - non-compliance with statutory provisions for performing agreed work,
  - unsatisfactory work performance,
  - breach of duties by employee.
- The basic notice period is one (1) month.
- In fixed-term employment, the notice period is three (3) months, but no longer than the remaining time of employment.
- Longer notice periods can be agreed on in employment contacts. However, these may not exceed five (5) months and must be equal for both parties to the contract.

Severance pay

Employment Law



Germany:

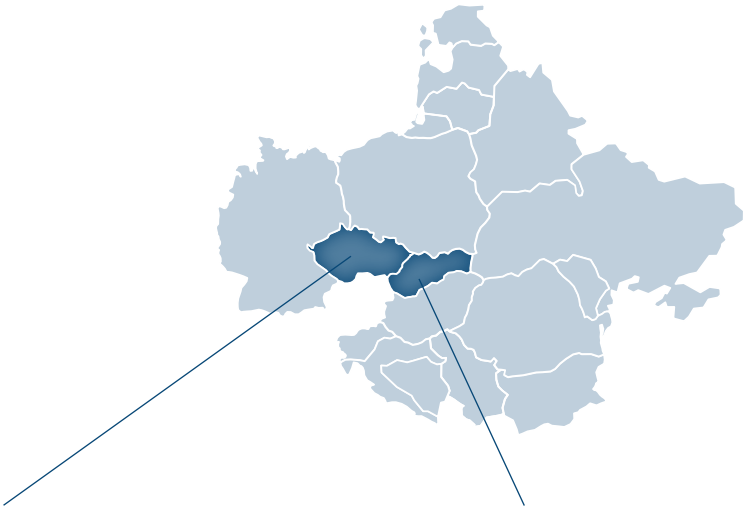
- An employee may be entitled to severance pay on the basis of an employment contract, a collective agreement or by law.
- In a business with more than ten (10) employees an employee is entitled to severance pay if terminated by the employer for operational reasons and the employee does not file a dismissal protection suit. The amount of severance pay is half the monthly salary for every year of employment.
- Severance pay can also be awarded to an employee by a court judgment if notice of termination was invalid and the court decides that it is not just and reasonable to continue the employment. The court can set an amount of up to twelve (12) or, in specific cases, up to eighteen (18) monthly salaries.
- During a dismissal protection lawsuit the parties can settle the dispute and agree on severance pay.

Poland:

- Employees whose employment is terminated by mutual agreement or by notice from an employer with at least twenty (20) employees for reasons not attributable to the employee are entitled to severance pay of:
  - one (1) monthly salary if employed less than two (2) years;
  - two (2) monthly salaries if employed from two (2) years up to eight (8) years;
  - three (3) monthly salaries if employed for over eight (8) years.

Severance pay

Employment Law



Czech Republic:

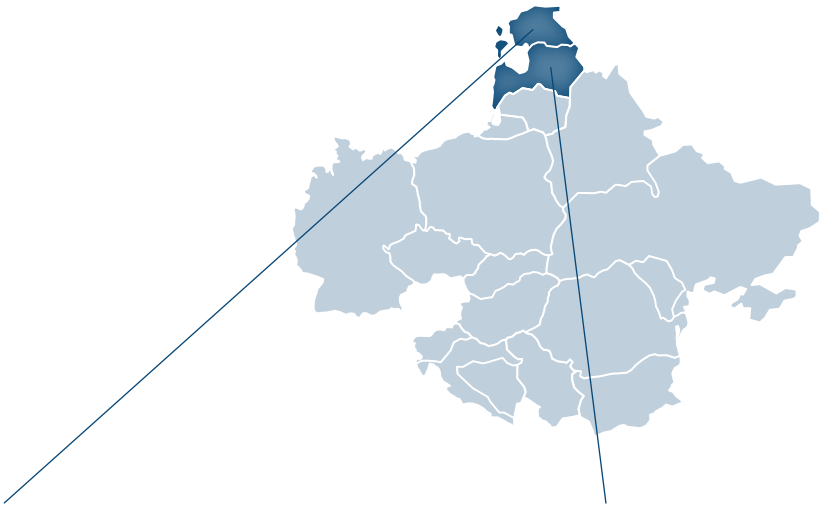
- An employee who is terminated by the employer or by mutual agreement, whether on grounds of closure or relocation of the employer's business or on grounds of redundancy due to operational business reasons, is entitled to severance pay of at least:
  - one (1) average monthly salary if employment lasted less than one (1) year;
  - two (2) average monthly salaries if employment lasted at least one (1) year but less than two (2) years;
  - three (3) average monthly salaries if employment lasted at least two (2) years.
- If an employee has been terminated (whether by the employer or by way of mutual agreement) on grounds of a workplace accident or an occupational disease, the employee is entitled to severance pay of at least twelve (12) average monthly salaries.

Slovakia:

- Employees terminated by notice from the employer by reason of closure or relocation of the employer, redundancy for operational business reasons or health reasons, are entitled to severance pay of at least:
  - one (1) average monthly salary, if employment lasted at least two (2) years but less than five (5) years,
  - two (2) average monthly salaries, if employment lasted at least five (5) years but less than ten (10) years,
  - three (3) average monthly salaries, if employment lasted at least ten (10) years but less than twenty (20) years,
  - four (4) average monthly salaries, if employment lasted at least twenty (20) years.
- Employees terminated by mutual agreement for the above reasons are entitled to severance pay of at least:
  - one (1) average monthly salary, if employment lasted less than two (2) years,
  - two (2) average monthly salaries, if employment lasted at least two (2) years but less than five (5) years,
  - three (3) average monthly salaries, if employment lasted at least five (5) years but less than ten (10) years,
  - four (4) average monthly salaries, if employment lasted at least ten (10) years but less than twenty (20) years,
  - five (5) average monthly salaries, if employment lasted at least twenty (20) years.

Severance pay

Employment Law



→ Estonia:

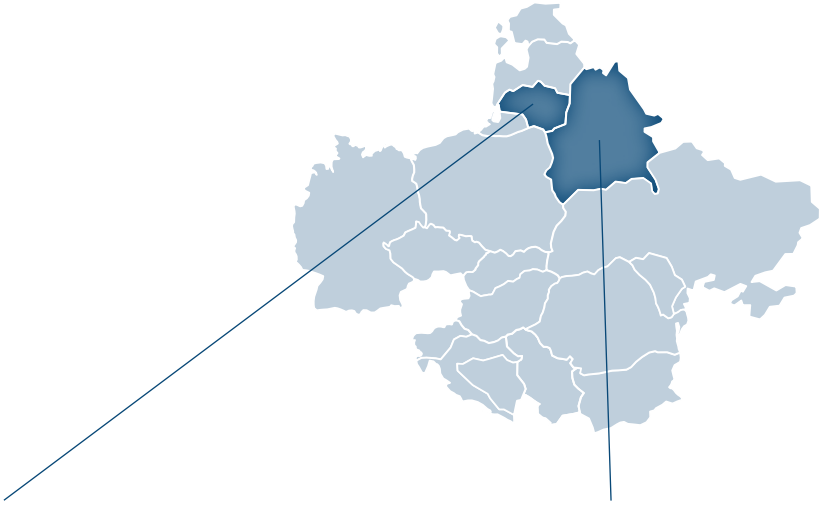
- Upon termination of an employment contract due to a lay-off, the employer must pay employee compensation to the extent of one (1) month's average wages.
- Upon termination of a fixed-term employment contract for economic reasons, the employer must pay employee compensation to an extent corresponding to the wages that the employee would have been entitled to until expiry of the contract term.
- If an employee terminates an employment contract extraordinarily due to fundamental breach of the contract by the employer, the employer must pay the employee compensation to the extent of three (3) months' average wages.
- If advance notice of termination with all legally foreseen information is given later than set by law or a collective agreement, the other party has the right to compensation to the extent to which they would have had the right to it upon following the term of advance notice.

→ Latvia:

- Employees dismissed due to lack of competence, health reasons, end of temporary replacement, redundancy or liquidation or who resign for ethical or moral principles are entitled to severance pay of at least:
  - one (1) month's earnings - if the employee has worked for the company less than five (5) years;
  - two (2) months earnings - if the employee has worked for the company from five (5) to ten (10) years;
  - three (3) months earnings - if the employee has worked for the company from ten (10) to twenty (20) years;
  - four (4) months earnings - if the employee has worked for the company more than twenty (20) years.
- Upon termination by mutual agreement, compensation may be freely agreed by the parties.

