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CHANGES IN EMPLOYMENT LAW – THE ACT ON ALLEVIATING EFFECTS OF THE ECONOMIC CRISIS

We wish to inform you that Polish President has signed the Act of 1 July 2009 on Alleviating Effects of the Economic Crisis for Workers and Entrepreneurs, developed as part of the government anti-crisis package. Please find below the most essential changes to be implemented by the new act in the area of employment law.

The Act of 1 July 2009 on Alleviating the Effects of Economic Crisis for Workers and Entrepreneurs ("the Act") provides for new forms of state aid for entrepreneurs. The aid will be provided from the date of the Act entry in force until the end of 2011.

The Act introduces the notion of entrepreneurs experiencing temporary financial difficulties, who will be eligible for support from the Labor Fund or from the Guaranteed Employee Benefit Fund. The other forms of state aid provided for in the Act (e.g. possible longer account periods, flexible work time, restrictions on conclusion of contracts for definite time) are intended for all entrepreneurs, irrespective of their size or economic situation.

Extension of the account period

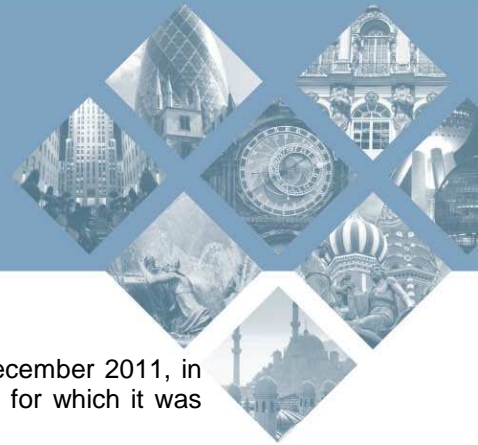
Pursuant to the Act, all entrepreneurs may extend the account period in respect of work time to 12 months (at the moment the account period is 4 months), if there are objective or technology-related reasons or else reasons related to the organization of work time, and if the rules of workers' safety and health are not breached. It needs to be emphasized that workers must receive remuneration that is not lower than the minimum pay for work in each month of the extended account period.

Individual work time schemes

The Act also provides for flexible work time for some or all workers. Entrepreneurs may use different hours to start and finish work (in which case work done over the same 24-hour period is not deemed to be overtime, but the minimum periods of daily and weekly rest time for workers must be observed).

Restrictions on conclusion of contracts for specified time

Pursuant to the Act, employers will be allowed to conclude contracts for definite time with the same employees over a period not exceeding 24 months. A contract signed before the lapse of three months from expiration or termination of the previous contract for specified time will be considered as the next contract for specified time. New regulations also provide for a change of automatic re-classification of contracts for definite time. So far such change occurred if the third definite-time contract was concluded with the same employee. After the effective date of the Act, it will be necessary to calculate the aggregate time worked by an employee for one employer based on contracts for definite time: if the period exceeds 24 months the definite-time contract will be changed into a contract for indefinite time (this rule does not apply to contracts entered in-



to before the effective date of the Act, which are to be terminated after 31 December 2011, in which case the contract for employment will end upon the lapse of the period for which it was concluded).

Rights of entrepreneurs experiencing temporary financial troubles

The most important requirement to be met by entrepreneurs wanting to be classified as experiencing temporary economic difficulties is the reduction of turnover by at least 25% in amount or value over 3 consecutive months after 1 July 2008 compared to the same three months in the period from 1 July 2007 to 30 June 2008. The aid will be granted to those businesses that are not in arrears with public law obligations and premiums payable to the Labor Fund and Guaranteed Employee Benefit Fund.

Entrepreneurs experiencing temporary financial problems may:

- introduce a period of economic downturn to last no longer than 6 months, when their workers will be paid remuneration amounting to the minimum pay,
- reduce the work time stipulated in the contract for employment to not less than half of the full-time workload for the period not longer than 6 months, where the remuneration for work will also be reduced on a pro-rata basis.

Each of the above solutions may, as a rule, be introduced by way of collective labor agreements or by settlements with the internal trade unions. If no trade unions exist within an undertaking, the solutions are to be implemented in consultation with workers' representatives. As an exception, the economic downturn may be implemented upon an independent decision taken by the employer.

The solutions should be considered beneficial for entrepreneurs, as they facilitate reduction of employment costs. They offer a chance to reduce costs in case of a drop in orders for goods and services, and allow businesses to implement the so-called "bank" of hours that may be used when needed, which is aimed to help entrepreneurs withstand temporary difficulties and save jobs.

The Act will come in force within 14 days from its promulgation in the Journal of Laws, and it will remain effective until 31 December 2011. However, state aid, as specified in the Act, will be provided in the years 2009 and 2010 from the moment the European Commission announces that the aid is in conformity with the common market.

We hope the above information proves useful. Please be informed that the information is not a legal opinion or advice. If you wish to get more specific information or legal advice, please contact us.



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