



# **ESPN Thematic Report on Access to social protection of people working as self-employed or on non-standard contracts**

## **Croatia**

**2017**

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**European Social Policy Network (ESPN)**

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## Summary

Croatia had a rate of self-employment in 2015 of 13.7%, falling from a rate of 18.7% in 2008, mostly accounted for by a decline in own-account workers, or those self-employed without employees. Statistics on non-standard forms of employment are not always comparable with European and global studies, and are regulated by a large number of different legislative provisions. Temporary employment increased to 20.4% in 2015, including contracts for service; author's contracts; occupational training; student work; and seasonal work, particularly in agriculture and tourism. Seasonal workers in agriculture are covered by a voucher system. The extent of 'bogus' or 'dependent' self-employment is hard to estimate, although non-standard contracts are certainly used in some sectors of the economy to reduce wage costs. The risk of poverty or social exclusion for self-employed persons without employees is significantly higher than for those employed, 18.1% as compared with 11.8% in 2015. Some active labour market programmes aim to foster self-employment; and a new tax reform from 1 January 2017 extended the obligation to pay social security contributions (and thus extended social protection) to non-standard workers, treating different kinds of income similarly for both tax and contribution purposes.

On the whole, self-employed and non-standard workers are treated in the same way as those with standard employment contracts, being covered by general social insurance schemes and allowed to participate in voluntary schemes. The contribution base for the self-employed depends on the type of activity: for small businesses and artisans it is 65% of the average wage in Croatia; for independent professional activities and athletes it is 110%; and for persons engaged in agriculture and forestry it is either 38% or 55% depending on whether agriculture is performed as a registered family farm or a regular self-employment activity. Since 1 January 2017, all workers have been obliged to pay social security contributions, following elimination of the anomaly that those performing work based on an author's contract were not obliged to pay. The contribution rate for such workers will be set at one-half the rate for those in standard employment. Those performing student work or on occupational training pay no income tax but are obliged to pay reduced social security contributions. The self-employed have the same entitlements to healthcare and most cash benefits as employees. In the case of sick leave, self-employed persons are granted sickness benefit only from the 43<sup>rd</sup> day onwards, except in special circumstances. The self-employed pay their own contributions to the pension system; pension rights are accrued only in respect of periods of payment, but with the possibility of filling gaps in contributions retrospectively. Voucher work contracts involve an advance pension contribution by employers.

On the whole, self-employed and non-standard workers have adequate access to social protection, with any shortfalls arising as a result of lower or zero contributions. However, those on student contracts are not covered by old-age pension insurance; and some casual workers (under a contract for service or author's contract) are not covered for injuries at work.

Recommendations deriving from the report are:

- income from all work arrangements should be treated equally, as part of a shift from work-based to income-based social security;
- voucher work should be extended to other forms of casual employment, beyond just agriculture, thereby extending social protection coverage and reducing levels of participation in the shadow economy;
- self-employed or non-standard workers should be allowed, in a more flexible way, to retrospectively fill gaps in past contributions and/or top up contribution amounts;

- the introduction of a 'social pension' should be considered for those who reach old age having had a series of low-income and non-standard employment contracts; and
- more reliable statistics should be collected on the different forms of non-standard work in Croatia.

## 1 Context: self-employment and non-standard work relationships in the national economy and labour market

Croatia has low and, until very recently, falling employment rates, with a rate of 44.1% in 2015. Surprisingly, in the period 2008-2015 **the share of self-employment in total employment decreased** from 18.7% to 13.7%, falling below the EU-28 figure of 14.9% (Table 1 in Annex 2, and cf. Botrić and Tomić, 2016). The share of own-account workers (self-employed persons without employees) decreased from 13.4% to 8.5% in the same period, while the share of contributing family workers dropped from 2.2% to 1.9%. Self-employment is less common among females - 9.4% in comparison with 17.3% among males in 2015, and also fell by more among females than men between 2008 and 2015 – by 6.2 pp (from 15.6%) as against 3.9 pp (from 21.2%) for men. The Croatian Pension Insurance Institute (HZMO)<sup>1</sup> reports that although the share of persons engaged in independent professional activities among the total number of insured persons increased from 1.3% to 1.5% between 2008 and 2015, their actual number decreased slightly. The decrease is even greater if we add those employed in crafts and trades and insured private farmers.

There are few reliable statistical indicators relating to **non-standard forms of employment**. Croatian statistics are not completely in line with ILO definitions (ILO, 2016). Additionally, a large number of different legislative provisions regulate different forms of non-standard employment (Table 7 in Annex 2). **The share of temporary employment** among the total employed **increased** from 12.3% in 2008 to 20.4% in 2015, compared with 14% in the EU-28 (Table 2 in Annex 2). In 2008, females were slightly more likely than males to do temporary work (12.5% as against 12.1%), but the reverse was true by 2015 (20.1% as against 20.6%).

**Many forms of temporary employment in Croatia are not classified as standard employment**, including: work under a contract for service or author's contract; work as part of occupational training; student work; and seasonal work. Taken together, these non-standard forms of employment are an important feature of the Croatian labour market. A survey of employers by the Croatian Employment Service (CES, 2016) showed that some 170,000 persons were in non-standard employment during 2014: 16.2% were on contracts for service; 14.3% on author's contracts; 20.5% on student contracts; and 1.6% on agency contracts. Another recent study (Butković et al, 2016) suggests that 75,435 students had student work contracts in 2014, around 65% of the regular student population.<sup>2</sup> There has also been a massive increase in participation in one form of active labour market measure, i.e. occupational training without an employment contract.