Severance pay

Employment Law



Lithuania:

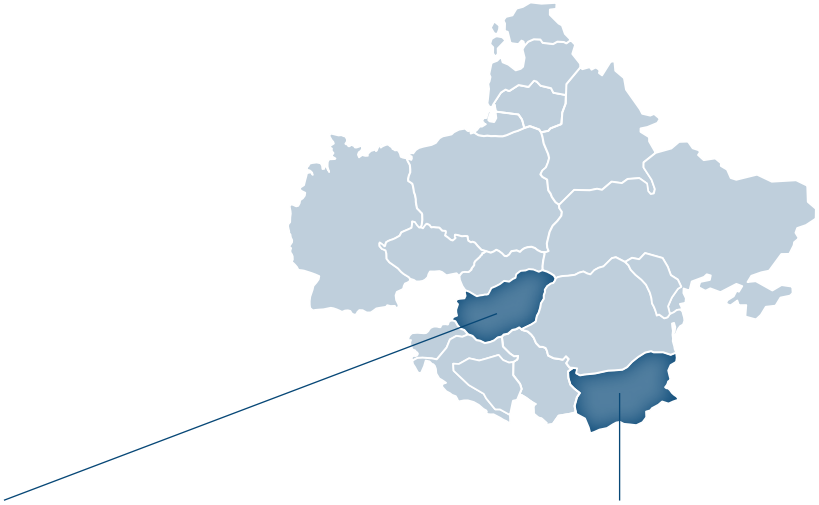
- In some cases of termination the employee has right to severance pay. In the case of ordinary termination, the amount depends on the continuous duration of employment as well as the average monthly salary:
  - under 12 months – one (1) monthly average salary;
  - 12 to 36 months – two (2) monthly average salaries;
  - 36 to 60 months – three (3) monthly average salaries;
  - 60 to 120 months – four (4) monthly average salaries;
  - 120 to 240 months – five (5) monthly average salaries;
  - over 240 months – six (6) monthly average salaries.
- In the case of termination because of liquidation of the employer the severance pay is two (2) monthly average salaries.

Belarus:

- Employees are entitled to severance pay of two (2) weeks' average salary if employment is terminated due to (i) employee's refusal to continue work due to change of essential labour conditions, employee's refusal to continue after employer`s reorganisation (ii) health reasons or employee's insufficient qualifications, (iii) employer's breach of labour legislation.
- Employees are entitled to severance pay of three (3) times average monthly salary if employment is terminated due to liquidation of the employer or redundancy for operational business reasons.
- If the property owner changes, the new owner must pay three (3) average monthly salaries to the managing director and to the chief accountant if their employment agreements are terminated by the new owner.
- For those employed under employment contracts, legislation provides minimal compensation of three (3) average monthly salaries if premature termination of the employment contract is due to employer's violation of employment conditions.

Severance pay

Employment Law



Hungary:

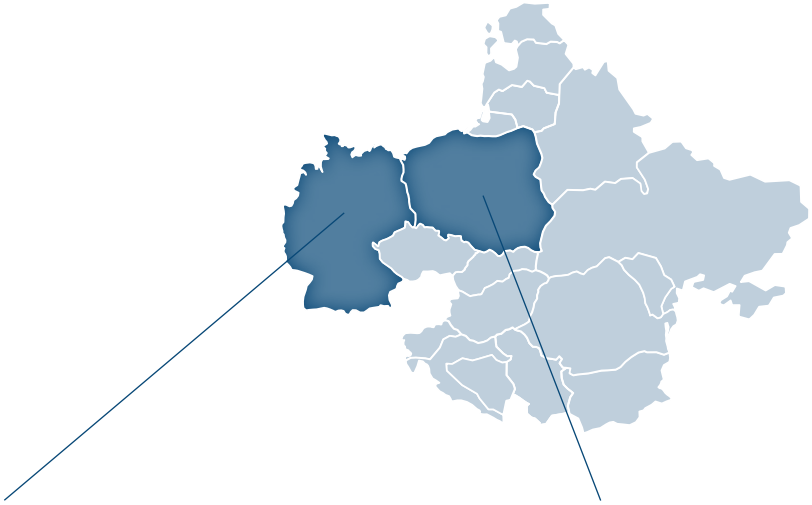
- An employee is entitled to severance pay if employment is terminated by the employer after three (3) years of employment.
- Amount of severance payment: from one (1) to six (6) months' absentee pay depending on years of employment with the employer (after at least 3 yrs: 1 month's absentee pay – after at least 5 yrs: 2 months' absentee pay - after at least 10 yrs: 3 months' absentee pay - after at least 15 yrs: 4 months' absentee pay -after at least 20 yrs: 5 months' absentee pay - after at least 25 yrs: 6 months' absentee pay).
- Employees with less than five (5) years until retirement are entitled to additional severance pay of one (1) to three (3) months' absentee pay.
- Pensioners are not entitled to severance pay.
- No severance pay need be paid if employment is terminated due to employee behaviour or ability not related to health.

Bulgaria:

- Employees whose employment is terminated by notice by the employer for reasons of closure of the employer or a structural part thereof, cutting of working position, downtimes that last longer than 15 days, relocation of employer where the employee refuses to follow or return to work of an employee who has been restored to work through a court decision are entitled to severance pay of one (1) average salary regardless of previous employment duration.
- Employees whose employment is terminated by mutual agreement when the initiative lies with the employer are entitled to severance pay of at least four (4) average salaries.
- Employees whose employment is terminated with immediate effect although they are entitled to a notice period have the right to severance pay for the respective period.

Collective redundancy

Employment Law



Germany:

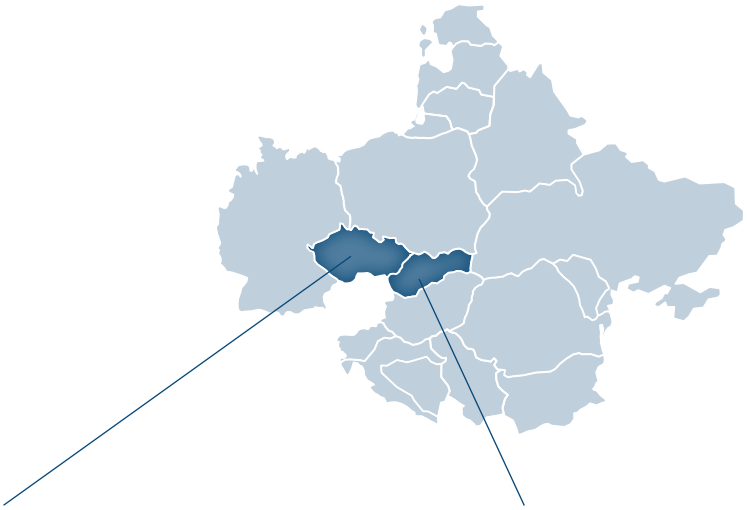
- An employer must notify the Labour Market Authority within thirty (30) days if planning to terminate the following numbers of employees:
  - in a business with more than twenty (20) and less than sixty (60) regular employees and termination of more than five (5) employees;
  - in a business with at least sixty (60) and less than five hundred (500) regular employees and termination of at least ten (10) % or more than twenty-five (25) employees;
  - in a business with at least five hundred (500) regular employees and termination of at least thirty (30) employees.
- For a period of one (1) month after receipt of notice by the Labour Market Authority, termination of employees is forbidden without consent of the Authority.

Poland:

- Is given where termination by mutual agreement or by notice from the employer for reasons not attributable to employees, in a period not exceeding 30 days, concerns:
  - at least 10 employees, if more than 20 and less than 100, or
  - at least 10 % of employees, if more than 100 and less than 300,
  - at least 30 employees, if at least 300;
- Is a complex procedure lasting generally about four (4) months;
- Is connected with many consultation and information obligations towards employees, employees' representatives and the Labour Office;
- Standard notice of termination must be delivered to employees.

Collective redundancy

Employment Law



Czech Republic:

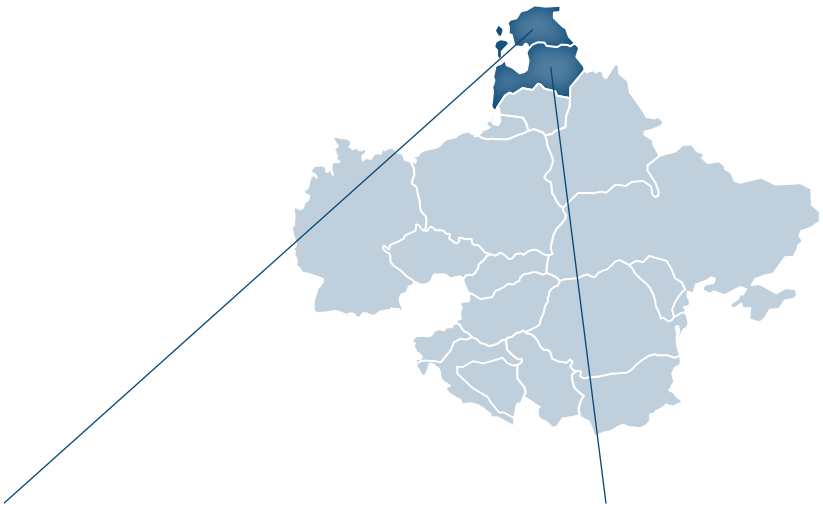
- If a substantial number of employees is being dismissed for operational reasons (or asked to enter into a mutual agreement on termination) within a thirty-day period, this downsizing qualifies as a „mass layoff“:
  - at least 10 employees (in the case of an employer with no less than 20 and no more than 100 employees);
  - at least 10% of staff (in the case of an employer with more than 100 but no more than 300 employees); or
  - at least 30 employees (in the case of an employer with more than 300 employees).
- Mass layoffs are a complex procedure which takes at least four months to implement.
- Mass layoffs are associated with numerous consultation and information duties vis-à-vis employees, employee representatives, and the labour office. Even in the case of a mass layoff, each individual employee must still be served proper notice of dismissal (or mutual agreement on termination must be reached with them).

Slovakia:

- Is given with termination for operational business reasons, over a period of 30 days to:
  - at least 10 employees of an employer with more than 20 and less than 100 employees, or
  - at least 10 % of employees of an employer with at least 100 and less than 300 employees, or
  - at least 30 employees of an employer with at least 300 employees;
- Is a complex procedure lasting generally at least four (4) months;
- Is connected with many consultation and information obligations towards employees, their representatives and the Labour Office;
- In case of a violation of consultation and information obligations towards employees the employee is entitled to a two-month salary compensation
- The standard notice of termination must be delivered to employees; employees are entitled to statutory duration of the notice period and to severance pay depending on the duration of their employment.

Collective redundancy

Employment Law



→ Estonia:

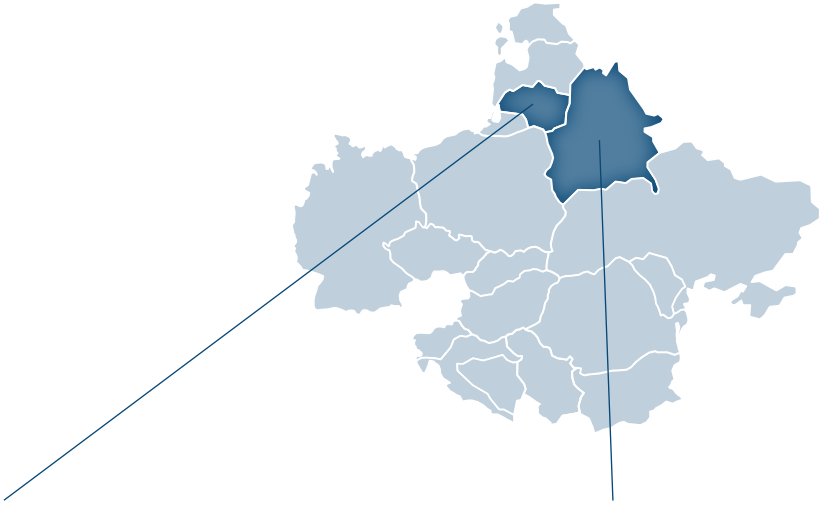
- Collective termination of employment contracts is due to a lay-off within 30 calendar days of no less than:
  - 5 employees where the average number of employees is up to 19;
  - 10 employees where the average number of employees is 20-99;
  - 10 % of the employees where the average number of employees is 100–299;
  - 30 employees where the average number of employees is at least 300.

→ Latvia:

- Is given on termination by notice for business operational reasons over a period of 30 days to:
  - at least 5 employees if more than 20 and less than 50, or
  - at least 10 employees from a total of 50–99, or
  - at least 10% of employees from a total of 100–299, or
  - at least 30 employees if more than 300.
- May begin not earlier than 30 days after notifying the State Employment Agency unless employer and employee representatives agree a longer term. The State Employment Agency may in exceptional cases prolong the 30-day term to 60 days.
- This complex procedure generally lasts at least two (2) months.
- The one (1) month notice of termination must be delivered to employees.

Collective redundancy

Employment Law



Lithuania:

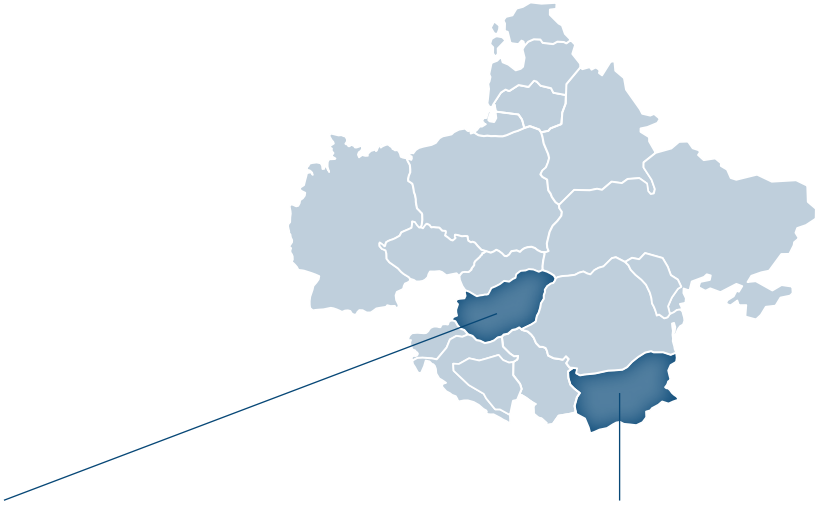
- Conditions precedent for collective redundancy are:
  - redundancy is substantiated on the basis of economic or technological reasons, structural reorganization of the employer, or other reasons not related to individual employees, and
  - the number of projected redundancies over a period of 30 calendar days does not exceed:
    1) 10 employees in enterprises with 20–99,
    2) 10 % of employees in enterprises with 100–299 ,
    3) 30 employees in enterprises with more than 300.
- Consultations must be held with employees' representatives. In case of no employee representatives the employer has to inform the employees in advance or during the employee meeting.

Belarus:

- is recognised in cases of (i) liquidation of an enterprise with more than 25 employees, (ii) termination of employment according to the following criteria:
  - for organizations with less than 1,000 employees: 20% of employees (but not less than 25 people) within one (1) month;
  - for organizations with 1,001 – 2,000 employees: 15% of employees within one (1) month;
  - for organizations with 2,001 – 5,000 employees: 10% of employees within one (1) month;
  - for organizations with 5,001 – 10,000 employees: 10% of employees within two (2) months;
  - for organizations with over 10,000 employees: 5% of employees within two (2) months.
- Notice of termination must be delivered to employees two (2) months before the termination date. Alternatively, the employer may pay employee compensation of two (2) average monthly salaries. In specific cases, the collective redundancy procedure may be connected with notification obligations towards employment service state bodies.
- Specific categories of employees enjoy advantageous treatment in collective redundancy procedures.

Collective redundancy

Employment Law



→ Hungary:

- Collective redundancy
  - is where within 30 days, the employer intends to terminate the employment of:
  - at least 10 employees if more than 20 and less than 100, or
  - at least 10 % of employees if more than 100 and less than 300,
  - at least 30 employees if more than 300,
  - for reasons related to its operations by ordinary notice. Termination by mutual consent and termination of fixed-term employment is also considered as ordinary notice. (If the employer operates more than one branch, the above conditions must be considered for each branch separately.)
- A mass layoff is a complex process connected with a broad information obligation towards the employees as well as towards the Labour Office.

→ Bulgaria:

- Is given on termination by notice for business operational reasons over a period of 30 days to:
  - at least 10 employees if more than 20 and less than 100 employees, or
  - at least 10 % of employees if at least 100 and less than 300 employees,
  - at least 30 employees if at least 300 employees;
  - is a complex procedure lasting generally at least four (4) months;
  - is connected with many consultation and information obligations towards employees, employees' representatives and the Labour Office.
- Standard notice of termination must be delivered to employees.

Non-competition clause (NCC)

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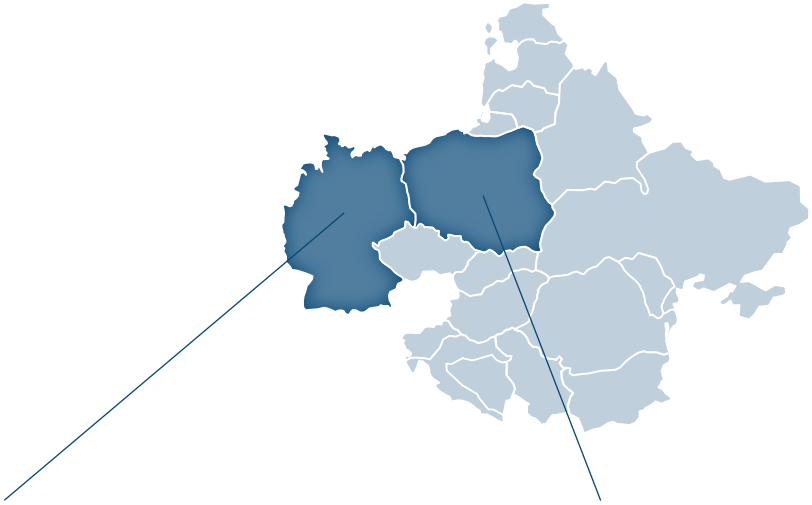
Employment Law



Germany:

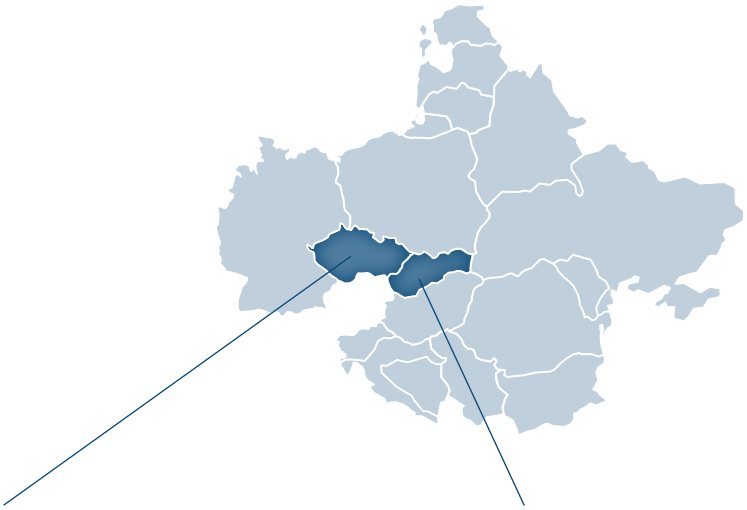
- During their employment employees must not compete with their employer. Violation of this rule may result in termination of employment and damages claims by the employer.
- NCC after termination of employment must be agreed in writing.
- NCC must be limited as to restricted activities and applicable territory and may only be agreed for up to two (2) years.
- An employer must pay an employee monthly remuneration of at least 50 % of the last salary for every month the NCC is effective.