**Seasonal work, particularly in tourism and agriculture, is another significant feature of the Croatian labour market**, increasing in extent between 2008 and 2015. Seasonal work can be based on regular fixed-term contracts (i.e. non-repeated) or on fixed-term contracts for a permanent seasonal job (i.e. for a fixed-term each year, but repeated over two or more years). Seasonal work was the reason for around 18% of unemployment registry exits in 2015 (Table 3 in Annex 2). In 2012, the Employment Promotion Act<sup>3</sup> introduced a **voucher system for seasonal workers in the**

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<sup>1</sup> *Statistical information [Statističke informacije]*, Croatian Pension Insurance Institute (HZMO), quarterly publication, various issues.

<sup>2</sup> Data received from tax authorities on 9 December 2016 show that in 2014 there were 90,121, while in 2015 altogether 95,778 income recipients were registered as regular students or apprentices.

<sup>3</sup> Narodne Novine – the official gazette of the Republic of Croatia, No. 57/2012, 120/2012.

**agricultural sector**, limiting such work to 90 days within a calendar year. Grgurev and Vukorepa (forthcoming) report that the number of voucher workers has varied from year to year, with a peak of 5,267 in 2013, falling to 3,348 in 2015. At the same time, the number of 'permanent seasonal workers' increased: from only 431 at the end of 2013 to 1,047 in 2015 (Grgurev and Vukorepa, forthcoming in 2017).

Only a small proportion of Croatian employees are in **part-time work**, at least in terms of having a regular employment contract. In 2015 only 7% of the employed population worked part time, a decrease from 8% in 2008, whereas in the EU-28 this share was over 20% (Table 4 in Annex 2). A higher proportion of females work part time (8.4%, down from 10.5% in 2008) than of males (5.6%, down from 6.1% in 2008). In reality, of course, many of those in non-standard employment work part time or seasonally. Among different types of employment status, the majority of contributing family workers worked part time (77% in 2015), followed by own-account workers (28% in 2015).

**There is no official definition or meaningful statistical information on the extent of 'bogus' or 'dependent' self-employment.** Anecdotal evidence (media reports, conversations with colleagues and other stakeholders, and the like) suggests that many freelance workers could actually be classified as dependent self-employed, as could many own-account workers (self-employed persons without employees). Large media companies, for example, are known to use a mixture of standard and non-standard contracts and, at times, the tasks required under the latter resemble those under the former. Employers pay lower contributions in respect of non-standard work, and responsibility for additional social security coverage is left to the worker. Student contracts tend to resemble regular employment contracts, but employers have an incentive to use them because of lower costs.

Statistics on the risk of poverty or social exclusion for self-employed and non-standard workers are limited. Eurostat reports that **self-employed persons without employees are at much higher risk of poverty or social exclusion than people in standard employment** (Table 5 in Annex 2). The latest Croatian Bureau of Statistics report (CBS, 2016), based on SILC data, shows that 15.3% of the self-employed were at risk of poverty in 2015, up from 12.6% in 2010 and more than 10 percentage points higher than the rate for standard workers at 4.9%. Unfortunately, without a detailed examination of the SILC data it is not possible to assess which categories of the self-employed are most at risk. Eurostat reports that the **in-work at-risk-of-poverty rate is higher for those in temporary jobs** than for those in permanent jobs (Table 6 in Annex 2).

The main **social policy measures aimed at fostering self-employment** are contained **within the active labour market programmes** of the Croatian Employment Service (CES/HZZ). For example, four main schemes focus on promoting self-employment: two target young people, including one emphasising self-employment in the green economy; one focuses on seasonal work; and one targets women, mainly focusing on preparatory training for future self-employment. In addition, the Act on Job Placement and Unemployment Benefits introduced in 2008, and amended several times after that,<sup>4</sup> provides for the exceptional payment of unemployment benefit as a lump sum (rather than monthly) for the purpose of supporting new or resumed self-employment.

The Croatian parliament has recently adopted a tax reform package, effective from 1 January 2017.<sup>5</sup> One important element of the reform involves the extension of social protection to non-standard workers (along with the obligation to pay social security contributions) based on the general principle that, with some exceptions, income from different types of work should be treated similarly for tax and contribution purposes. The

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<sup>4</sup> Narodne Novine – the official gazette of the Republic of Croatia No. 80/2008, 94/2009, 121/2010, 25/2012, 118/2012, 12/2013, 153/2013 (Art. 45).

<sup>5</sup> Narodne Novine – the official gazette of the Republic of Croatia, No. 115/2016.



proposal has raised concerns that a significant proportion of artists and creative workers, who exist on incomes barely above the poverty line, will see their net income reduced considerably.

## 2 Description and assessment of social protection provisions for the self-employed and people employed on non-standard contracts

### 2.1 Description of social protection provisions for the self-employed and people employed on non-standard contracts

Croatia has **no separate system of social protection for self-employed and non-standard workers**. They are covered by the general compulsory social security system and can also participate in voluntary schemes.

The **definition of self-employed persons** can be derived from tax legislation, i.e. the Contributions Act and Income Tax Act. Article 7 of the Contributions Act,<sup>6</sup> which is relevant for the collection of social security contributions, lists the following as areas of self-employment: artisans; sole traders; persons engaged in liberal (independent) professions;<sup>7</sup> agriculture; and forestry. It defines self-employed activities as independent, permanent and income- or profit-driven activities pursued by natural persons who are registered with the taxpayer's registry, and which represent the underlying occupation of a natural person and a basis for mandatory social security insurance. Hence, self-employment activity includes also: 1) activities that are not subject to authorisation or registration; 2) activities of persons who derive an income from property and property rights; 3) other activities entered in the registry of income taxpayers based on self-employment. Other, secondary, activity is understood as any self-employed activity pursued by an employed person who is at the same time insured as an employed person.<sup>8</sup> The 2016 amendments to the Contributions Act adopted on 2 December 2016 introduced no changes in this respect.