Poland:

- Concurrently with employment an employee may also perform other earning activities; if these are identical with the business of the employer, the employer's consent is necessary.
- NCC during employment: the employer and employee may expressly set the extent of activities competitive towards the employer.
- NCC after termination of employment: the employer and an employee with access to particularly important information disclosure of which could expose the employer to damage may also agree a NCC after termination of employment. The parties must set the period of prohibition of competition, as well as the amount of compensation, which may not be lower than 25 % of the employee's salary, before termination of the employment contract. A contractual penalty may be agreed for breach of the NCC.
- NCC during employment as well as NCC after termination must be set in writing, otherwise it is invalid. NCC may be set either as a separate agreement or in the employment contract.

Non-competition clause (NCC)

Employment Law



Czech Republic:

- The Labour Code provides no explicit non-competition clause for employees (with the exception of government officials). However, employees must not engage in a gainful occupation which runs counter to the employer's legitimate interests.
- Having said that, the parties may agree on an NCC in the employment contract for the duration of the employment relationship, and in so doing may agree on an explicit set of activities which are considered to be of a competitive nature.
- Non-competition clauses cannot be agreed for more than one year beyond termination of employment.
- If a NCC has been agreed for the time after termination of employment, the employer must pay the employee at least half of their average monthly earnings for every month of non-competition.
- A contractual penalty may be agreed for breaches of a NCC.
- Non-competition clauses must be in writing, or else are invalid.
- Non-competition clauses may be agreed alongside a probation period.

Slovakia:

- Concurrently with employment, an employee may also perform other paid activities; but the employer's written consent is necessary if these compete with the employer's business.
- NCC after termination may be agreed for up to one (1) year.
- If NCC after termination is agreed, the employer must pay at least 50 % of the employee's average monthly salary for every month of non-competition.
- A penalty may be agreed for breach of NCC.
- NCC after termination must be set in the employment contract, otherwise it is invalid

Non-competition clause (NCC)

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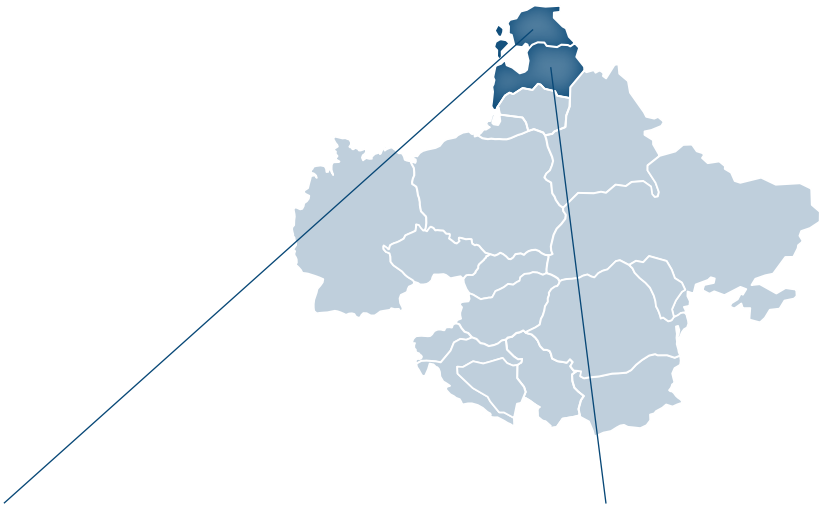
Employment Law



Estonia:

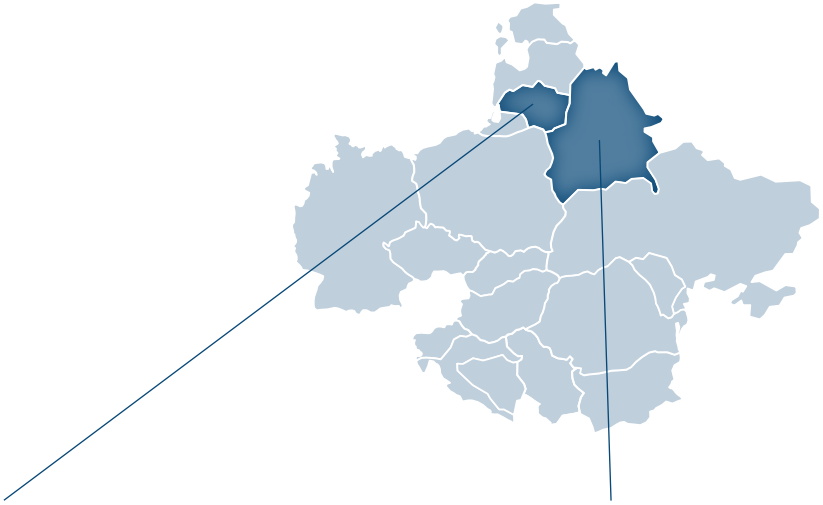
- Under an agreement on a restraint of trade clause (non-competition clause) an employee assumes the obligation not to work for their employer's competitor(s) or not to engage in the same economic or professional activity as the employer.
- NCC must be reasonably and recognisably limited in terms of space, time and objects.
- NCC after termination of employment may be agreed for up to one (1) year.
- If NCC is agreed, the employer must pay reasonable monthly compensation for every month of non-competition.
- A contractual penalty may be agreed for breach of the NCC.

Latvia:

- During employment an employee may even enter into another contract with another employer (supplementary work), unless the contract or collective agreement provides otherwise. The employer may prohibit supplementary work due to its substantiated and protected interests, especially if supplementary work negatively affects or may affect proper performance of employee obligations.
- NCC after termination of employment may be agreed for a maximum two (2) years.
- If NCC after termination of employment is agreed, the employer must pay the employee appropriate monthly compensation during the whole NCC period. No particular amount is set either by law or by case law.
- Parties may agree on a reasonable contractual penalty for breach of NCC after termination of employment.
- NCC and compensation after termination of employment must be set in the employment contract, otherwise NCC is invalid.

Non-competition clause (NCC)

Employment Law



→ Lithuania:

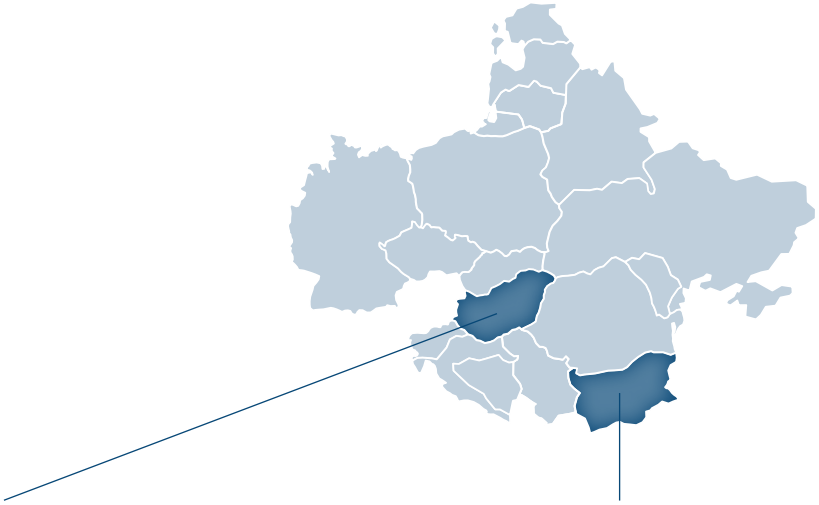
- Concluding NCC during employment and after termination is not expressly regulated by law.
- NCC must take into account the position and functions of the employee and must include compensation (including the amount and payment terms) and the term of non-competition.
- An employee must be appropriately compensated for agreeing to enter into a NCC. It is generally agreed that failure to achieve a proper balance between the interests of the parties would invalidate the clause, although strict practice is lacking in this regard.

→ Belarus:

- No legislative provisions on NCC.
- In general, employees may work for several employers concurrently.
- Managing directors are also allowed to work for another employer, except for managing directors of state owned enterprises and enterprises in which 50 per cent or more of shares belong to the State.
- An employee (including managing director) may also perform other earning activities (such as private entrepreneurship, being a shareholder in companies).

Non-competition clause (NCC)

Employment Law



Hungary:

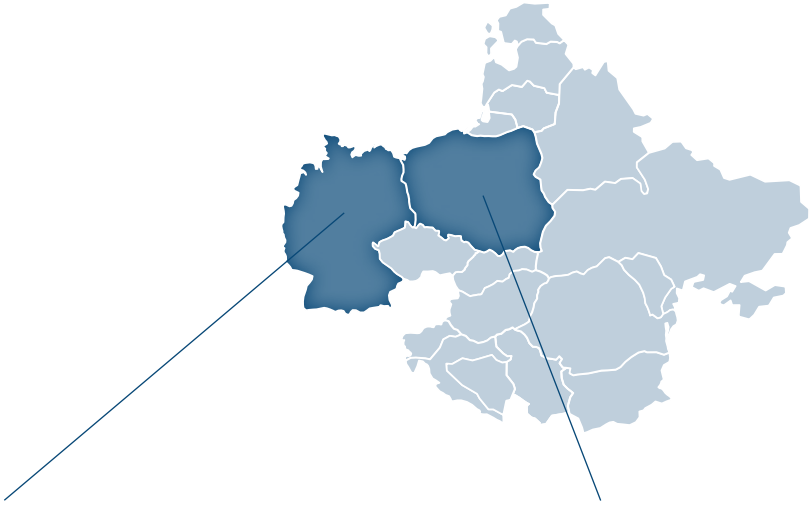
- Concurrently with employment, an employee may also perform other earning activities; the employer's written consent is necessary if identical with the business of the employer.
- Managing directors, deputies and managerial employees can only have other employment or work relationships if agreed.
- NCC after termination of employment may be agreed for up to two (2) years.
- For NCC after termination of employment, the employer must pay the employee no less than 1/3 of the last basic salary for every month of non-competing.
- A contractual penalty may be agreed for breach of NCC.
- Employee can rescind NCC if employment is terminated with immediate effect for employer's infringement.

Bulgaria:

- Concurrently with employment, an employee may also earn money elsewhere. The employee needs only the prior consent of the employer if this is explicitly governed in the employment contract.
- NCC after termination of employment is not governed by the Labour Code. It is not clear if such a clause in an employment contract would hold up before a court.
- NCC duration over two (2) years after termination is void.
- If NCC after termination is agreed on, the employer must pay the employee adequate compensation for every month of non-competition.

Employees' representatives / Trade union

Employment Law



Germany:

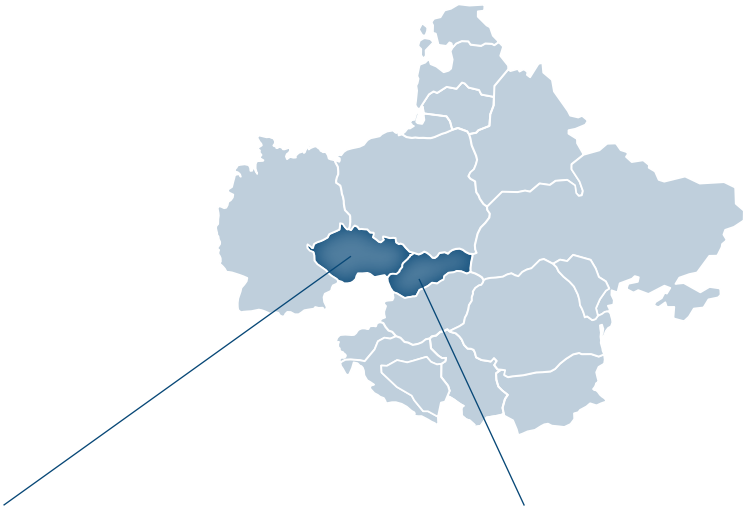
- Trade unions are associations of employees with the goal of improving pay and working conditions for their members.
- Trade unions enter into collective agreements with organizations of employers or sole employers.
- A collective agreement comes into effect for a particular employment relationship if both parties are members of associations which have concluded a collective agreement. In some cases it is sufficient if only the employer is bound by a collective agreement.
- The Federal Ministry for Labour and Social Affairs can declare a collective agreement as generally binding. In this case the collective agreement is valid for all employers and employees in the particular line of business.
- Employee participation in business undertakings happens through a workers´ council, if one exists. Small business undertakings with less than five (5) employees cannot have a workers´ council

Poland:

- Employees participate in creating fair and satisfactory working conditions through trade unions or employee trustees.
- A trade union is an independent and voluntary association of persons which is formed on the initiative of individuals with the objective of representing and protecting the employment, service-related, professional, economic and social rights and interests of employees.
- An employee trustee is an employee elected by a general meeting of the employees of the employer to represent them in the performance of legal duties in relations with the employer.

Employees' representatives / Trade union

Employment Law



Czech Republic:

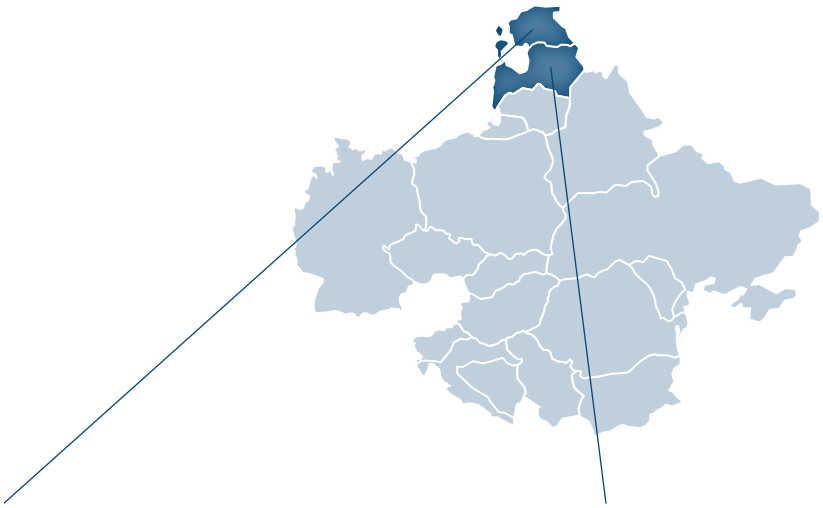
- Employees participate in creating fair and satisfactory working conditions through trade unions, works councils, a European works council or an occupational health and safety (OHS) officer on the level of the company.
- Trade unions qualify as a „registered society" and as such are on the list of registered societies kept by the Ministry of the Interior (previously, until 31 December 2013, they were registered as „associations" - the difference being largely one of Czech legal terminology, and as such a technical matter).
- Trade unions perform consulting tasks and negotiate collective bargaining agreements.
- The Labour Code sets what information an employer must divulge to trade unions, what matters they must negotiate with trade unions, and what steps and measures require trade union approval (such as the issue of company work rules or of a holiday roster, or dismissal of a trade union official).
- In addition, trade unions enjoy far-reaching powers and competences in the area of occupational health and safety.

Slovakia:

- Employees participate in creating fair and satisfactory working conditions through trade unions, works councils or work trustees.
- Trade unions are associations listed by the Ministry of the Interior.
- The employer must enable a trade union to operate in the workplace.
- Trade unions perform extended codetermination, consulting, information and control tasks and negotiate collective agreements.
- A work trustee or a works council usually represents employee interests with almost all the powers of a trade union (especially where no trade union is active). These employee representatives are elected directly by employees. The employer must enable voting. A works council can operate at an employer employing at least 50 employees. A work trustee can operate at an employer with fewer than 50 employees but at least three (3) employees.
- If a trade union, works council or a work trustee are operating at one employer at the same time, the trade union is entitled to collective bargaining, codetermination, control tasks and to obtain information while the works council or the work trustee are entitled to consult and obtain information.
- Employees' representatives are under special protection during exercise of their function.

Employees' representatives / Trade union

Employment Law



Estonia:

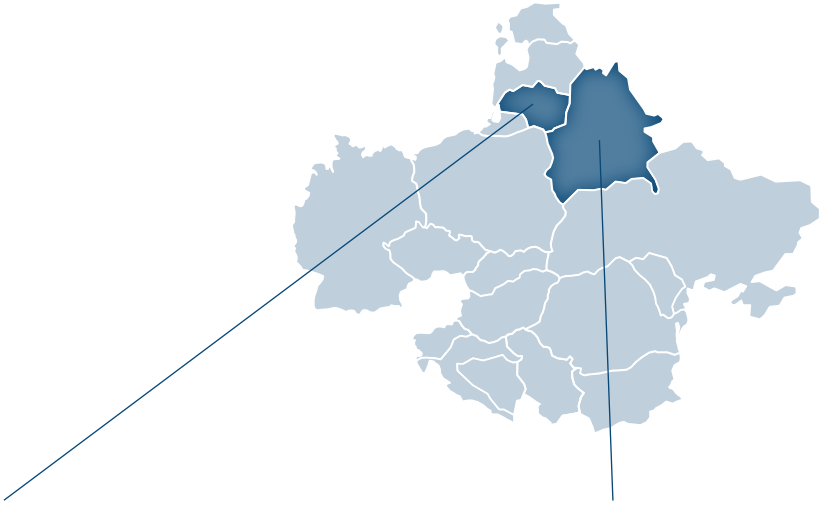
- Employees participate in creating fair and satisfactory working conditions through trade unions or employee trustees.
- A trade union is an independent and voluntary association of persons which is formed on the initiative of individuals with the objective of representing and protecting the employment, service-related, professional, economic and social rights and interests of employees.
- An employee trustee is an employee elected by a general meeting of the employees of the employer to represent them in the performance of legal duties in relations with the employer.

Latvia:

- Employees participate in creating fair and satisfactory working conditions through trade unions, works councils or work trustees.
- Trade unions are associations listed by the Enterprise Registry.
- Trade unions perform consulting tasks and negotiate collective agreements.
- A work trustee or a works council usually represents employees' interests with almost all the powers of a trade union where no trade union is active.