Regarding **personal coverage**, Croatian social security legislation **includes employees, self-employed persons and some non-standard workers**. However, the **actual level of their benefits for specific social risks differs** depending on three elements: 1) the type of contributions paid; 2) the contribution rate; and 3) the contribution base, i.e. the prescribed amount for the calculation of contributions (see Table 8 in Annex 2). The income type as defined under tax legislation determines the contribution base. Accordingly incomes from employment, self-employment and from non-standard contracts can be separated into four categories: 1) employment income; 2) self-employment income; 3) other income; and 4) non-taxable income (Grgurev and Vukorepa, forthcoming in 2017).

**In the case of employment income** (which includes income from some non-standard work such as fixed-term employment, temporary agency employment, *ad hoc* employee sharing, part-time employment, additional work and permanent seasonal employment),

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<sup>6</sup> Contributions Act (Zakon o doprinosima, Narodne Novine – the official gazette of the Republic of Croatia 84/2008, 152/2008, 94/2009, 18/2011, 22/2012, 144/2012, 148/2013, 41/2014, 143/2014, 115/2016).

<sup>7</sup> Pursuant to Art. 7(1) (3) of the Contributions Act, liberal or independent professions (in Croatian termed 'slobodna zanimanja') refers to any self-employed activity pursued by a natural person who is mandatorily insured based on that activity, which is: 1) registered with a registry maintained by a state administration body responsible for authorising any engagement of natural persons in a professional occupation; or 2) registered with the registry of taxpayers and liable to either income tax or profit tax due to self-employed activities in a liberal profession (based on membership of a professional organisation or chamber, or at their own request). Furthermore, Art. 18 of the Income Tax Act includes among liberal professions: self-employed medical workers, veterinarians, lawyers, public notaries, auditors, engineers, architects, tax advisers, bankruptcy estate managers, interpreters, translators, journalists, and artists, among others.

<sup>8</sup>Art. 7 of the Contributions Act.

the contribution base consists of salary and other receipts from work.<sup>9</sup> A specific feature of permanent seasonal employment is that employers continue paying pension insurance contributions during periods when no work is performed.<sup>10</sup> The contribution base for such periods is not the previous wage level but 38%<sup>11</sup> of the average national wage (the minimum contribution base). If a permanent seasonal worker unduly refuses a job offer in the next season, the employer has the right to claim back from the employee the amount of contributions paid.<sup>12</sup> This arrangement has several advantages and some drawbacks. The advantages for permanent seasonal workers are the following: 1) a paid seasonal job; 2) the promise of a job in the next season; 3) pension accrual during actual seasonal work by reference to income and actual hours worked; and 4) pension accrual outside seasonal work by reference to the minimum contribution base. Employers profit from the fact that by paying pension contributions outside the season they 'bind' good workers to them and thus have a high probability of having them available in the next season. However, the employer can lose money if a permanent seasonal worker refuses a job in the next season and does not repay the relevant contributions (either voluntarily or through a usually very slow court enforcement procedure). Such a worker gets pension insurance period credits 'for free' because they neither worked for them nor paid them back. The law does not currently allow employers to recoup the contributions directly from the Pension Insurance Institute. Nor is there any plan to repeal the accredited insurance period. Therefore, in practice, temporary employment based on permanent seasonal contracts is less used than regular fixed-term contracts (data are provided above in chapter 1).

**Income from self-employment, or other work arrangements that are formally presented as self-employment** (e.g. the economically dependent self-employed), fall under the self-employment income regime. Articles 17 and 18 of the Income Tax Act<sup>13</sup> define self-employment income as income from: small-scale business and equivalent activities (e.g. crafts and trades); independent professions; and agriculture and forestry. Independent professional activities are defined as "professional activities of natural persons who are compulsorily insured on the basis thereof pursuant to the provisions governing compulsory insurance, or activities of natural persons which are their main activities and on the basis of which these persons are enrolled in the register of income taxpayers". These particularly include the following: 1) self-employed medical workers, veterinarians, lawyers, public notaries, auditors, engineers, architects, tax advisers, bankruptcy estate managers, interpreters, translators, tourist industry workers and such like; 2) self-employed scientists, writers, inventors and such like; 3) self-employed lecturers, educators and such like; and 4) self-employed journalists, artists and athletes. Activities in agriculture and forestry include the utilisation of natural resources and the sale or exchange of products obtained from these activities in an unprocessed state. The new Income Tax Act of 2016, which entered into force on 1 January 2017, contains similar provisions in Art. 28 and 29.<sup>14</sup> The contribution base for the self-employed depends on the type of activity. For example, for small businesses and artisans it is 65% of the average wage in Croatia; for independent professional activities and athletes it is 110%; for persons engaged in agriculture and forestry it is either 35% (38% from

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<sup>9</sup> Art. 21-22 of the Contributions Act (Zakon o doprinosima, Narodne Novine – the official gazette of the Republic of Croatia 84/2008, 152/2008, 94/2009, 18/2011, 22/2012, 144/2012, 148/2013, 41/2014, 143/2014, 115/2016).

<sup>10</sup> Ibidem, Art. 126-129.

<sup>11</sup> Art. 29 of the 2016 Amendments to the Contributions Act (Narodne Novine – the official gazette of the Republic of Croatia, 115/2016).

<sup>12</sup> Art. 16 (4) of the Labour Act (Narodne Novine – the official gazette of the Republic of Croatia, No. 93/2014).

<sup>13</sup> Income Tax Act (Zakon o porezu na dohodak, Narodne Novine – the official gazette of the Republic of Croatia, 177/2004, 73/2008, 80/2010, 114/2011, 22/2012, 144/2012, 43/2013, 120/2013, 125/2013, 148/2013, 83/2014, 143/2014, 136/2015).

<sup>14</sup> Income Tax Act (Zakon o porezu na dohodak, Narodne Novine – the official gazette of the Republic of Croatia, No 115/2016).

2017) or 55% depending on whether agriculture is performed as a registered family farm or a regular self-employment activity;<sup>15</sup> and for a self-employed person who registers as a board member of a company it is 100% of the national average wage.

Persons receiving so-called '**other income**' usually perform work under a contract for service (*ugovor o djelu*) or author's contract (*ugovor o autorskom djelu*). The contribution base is the amount of such income. Previously, work under a contract for service (except for pensioners) attracted compulsory social security contributions, whereas work under an author's contract did not. The new Amendments to the Contributions Act adopted on 2 December 2016 abolished this anomaly, and reduced unequal treatment, by making contributions obligatory in respect of all 'other income', regardless of contract type. However, the contribution rate is reduced by one-half (e.g. for compulsory first-pillar pension insurance it is 7.5%, instead of 15 %; for the second pillar it is 2.5% instead of 5%; and for compulsory health insurance it is 7.5% instead of 15%).<sup>16</sup>

**Income from student work or occupational training without employment represents non-taxable income.** Those receiving such income have an obligation to pay social security contributions, but only partially (see Table 8 in Annex 2). The contribution base for persons in occupational training is 35% (38% from 1 January 2017)<sup>17</sup> of the average wage in Croatia, while the contribution base for student work is the student income.

Social security contributions are the main source of finance for three main mandatory social insurance schemes in Croatia: pension insurance, health insurance and unemployment insurance. In addition, there are social protection schemes (universal in nature) financed mainly by the state budget, covering maternity and parental benefits, long-term care benefits and family benefits. The contribution rates for different insurance types and working arrangements are shown in Table 8 (Annex 2). There are altogether six possible types of contribution: 1) first-pillar pension contributions; 2) second-pillar pension contributions; 3) pension contributions for workers in arduous and hazardous jobs; 4) regular health insurance contributions; 5) additional health insurance contributions for health and safety (i.e. for injuries at work and occupational diseases); and 6) unemployment contributions. The obligation to pay specific types of contribution and the actual contribution rates depend on the working arrangement. For example, the rate is highest for employees and the self-employed, is reduced by one-half for other income recipients (casual workers under a contract for service or author's contract), and is much lower for student work and occupational training. Therefore, some non-standard work arrangements (e.g. contract for service, author's contract, student contract and occupational training) are much cheaper than standard employment contracts or self-employment. Further, the different contribution bases as between employees and the self-employed also generate differences in labour costs between these two groups, and consequently may affect the level of social security benefits.

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<sup>15</sup> Art. 66, 85c and 88 of the Contributions Act (Zakon o doprinosima, Narodne Novine – the official gazette of the Republic of Croatia Nos. 84/2008, 152/2008, 94/2009, 18/2011, 22/2012, 144/2012, 148/2013, 41/2014, 143/2014). See also Art. 29 of the 2016 Amendments to the Contributions Act (Narodne Novine – the official gazette of the Republic of Croatia No. 115/2016).

<sup>16</sup> Art. 2, 3, 4 and 18 of the Amendments Act to Contributions Act of 2017 (changing provisions of Art. 13, 14, 17 and 209 of the Contributions Act). The Amendments Act was adopted by the Parliament on 2 December 2016, and came into force on 1 January 2017 (published in Official Gazette, 115/2016 on 12 December 2016), <http://www.sabor.hr/konacni-prijedlog-zakona-o-izmjenama-i-dopunam0024> (accessed 10 December 2016).

<sup>17</sup> Art. 29 of the 2016 Amendments to the Contributions Act (NN 115/2016).

### 2.1.1 Healthcare and sickness: cash benefits and benefits in kind

The Croatian healthcare system consists of mandatory and voluntary<sup>18</sup> health insurance schemes. Although formally not universal, nevertheless mandatory health insurance can be considered as such, since it covers almost all persons: 1) the insured, including the employed, the self-employed, students, pensioners, the unemployed and other non-active persons; 2) children under 18 and the insured's family members, and 3) other insured persons (mainly those who are not covered under the previous two groups). The mandatory system is financed through several channels: 82% of revenue comes from social security contributions (mainly paid by active insured persons); 11% from taxes; and 7% from other special revenues (such as tobacco excise duty and mandatory car accident insurance premiums).<sup>19</sup> The mandatory system provides healthcare benefits in kind<sup>20</sup> as well as cash benefits.<sup>21</sup> Benefits are provided in line with three principles: reciprocity, solidarity and equality.<sup>22</sup>

The self-employed have the same entitlements to healthcare as other citizens, and like most of them (the exceptions include children under the age of 18, and people suffering from certain diseases) they are subject to compulsory co-payments. Croatian citizens are required to partially participate in health care expenditures through compulsory co-payments and this requirement is also applicable to the self-employed.