Employees' representatives / Trade union

Employment Law



Lithuania:

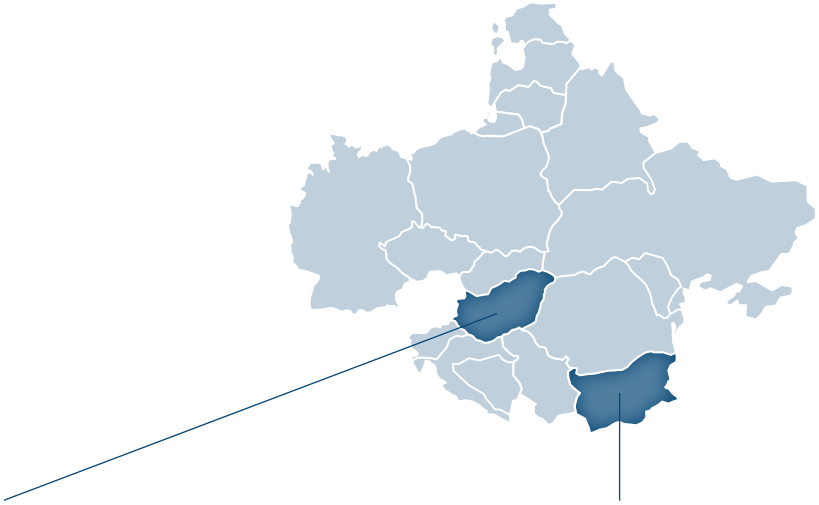
- Rights and responsibilities of employees can be acquired, changed, refused or defended by employee representatives.
- Trade unions are voluntary, independent organizations representing and protecting employees' professional, economic and social rights and interests.
- A works council is an alternative representative body which may be established only if a trade union is not active in the organization and when the employees did not delegate the right to represent them to the branch union. Works councils generally have the same functions as trade unions.
- Trade unions manage their funds and assets independently.

Belarus:

- Employees' interests can be represented by trade unions or other employee organizations.
- Trade unions perform consulting tasks, negotiate collective agreements and protect employees' rights.
- Republican trade unions are registered with the Ministry of Justice while territorial trade unions must register with regional and Minsk executive committees.

Employees' representatives / Trade union

Employment Law



Hungary:

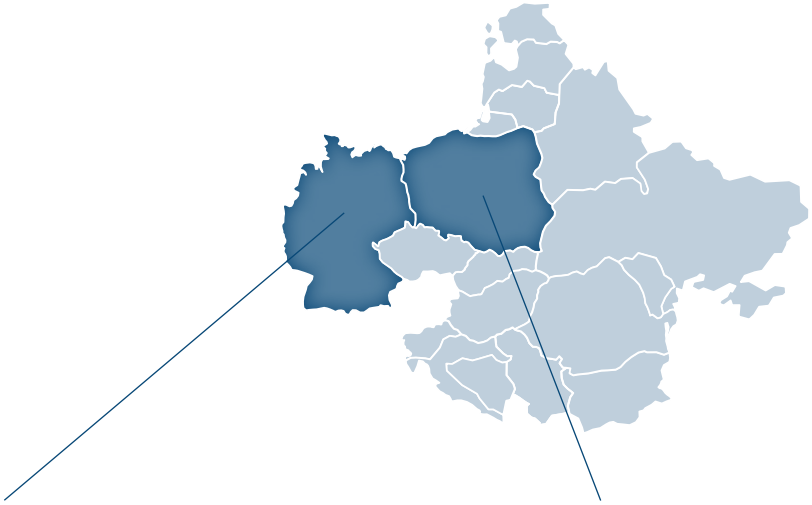
- Employees participate in creating fair and satisfactory working conditions through trade unions, work councils or works trustees.
- Trade unions are associations with the right to consult, negotiate and conclude a collective agreement with the employer.
- A collective agreement is an important tool for providing flexibility in employment. Unless excluded by law, it may differ from the general rules and lay down terms less favourable to employees as well as to the employer than provided by the Labour Code.
- Works councils consist exclusively of employees and are to be set up at the employer's company or its branches having more than 50 employees. They have information and consultation rights.
- In the absence of a collective agreement or trade union eligible to conclude one, the works council may conclude a works agreement with the employer. A works agreement, similarly to a collective agreement, may differ from the general rules of the Labour Code. A works agreement must not differ from the rules on employees' salary.
- At the employer's company or a branch with 15 to 50 employees, a works trustee must be elected. A works trustee has the same rights as the works council, except it is not eligible to conclude a works agreement.

Bulgaria:

- Employees participate in creating fair and satisfactory working conditions through trade unions, works councils or work trustees.
- Trade unions are associations registered by the court.
- Trade unions perform consulting tasks and negotiate collective agreements.
- A work trustee is a representative of employees in the general assembly of a corporation that employs more than 50 employees. A work trustee only has consulting functions.
- Works councils are only chosen for some internationally (within the EU) active employers.

Employment disputes

Employment Law



Germany:

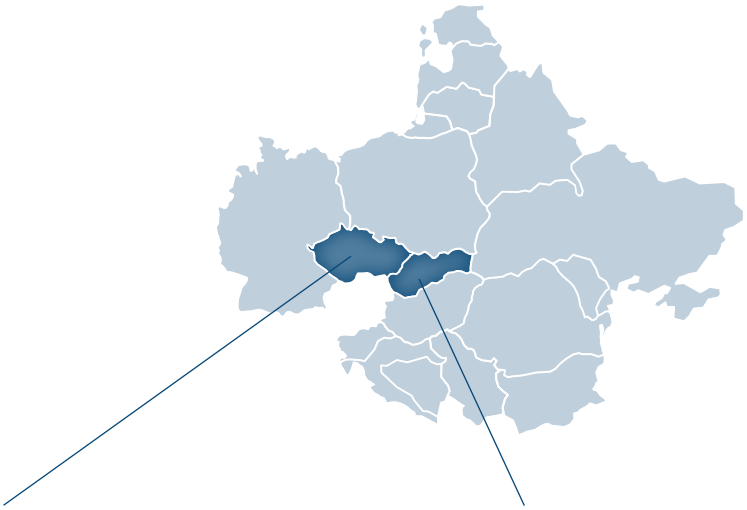
- Labour courts are the competent courts for disputes between employers and employees. Labour courts are specialized civil courts.
- For legal proceedings before labour courts the rules of the Civil Procedure Code are modified by the special rules of the Labour Court Act.
- Court fees in labour court proceedings are generally lower than those in civil court proceedings with a comparable amount in dispute. As a special feature of labour court proceedings, the lawyers' fees of the party who won the case need not be reimbursed by the party who lost the case at first court instance.
- Labour courts have created extensive case law, although many proceedings end by amicable settlement.

Poland:

- Employees participate in creating fair and satisfactory working conditions through trade unions, works councils or employee representatives.
- Trade unions are associations entered in the Polish National Court Register kept by the competent district court.
- Trade unions perform consulting tasks and negotiate collective agreements.
- Works councils consisting of employees must be elected in companies with at least 50 employees.
- Employee representatives usually represent employee interests in workplaces where no trade union is operating.

Employment disputes

Employment Law



Czech Republic:

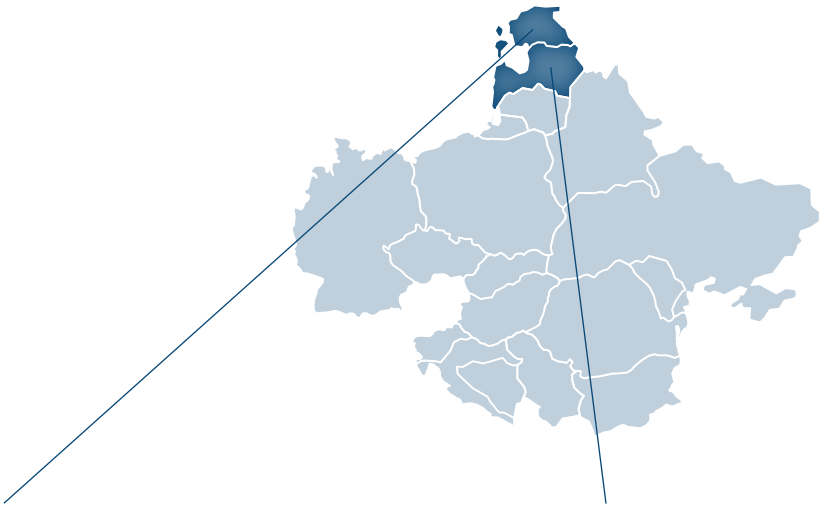
- Employment disputes, including claims challenging the lawfulness of termination, are settled by district courts under the Code of Civil Procedure. The Czech Republic has no dedicated labour courts.
- The venue for labour law disputes is the court of the place where the defendant resides; alternatively, the court with territorial jurisdiction over the workplace may be chosen as the competent court.
- Disputes are settled by a senate consisting of three judges.
- Employment disputes are relatively common; hence, a solid amount of case law exists.
- Generally, the claimant must pay court fees. Employees who file a court action for compensation of damage sustained as a consequence of workplace accidents or occupational diseases need not pay court fees. When the court ultimately decides the dispute, it also awards compensation of the parties' costs of proceedings (including court fees), proportionally to the degree to which the parties prevailed.