Cash benefits are provided to self-employed (including farmers) and non-standard workers on the same basis – *mutatis mutandis* – as standard employees. For example, employees receive sickness benefit from their employer for the first 42 days of leave, and after that from the Croatian Health Insurance Institute,<sup>23</sup> whereas self-employed persons (who have no employer) only receive it after 42 days. However, the Croatian Health Insurance Institute pays sickness benefit to the self-employed from the first day of sick leave in some special circumstances such as: the need for isolation where they are carrying an infectious disease; pregnancy complications; wound, injury or illness that is the direct consequence of past involvement in the 'Homeland War'; and nursing a family member.<sup>24</sup> Persons receiving 'other income' (e.g. a freelancer engaged under a contract for service and not registered as self-employed) also have a right to sickness benefit provided they are unfit to perform the contracted work and have paid health insurance contributions based on such the income concerned.<sup>25</sup> In this case and upon the person's request, the medical commission of the Croatian Health Insurance Fund determines the beginning, duration and termination of the person's temporary inability to work.<sup>26</sup> In

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<sup>18</sup> Voluntary health insurance takes three forms: supplementary, additional and private. Supplementary and additional insurance schemes are available only to persons having compulsory health insurance and are administered by the Croatian Health Insurance Fund or private insurance companies. Supplementary health insurance covers healthcare participation costs (co-payment requirement), while additional health insurance gives a higher standard of healthcare than under mandatory health insurance. Private health insurance is available to those not covered by mandatory health insurance.

<sup>19</sup> Report of Croatian Health Insurance Fund for 2015, CHIF, February 2016, p. 3-4. ([http://cdn.hzzo.hr/wp-content/uploads/2016/04/Izvjesce\\_o\\_poslovanju\\_hzzo\\_za\\_2015\\_godinu.pdf](http://cdn.hzzo.hr/wp-content/uploads/2016/04/Izvjesce_o_poslovanju_hzzo_za_2015_godinu.pdf) (accessed 26 June 2016)).

<sup>20</sup> It encompasses several sorts and levels of healthcare (primary, specialist-conciliary, hospitalisation, medicines, dentist-prosthetics assistance and replacements, orthopaedic and other instruments, emergency medical care and healthcare abroad).

<sup>21</sup> There are several cash benefits: salary compensation for sickness; cash benefit for incapacity to perform self-employment activities; reimbursement of travel expenses provided that the person was referred to healthcare treatment outside the place of residence; and compensation for funeral expenses in the case of death caused by accidents at work or occupational diseases.

<sup>22</sup> Art. 4(2) and 15 of the Act on Mandatory Health Insurance and Health Care of Foreigners in the Republic of Croatia and Art. 3(2) of the Mandatory Health Insurance Act.

<sup>23</sup> Art. 40 of the Mandatory Health Insurance Act.

<sup>24</sup> *Ibidem*, Art. 41 (1) and (2) in relation to Art. 39.

<sup>25</sup> *Ibidem*, Art. 57-61.

<sup>26</sup> Art. 54-61 of the Rules on Conditions and Exercise of Rights under the Mandatory Health Insurance (Pravilnik o uvjetima i načinu ostvarivanja prava iz obveznog zdravstvenog osiguranja, Narodne Novine – the official gazette of the Republic of Croatia Nos. 49/2014, 51/2014, 123/2016, 11/2015, 17/2015).

general, sickness benefit for all groups is earnings-related and depends on the average salary or contribution base of the previous six months.

### 2.1.2 Maternity/paternity cash benefits and benefits in kind

Maternity/paternity leave, parental leave and the corresponding cash benefits are available to self-employed persons (including farmers) on an equal basis to standard and non-standard workers. However, the transition from unemployment to employment or self-employment indirectly affects the level of benefit, since the latter depends on the qualifying period and contribution base. Maternity cash benefit normally amounts to 100% of the average salary or contribution base for the previous six months; however, if a mother does not meet the qualifying period (12 months continuously or 18 months intermittently in the previous two years) the benefit is only 50% of the contribution base. This is also the amount of benefit for parents out of work.<sup>27</sup> With regard to the lump-sum birth grant, self-employed persons are treated equally to all other beneficiaries.

### 2.1.3 Old-age and survivors' pensions

Since 2002, the Croatian mandatory pension system has been organised in two pillars. The first pillar is a pay-as-you-go defined-benefits/points system. It is financed by contributions, and the state budget covers any deficit. The second pillar is a fully funded defined-contribution scheme based on individual accounts (financed by a part of social security contributions and investment returns). The third pillar is voluntary, also a funded, defined-contribution scheme based on individual accounts. It is open for participation to everyone, regardless of his or her status within the mandatory system.

Under mandatory pension insurance, self-employed persons and members of their families are granted the same rights, under the same conditions, as employed persons and their family members. This covers old-age pension, early pension, invalidity pension, occupational rehabilitation, cash benefit for physical damage, survivors' benefit, and all benefits relating to accidents at work and occupational diseases. For more on invalidity benefit, see below in Section 2.1.6.

Self-employed persons pay their own contributions, at the same rate as employed persons; however, the contribution base differs according to the type of self-employment activity, as explained above. Unlike the situation for employees, periods of insurance by self-employed persons are recognised only where contributions have actually been paid. In cases where contributions have not been paid, the pension is granted only for the period covered by contributions: but additional contributions can be paid retrospectively, in which case the pension is recalculated.

Entitlements for non-standard workers may be affected by different contribution rates and bases. Analyses conducted by Grgurev and Vukorepa (forthcoming) have shown the following:

- Persons employed as **permanent seasonal workers** enjoy pension coverage outside the seasons when work is performed. For non-working periods, their employer has to pay pension contributions based on 38% of the average wage in Croatia.<sup>28</sup>
- **Part-time work** does not affect retirement conditions (i.e. required years of service). However, it does affect the level of pension benefit, because the pension

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<sup>27</sup> Art. 24 of the Maternity and Parental Benefits Act (Zakon o roditeljnim i roditeljakim potporama, Narodne Novine – the official gazette of the Republic of Croatia Nos. 85/08, 110/08, 34/11, 54/13, 152/14).

<sup>28</sup> Art. 16(2) of the 2014 LA and Art. 18(4) of the Pension Insurance Act; Art. 126 to 129 of the Contributions Act. See also Art. 29 of the 2016 Amendments to the Contributions Act (NN 115/2016).

insurance period and salary are calculated *pro-rata temporis* compared with full-time workers.<sup>29</sup>

- **Fixed-term employment and temporary agency work** are potentially problematic because of low wages and longer breaks between employment contracts.
- Under **voucher work in agriculture**, a special type of casual income, the employer pays pension contributions on a daily basis in advance (i.e. the minimum monthly contribution base divided by 30).<sup>30</sup> Thus, the effect of this specific type of work on the level of pension is potentially very small. Since voucher work is limited to a maximum of 90 days within a calendar year, and the minimum qualifying period for old-age pension is 15 years, voucher work by itself is clearly not sufficient to enable someone to qualify for an old-age pension.
- People engaged under **occupational training contracts** may be expected to accrue pension benefits at a lower rate, since such contracts generate no income,<sup>31</sup> and pension insurance contributions are calculated by reference to the minimum contribution base which is set at 35% (38% from 2017) of the average wage in Croatia.<sup>32</sup>
- Income from **student work** is non-taxable.<sup>33</sup> Students are covered by the pension system only as 'insured persons under special circumstances', so their pension contributions are paid at a reduced level of only 5%.<sup>34</sup> They have rights in the case of disability or physical injury, but do not accrue other pension rights including the old-age pension.
- **Recipients of 'other income', including those engaged in casual work** based on a contract for service and (from 1 January 2017) an author's contract, are covered on condition that contributions are paid on the same basis as for the self-employed.<sup>35</sup> The amount of 'other income' is the contribution base,<sup>36</sup> and hence is taken into account when determining the pension amount; similarly, the period in which 'other income' was received counts towards the insurance period.<sup>37</sup> Rights can be accrued to various types of pension benefits, except for those related to an accident at work or occupational disease.<sup>38</sup>

There is also a noticeable degree of inequality amongst pensioners who want to combine retirement with different forms of work. Partial retirement with the right to full pension benefit is allowed to part-time employees (max. 20 hours per week) and persons receiving 'other income' (without limit). However, a combination of old-age pension and continued self-employment is not allowed.<sup>39</sup>

<sup>29</sup> Art. 27 of the Pension Insurance Act.

<sup>30</sup> Art. 9 and 13 of the Employment Promotion Act.

<sup>31</sup> There is only a right to financial assistance as part of active policy employment measures, which is non-taxable income.

<sup>32</sup> Art. 9(1)(4) of the Contributions Act. See also Art. 29 of the 2016 Amendments to the Contributions Act (Narodne Novine – the official gazette of the Republic of Croatia No. 115/2016).

<sup>33</sup> Art. 10(6) of the Income Tax Act. Same in Art. 9(1)(6) of the new Income Tax Act of 2016 in force from 1 January 2017 (Narodne Novine – the official gazette of the Republic of Croatia No. 115/16).

<sup>34</sup> Art. 19 of the Pension Insurance Act and Art. 159 to 169, and 209 (1)(4) of the Contributions Act.

<sup>35</sup> Art. 17 of the Pension Insurance Act.

<sup>36</sup> Articles 5, 7(9) (1) and (2) and 111 to 117 of the Contributions Act.

<sup>37</sup> If the person has less than 12 months of service in a calendar year, the insurance period is established by dividing the income on which contributions were paid by the average monthly salary of all employees in Croatia. Art. 30 to 31 of the Pension Insurance Act.

<sup>38</sup> Art. 17 of the Pension Insurance Act.

<sup>39</sup> Pursuant to Art. 99 of the Pension Insurance Act.

### 2.1.4 Unemployment benefits and social assistance benefits

The **Croatian unemployment insurance scheme** is compulsory for all employees. Since 2014, it has also covered the self-employed. Persons receiving 'other income', (e.g. persons working based on a contract for service, or author's contract) as well as those working under student contracts or occupational training contracts, are not covered and are not obliged to pay contributions.

The main benefit of the scheme is the unemployment cash benefit (*novčana naknada*), an earnings-related benefit financed by contributions. In addition, unemployed people may be entitled to other benefits that can be considered as types of unemployment assistance and are partially covered from the state budget.<sup>40</sup>

For most people the qualifying period for unemployment cash benefit is nine months of employment or self-employment during the previous 24 months (not necessarily consecutive, and regardless of whether full-time or part-time).<sup>41</sup> The qualifying period for financial assistance for those on a fixed-term contract for permanent seasonal work<sup>42</sup> is six months with the same employer, over at least three seasons. The amount and the duration of unemployment cash benefit differs from financial assistance for permanent seasonal workers.

The amount of the unemployment cash benefit depends on average net earnings (or the average contribution base) over the three months prior to termination of employment or self-employment (the so-called 'unemployment benefit base'); if those earnings cannot be determined, the benefit is based on the minimum national wage. For the first 90 days, the benefit amounts to 70% of reference earnings, and 35% thereafter. A ceiling amount is fixed at the level of the national average net wage of the previous year and in the same percentage range. A minimum amount is fixed at 50% of the national minimum wage net of mandatory insurance contributions.<sup>43</sup> The duration of the benefit is expressed in calendar days and is proportionate to the length of the employment or self-employment period previously completed. Permanent seasonal workers are entitled to financial assistance while not working, for a maximum of six months, the amount being determined by government decision. For the first three months it is set at 60% of average gross earnings over the three months preceding the end of employment, but cannot be lower than the comparable unemployment cash benefit. For the remaining period it is reduced by one-half.<sup>44</sup>

The general rule is that new employment or self-employment leads to termination of benefit payments and deletion from the unemployment registry, thus setting the counter to zero. However, there are two exceptions. Firstly, those who became employed or self-employed before the cash benefit payment period expired, and who then become unemployed again, are entitled to continued payment of the unemployment cash benefit for the unexpired time.<sup>45</sup> Secondly, people are allowed to earn a small income outside

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<sup>40</sup> Those are: 1) pension insurance for a person who has reached pensionable age but lacks up to five years of insurance period, provided they are entitled to unemployment benefit; 2) financial assistance and reimbursement of costs during education and vocational training (encompassing also the right to financial assistance and reimbursement of costs during professional training for work without conclusion of an employment relationship; 3) lump-sum monetary assistance and compensation for travel and moving costs; and 4) financial assistance to persons on continued pension insurance based on a fixed-term employment contract for permanent seasonal jobs.