Slovakia:

- Employment disputes are settled by district courts under the Code of Civil Procedure.
- Courts with territorial jurisdiction are the courts of the place where the defendant resides.
- Disputes are settled by a single judge.
- Generally, employee claimants need not pay court fees.
- Employment disputes are relatively common and a solid amount of case law exists. Disputes are decided rather quickly.
- An employer that loses a dispute on invalid termination of employment and must pay more than twelve monthly salaries to the employee may ask the court to reduce or not award salary compensation extending the twelve average monthly salaries. Overall, the employer need not pay more than thirty-six (36) average monthly salaries.

Employment disputes

Employment Law



→ Estonia:

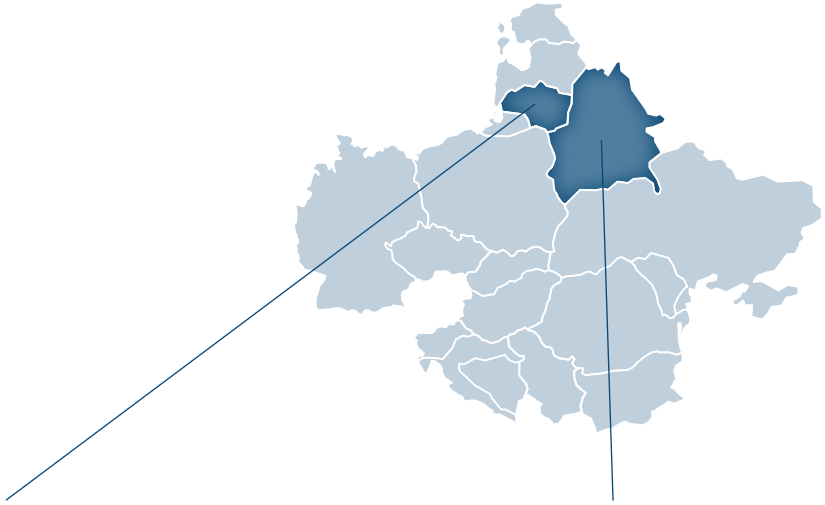
- For settlement of labour disputes, parties have the right of recourse to a Labour Dispute Committee or to a court.
- Labour disputes are resolved by Labour Dispute Committees consisting of three (3) members, whose decision is generally binding on the parties.
- Resolution of a labour dispute by a Labour Dispute Committee is regulated by the Individual Labour Dispute Resolution Act.
- If the parties do not agree with a decision of a Labour Dispute Committee, they may apply to a court to hear the same labour dispute.
- Disputes are settled in court by a single judge under the Code of Civil Procedure.

→ Latvia:

- Employment disputes are settled by district courts under the Civil Procedure Law.
- Courts with territorial jurisdiction are the courts of the place where the defendant resides. Employees may also bring a claim based on employee domicile or workplace.
- Disputes at first instance are settled by a single judge.
- Employee claimants need not pay court fees.
- Employment disputes are relatively common and a solid amount of case law exists.
- The court sitting at first instance for claims disputing dismissals must be assigned within approx. two (2) months from bringing a claim. There are no strict time limits for courts in assigning court sittings for other employment disputes. If the parties use rights to appeal in the next two (2) instances, the litigation usually lasts up to three (3) years.

Employment disputes

Employment Law



Lithuania:

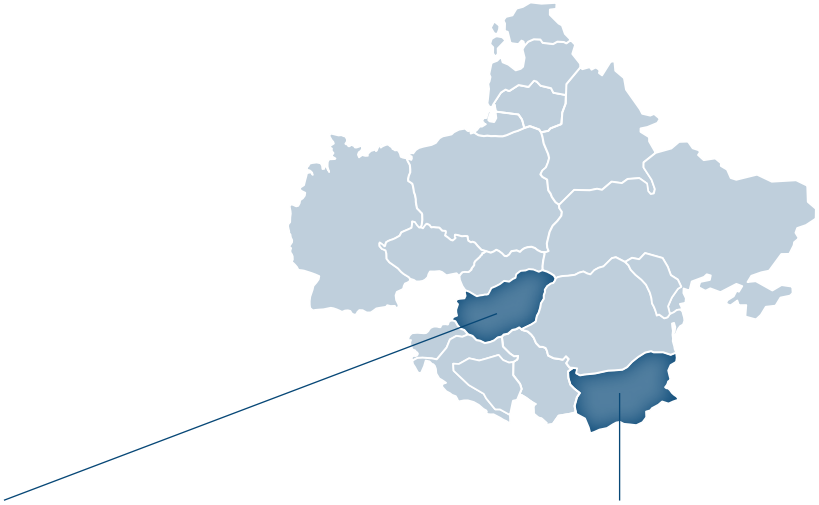
- In Lithuania there are two different employment disputes to distinguish: disputes regarding individual rights and disputes regarding collective rights. The principles and the proceedings also differ from each other.
- Disputes regarding collective rights usually concern collective labour agreements. These disputes usually take place before arbitration committee, labour arbitration court or mediator
- Disputes regarding individual rights concern conflicts between employer and employee. The competent bodies for these disputes are courts and Committee for _Labour Disputes. Generally, Committee for _Labour Disputes is the first necessary instance for individual labour disputes.Only in cases regulated by law it is possible to skip Committee for _Labour Disputes and to bring the dispute directly before court (e. g. legality of termination by employer). In all other cases, skipping Committee for _Labour Disputes makes the claim inadmissible.

Belarus:

- Legislation sets procedures and specifies competent bodies for individual and collective dispute resolution.
- Individual disputes are adjudicated by commissions on labour disputes, consisting of an equal number of employer's representatives and trade unions. Commission decisions are binding on the parties but may be appealed to the court.
- Generally, commissions are the first instance for dispute resolution, though in some cases disputes can be settled directly in court. As a rule this is the district common court of the defendant under procedure set by the Civil Procedure Code. Cases are usually dealt with by a single judge within approx. one (1) month. Employees are exempted from the state fee for court matters.
- Employers can set up other bodies for conciliation, mediation and arbitration with the consent of trade unions.
- Collective disputes are usually settled by conciliation commissions at first instance formed from dispute parties' representatives on parity basis. If the parties disagree with the decision, they may opt for mediation or labour arbitration. Arbitration awards can be advisory or mandatory - the latter enforced by the court.

Employment disputes

Employment Law



Hungary:

- Employment disputes are settled by Administrative and Labour Courts organized at county levels.
- Territorial jurisdiction is based on the seat of the employer or the last place where the employee worked. First instance disputes are decided by a professional judge and two (2) jurors.
- Exemption from duties and other court fees are widely available for both employees and employers.
- Administrative and Labour courts also have competence for collective legal disputes (e.g. election of works council, trade union protest).
- According to judicial practice, the number of employment disputes is decreasing and proceedings are becoming faster after introduction of the new Labour Code. At the same time, courts still have to cope with interpretive issues arising from the new Code.

Bulgaria:

- Employment disputes are settled by local courts under the Act on Civil Procedure.
- Courts with territorial jurisdiction are the courts of the defendant. An employee may, however, choose to sue their employer before the local court for the workplace.
- Disputes are settled by a single judge.
- Generally, employee claimants need not pay court fees.
- Employment disputes are relatively common and a solid amount of case law exists. Disputes are decided rather quickly. Courts are employee-friendly.
- An employer who loses a dispute over the validity of employment termination must pay no more than 6 monthly salaries to the employee even if the employee is restored to work after a longer period of unemployment.

Labour law and International Private Law (IPL)

Since Rome I (Regulation 593/2008/EU) came into force on 17 December 2009, all countries contained in this overview - with the exception of Belarus - are subject to the same rules in terms of choice of governing law for employment contracts. The basic principle is that employees and employers are given free rein as to the choice of law to apply to their employment contract – although with one restriction, which arises from Article 8 (1) of Rome I stipulating that "such a choice of law may not ... have the result of depriving the employee of the protection afforded to him by provisions that cannot be derogated from by agreement under the law that, in the absence of choice, would have been applicable ...". Under paragraphs 2 to 4 of the same Article, this means that derogation from the jurisdiction in force at the workplace may never be to the detriment of the employee. In addition, "overriding mandatory rules" within the meaning of Article 9 of Rome I may state that provisions that apply at the place of work must also extend to employment agreements that are otherwise governed by foreign law. Particularly pertinent examples in recent times include provisions on minimum wages and minimum vacation entitlement, maximum working hours and minimum rest periods, provisions on temporary contract labour, occupational safety, protection of working mothers and young people – though not e.g. provisions concerning protection against unlawful dismissal, or provisions safeguarding existing standards and agreements in the event of a transfer of undertakings.