<sup>41</sup> Art. 37 of the Act on Job Placement and Unemployment Benefits.

<sup>42</sup> Art. 55a of the Act on Job Placement and Unemployment Benefits.

<sup>43</sup> Art. 41-43 of the Act on Job Placement and Unemployment Benefits.

<sup>44</sup> Ibidem, Art. 55a. See also: Decision on the method of determining the amount of financial assistance for persons on continued pension insurance based on a fixed-term employment contract for permanent seasonal jobs (Odluka o načinu utvrđivanja visine novčane pomoći osobi osiguranoj na produženo mirovinsko osiguranje na temelju ugovora o radu na određeno vrijeme za stalne sezonske poslove), Narodne Novine – the official gazette of the Republic of Croatia No. 12/2014.

<sup>45</sup> Ibidem, Art. 49(2) (3).

formal employment (e.g. based on a contract for service).<sup>46</sup> Unemployment benefit can also be used to top up partial disability pension and other benefits under special regulations: if those benefits are lower than the unemployment cash benefit.<sup>47</sup>

**Croatian social assistance covers all citizens** (a universal system). There are no special provisions for self-employed or non-standard workers compared with standard workers. However, all benefits are means-tested based on income.

### 2.1.5 Long-term care benefits

In Croatia, as in many other countries, long-term care benefits are not a separate and distinct branch of social security with their own scheme. Instead they arise under legislation regulating other branches of social security, such as: pension insurance (e.g. disability pension, and cash benefits due to work accidents and occupational diseases); health insurance (e.g. carer's sick leave); maternity and parental benefits (e.g. right to extended parental leave for child with severe development difficulties); and social assistance (e.g. personal disability allowance, assistance allowance, and social services such as homecare services, residential care etc.). Generally, there are no differences in entitlement between employed and self-employed persons, other than those explained under each scheme.

### 2.1.6 Invalidity, accidents at work and occupational injuries benefits

There is no special system of benefits for accidents at work and occupational diseases. The health insurance system provides short-term benefits (sickness benefits and healthcare under more favourable conditions). The pension system provides long-term benefits such as invalidity pension and occupational rehabilitation. If invalidity has been caused by an accident at work or occupational disease, benefits are more generous. In addition, there is a right to cash benefits for physical damage if caused by accident at work or occupational disease. There is almost no difference in treatment between employees and self-employed persons: the only exception is self-employed farmers, who are not eligible for occupational rehabilitation or invalidity pension for partial work incapacity.

### 2.1.7 Family benefits

Self-employed and non-standard workers are entitled to means-tested child benefit (*doplatak za djecu*) in the same way as all other citizens. There are currently three monthly levels of benefit: 1) HRK 199.56 (EUR 26) for families with a monthly income of HRK 1,119.53-1,663.00 (EUR 146-217); 2) HRK 249.45 (EUR 33) for those with an income of HRK 543.14-1,119.53 (EUR 71-146); and 3) HRK 299.34 (EUR 39) for those with an income up to HRK 543.14 (EUR 71). The system is administered by the Croatian Pension Insurance Institute. Higher benefit levels (by 15-25%) are paid for some categories of children: those of unknown parents, of parents who are incapable of independent living, or of lone parents, and children with significant health problems. HRK 831.50 (EUR 109) is paid, regardless of family income, for children with severe health problems.

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<sup>46</sup> Ibidem, Art. 47. Their benefit shall be discontinued for a number of months equal to the quotient obtained by dividing their total earnings by the lowest monthly contribution. Those persons shall continue to receive benefits for the remainder of the period, provided they report to the Croatian Employment Service within 30 days after the cessation of the circumstances that led to the discontinuation of payments (Act on Job Placement and Unemployment Benefits).

<sup>47</sup> Ibidem, Art. 42 (2) and Art. 48 (1), points 11 and 13.



## 2.2 Assessment of the existing social provisions and of the impact of possible extension of their coverage

The social protection system provides adequate access, on the whole, for self-employed and non-standard workers (see Tables 1 and 2 in Annex 1). The main gaps relate to mandatory pensions and unemployment insurance and are linked to lower contribution bases or no contributions being collected for certain types of work.

Flexible forms of work may **adversely effect pension entitlements** in two ways: in the form of lower pensions, and in the form of limited access to some pension rights.

**Lower pension rights** are the result of lower salaries – hence lower contributions – in the case of part-time workers, some self-employed workers, casual and voucher workers, as well as workers on occupational training contracts. The new Amendments to the Contributions Act (NN 115/2016) was aimed at improving these workers' contribution record by increasing the minimum contribution base, with effect from 1 January 2017, from 35% to 38% of the average national wage. Lower pension rights can also result from gaps in contributions associated with temporary work and occupation training.

A related problem is **limited access to some pension rights**. Firstly, student work contracts do not create old-age pension rights, but only those related to physical injuries and disabilities. Secondly, casual work under a contract for service or author's contract do not create a right in the case of injury at work or occupation diseases.