Social and health insurance table

Employment Law

Social and health insurance table

Total social and health insurance contributions in:	Total monthly contributions in % and EUR as of 01.01.2015 (% of monthly gross salary)	
	Employer	Employee
Slovakia	35.2 %	13.4 %
Belarus	34.6 %	1 %
Czech Republic	34 %	11 %
Estonia	33.8 %	1.6 %
Germany	19.375 %	20.175 %
Hungary	28.5 %	18.5 %
Latvia	23.59 %	10.5 %
Lithuania	30.98 %	9 %
Poland	16.26%	22.71 %
Bulgaria	17.8 – 18.5 %	12.5%

Ancillary labour costs

Employment Law

Further ancillary labour costs and comments

Slovakia	**Taxes:** income tax for individuals is at 19 % up to EUR 2,918.52; 25 % over EUR 2,918.52, non-taxable amount up to EUR 3.803,33. **Social fund:** the employer must create a social fund and contribute to it an annual amount of 0.6 % up to 2 % of the monthly gross salary of all employees. **Food subsidies:** employees working over 4 hours entitled to a meal or meal check. The employer must pay at least 55 % of the meal or meal check, i.e. up to EUR 2.31. **Work injury insurance:** The amount payable depends on the security risk category of the economic activities and on average amounts to 0.8 % of the assessment base.
Estonia	**Taxes:** income tax for individuals is 20 % (flat tax rate); non-taxable amount in 2015 is 154 euros; companies are subject to income tax only in respect of distributed profits. **Social fund:** employer is obliged to pay 33% of social tax; the minimum obligation for social tax to be paid in 2015 was 117.15 euros monthly. **Funded pension payment:** an employee (i.e. an employee who has applied) pays funded pension payment at 2% or 3% of gross salary. **Unemployment insurance:** 1.6 % of unemployment insurance premium is withheld from the gross salary of an employee; in addition, employer pays unemployment insurance premium at a rate of 0.8 % of gross salary.
Germany	**Casualty insurance** dependent on the class of risk, on average 1.3 %, to be borne by the employer only. **Allocation U1**: 1.3 % - 3,94 % for continued remuneration in case of illness of the employee, to be borne by the employer only. In case of illness the health insurance fund bears 40%-80% of the costs of remuneration the employer must pay the employee. Applicable for businesses with up to 30 employees. **Allocation U2:** 0.38 % for benefits payable by the employer under the Maternity Protection Act. Complete chargeback of all benefits paid by the employer to the employee in the course of the settlement system. **Allocation U3:** 0.15 % for contributions to the insolvency fund.
Poland	**Taxes:** income tax for individuals 18 % up to yearly income of EUR 21,400; 32 % over yearly income of EUR 21,400; non-taxable amount approx. EUR 750 annually. One-person entrepreneurs may choose flat 19 % rate, with no additional tax thresholds. **Social fund:** An employer with at least 20 full-time employees must create a company social benefit fund and contribute an annual basic write-off to it calculated by the average number of employees. The amount of the basic write-off for each employee amounts to 37.5% of the average monthly remuneration in the national economy in the preceding year, or in the second half of the preceding year. **Work injury insurance:** Amounts from 0.40 up to 8.12% of the monthly gross salary of each employee. Maximal payment is not determined. Payable by the employer only. **Labour Fund (unemployment benefit):** Employer must pay 2.45 % of the amount that serves as a basis for social security contributions. This fund is created for the purpose of financing various and comprehensive actions by the State connected with the labour market, promotion of employment, re-qualification of unemployed persons, unemployment allowances, extraordinary public works for the unemployed, etc. **Warranted Employees Benefits Fund:** Employer must pay 0.10 % of the amount that serves as a basis for social security contribution. This fund is created for protection of employees whose employers become insolvent, and generally serves to satisfy employees' claims. **Refreshment meal:** the employer must ensure free refreshment meals (one meal every working day) and drinks to employees working under particularly hard conditions, if necessary for preventive reasons.

Ancillary labour costs

Employment Law

Hungary	From 2012, employers do not pay social insurance contribution or any other contribution. Instead, employers pay social contribution tax of 27%. Employers also pay a contribution of 1.5% to the vocational training fund.
Belarus	Employers must make the following contributions to the Social Security Fund of the Ministry of Labour: **1) Pension insurance for employers –** 28% (for employers involved in growing agricultural products – 24%; for consumer cooperatives, householders' societies, organisations of physically challenged people and retirees – 5%). **2) Temporary incapacity to work insurance for employers –** 6% Basic calculation sum for each employee is limited to four average monthly salaries in Belarus for the month prior to the reporting period. The social insurance contribution is not paid from the amount exceeding the abovementioned. Employers must insure employees with State insurance entity "Belgosstrakh" as follows: **Work injury and work accident insurance** rates may vary and depend on the type of business activity and working conditions. Average rate for employers is 0.6%.
Latvia	**Taxes:** Income tax for individuals 23% **Sickness payment:** Employer must pay 75 % of daily average earnings for the second and third sickness day and 80 % of daily average earnings for the fourth to tenth sickness day. Starting from the eleventh sickness day the State pays the sickness allowance. **Business risk duty:** Employer must pay business risk state duty of EUR 0.36 monthly for each employee on protection of employees in the event of insolvency of the employer.
Lithuania	Social insurance for occupational accidents and diseases: this is payable by the employer only. Payment depends on the category to which the employee is assigned. Category I – 0.9. %; Category II – 0.38 %; Category III – 0.18 %.
Czech Republic	**Taxes:** Income tax for individuals 15% of monthly gross salary increased by obligatory social and health insurance paid by employer; in addition 7 % of monthly gross salary from income over CZK 106,444 (app. EUR 3,843). **Insurance of employer's liability for damage caused by work injury or occupational disease:** Obligatory if the employer has at least one employee. Rates vary according to the employer's activities.
Bulgaria	**Taxes:** income tax for individuals is set at 10% whereas the difference between the gross monthly salary and social contributions to the detriment of the employee is taxable. No tax-free minimum is set.

Country Facts

Employment Law

	SK	CZ	HU	PL	BG	LT	LV	EE	BY	GE
Population	5,420,011	10,537,818	9,849,000	38,483,957	7,202,000	2,911,800	1,979,700	1,313,271	9,485,300	81,100,000
Unemployment rate (in %)	12,4	5,2	7,6	10.8	9.9	10.0	10,2	6,6	1 [1]	4,6
GDP (in %)	3,1	4,4	3,6	3.0	2.3	2.6	2,1	2.1	- 2.1	0.9
Average Monthly Wage (in €)	839	972	773	978	440	700	812	1005	381.77	3,527
Minimum Monthly Wage (in €)	405	340	336	424	190	325	360	390	124	1,360
Total Average Labour Cost (in €)	1,134.33	N/A	996	1,018.05	518	918	1,070.16	1357	513.86	31,88 [2]
Total Minimal Labour Cost (in €)	475.76	N/A	433	436.70	230	426	N/A	521.74	166.90	N/A
Annual CPI inflation rate (average in %)	- 0.1	0,4	-0,58	-0.8	-0.3	-0,4 [3]	0.5	-0,1	13.2	0,3
Income tax for individuals (in %)	22 / 19 or 25	15	16	19 / 18 or 32	10	15	23	20	13	14 – 45

[1] Registered

[2] That Parameter is EUR/hour

[3] Stand July 2015

Notes

Notes

bnt offices

Belarus
bnt legal and tax
Revolutsionnaya Str.9, building 4 office 40
BY-220030 Minsk
Phone: +375 17 2039455
Fax: +375 17 2039273
info.by@bnt.eu

Bulgaria
bnt Neupert Ivanova & kolegi adv.dr.
Gladstone 48, BG-1000 Sofia
Phone: +359 2 980 1117
Fax: +359 2 980 0643
info.bg@bnt.eu

Czech Republic
bnt attorneys-at-law s.r.o.
Slovanský dům (building B/C)
Na příkopě 859/22, CZ-110 00 Praha 1
Phone: +420 222 929 301
Fax: +420 222 929 309
info.cz@bnt.eu

Estonia
bnt attorneys-at-law Advokaadibüroo OÜ
Tatari 6, EE-10116 Tallinn
Phone: +372 667 62 40
Fax: +372 667 62 41
info.ee@bnt.eu

Germany
bnt Rechtsanwälte GbR
Leipziger Platz 21, D-90491 Nuremberg
Phone: +49 911 569 61 0
Fax: +49 911 569 61 12
info.de@bnt.eu

Hungary
bnt ügyvédi iroda
Stefánia út 101-103., H-1143 Budapest
Phone: +36 1 413 3400
Fax: +36 1 413 3413
info.hu@bnt.eu

Latvia
bnt Klauberg Krauklis ZAB
Alberta iela 13, LV-1010 Riga
Phone: +371 6777 05 04
Fax: +371 6777 05 27
info.lv@bnt.eu

Lithuania
bnt Heemann Klauberg Krauklis APB
Embassy House
Kalinausko 24, 4th floor, LT-03107 Vilnius
Phone: +370 5 212 16 27
Fax: +370 5 212 16 30
info.lt@bnt.eu

Poland
Neupert Zamorska & Partnerzy sp.j.
ul. Chłodna 51, PL-00 867 Warsaw
Phone: +48 22 373 65 50
Fax: +48 22 373 65 55
info.pl@bnt.eu

Slovakia
bnt attorneys-at-law, s.r.o.
Cintorínska 7, SK-811 08 Bratislava 1
Phone: +421 2 57 88 00 88
Fax: +421 2 57 88 00 89
info.sk@bnt.eu

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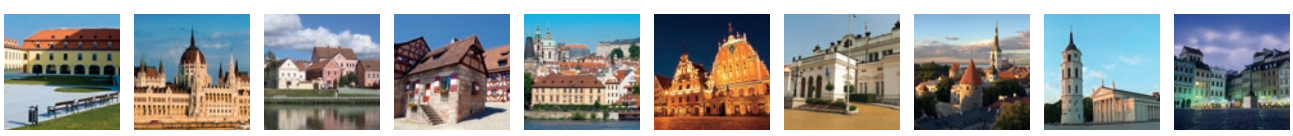

BRATISLAVA BUDAPEST MINSK NÜRNBERG PRAHA RIGA SOFIA TALLINN VILNIUS WARSZAWA