Persons receiving 'other income', as well as those working under student contracts or occupational training contracts, are not covered by **unemployment insurance** and are not obliged to pay contributions.

Although it can reasonably be assumed that inequalities in contribution bases and rates may affect smooth transitions from contractual employment or unemployment to self-employment, the extent of this is not known. Regarding the **combination of employment and self-employment**, even when social security contributions are levied, it does not necessarily increase entitlements within social insurance schemes. It only partially increases pension levels by affecting average value points, but it seems not to affect the level of sickness cash benefits.

There are no quantitative data on replacement rates for particular benefits. However, in principle all insurance-based, earnings-related benefits will be lower in the case of those on lower wages or who paid contributions by reference to the minimum contribution base (occupational trainees, farmers, permanent seasonal workers. etc.).

Variations in contribution bases and rates mean that some kinds of self-employment or non-standard working arrangements are cheaper for employers than standard employment contracts. This difference in labour costs may lead to distortions in the labour market, by creating an incentive to reduce the use of standard contracts.

The individual accounts that already exist within the second pension pillar could, along with the infrastructure of REGOS (Central Registry of Insured Persons), serve as a good basis for developing individual social security accounts, with a view to fostering transparency and transferability. However, currently there are no plans to introduce these kinds of accounts.

## 3 Conclusions and recommendations

The Croatian social security system includes employees, self-employed persons and some non-standard workers. However, the actual level of their benefits in respect of specific social risks differs depending on three elements: 1) type of contributions paid; 2) contribution rate; and 3) contribution base.

Despite recent tax reform and some other improvements, there is still a variety of contribution bases and rates that makes work under non-standard contracts (such as a contract for service, author's contract, student contract or occupational training) much

cheaper than either using standard employment contracts or contracting with self-employed workers. **Income from all work arrangements (including self-employment and non-standard work) should be treated equally**, and should fall under the same obligation to pay social security contributions. This would require legislative changes and a shift **from a social security system based on work type towards one based more on income**.

As Grgurev and Vukorepa (forthcoming in 2017) point out, it would be advisable to consider abolishing the time restriction on **voucher work** (currently a maximum of 90 days per calendar year), as well as expanding it to other jobs outside agriculture where work is done for very short periods and perhaps for several employers. It is well known that such work is often undeclared and is based on an oral contract for service – for example, in household cleaning, babysitting, and care of frail and elderly family members. **Widening voucher work in this way would extend social protection coverage**, reduce the extent of the shadow economy, and also reduce evasion of taxes and social security contributions.

**Partial (flexible) retirement should be readapted so that it serves the purpose of postponing full retirement.** It should cover all types of employment and self-employment. Where work and retirement are combined, pension benefits should be reduced (not paid in full as currently) on an actuarial basis. At the same time, social security contributions should be collected on income from work, which would then increase the level of future benefits.

**More flexible arrangements could be considered for 'topping up' contributions by self-employed and non-standard workers.** This could not only compensate for lost months of contributions but also give people the option of using higher contributions to obtain higher earnings-related benefits.

Making coverage more extensive and flexible in these ways would have three positive effects. Firstly, it would widen the circle of persons paying social security contributions: this could reduce transfers from the state budget to cover social insurance deficits (e.g. covering the costs of healthcare that is in practice provided on a universal basis). Secondly, people could expect higher social security benefits in the future. Thirdly, it would eliminate unequal treatment of standard and non-standard workers in terms of social protection.

In addition, the state should consider measures aimed at avoiding the marginalisation of persons engaged in some kinds of low-income, flexible non-standard work. One possible measure would be to introduce a means-tested, non-contributory 'social' or 'zero pillar' pension, financed from the state budget, for all those of retirement age. This would be particularly important for those who receive neither a contributory pension nor social assistance in old age. Of course, all of these measures would require a careful redesign of the social protection system as a whole, in terms of its relationship to the world of work and to the standard principles of social insurance.

Finally, more reliable statistics are needed on the different forms of non-standard work in Croatia, as a basis for evidence-based policy-making. The Tax Administration (Porezna uprava), together with the Croatian Pension Insurance Institute and REGOS (Central Registry of Insured Persons), should provide more information on different forms of employment, sources of income and contribution payments, thus making it possible to determine more precisely who uses non-standard forms of work as an additional source of income and who is reliant on non-standard work as their only income source. More research is also needed in these areas, especially taking into account the digitalisation of the economy and the rapid emergence of new forms of work.

## Annex 1 Tables on access to social protection

TABLE 1: Summary table on access to social protection of the self-employed

	On her/his own account	With employees (self-employed employer)	Dependent on single client	Dependent on contractual relationship with client	Liberal professions (e.g. doctor, notary, lawyer)	Self-employed farmers
Healthcare - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full
Sickness - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full
Maternity/paternity - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full
Old age pensions (preretirement benefits and pensions)	Full	Full	Full	Full	Full	Full
Survivors pensions and death grants	Full	Full	Full	Full	Full	Full
Unemployment benefits	Full	Full	Full	Full	Full	Full
Social assistance benefits (means tested for all)	Full	Full	Full	Full	Full	Full
Long-term care benefits	Full	Full	Full	Full	Full	Full
Invalidity benefits	Full	Full	Full	Full	Full	Partial (no right to occupational rehabilitation invalidity pension for partial incapacity to work)
Accidents at work and occupational injuries benefits	Full	Full	Full	Full	Full	Full
Family benefits (means-tested for all)	Full	Full	Full	Full	Full	Full

**TABLE 2: Summary table on access to social protection for contractual employment (non-standard contracts)**

	Full-time employee	Part-time employee	Fixed-term employee	Temporary agency worker	Casual and seasonal workers	Apprentices and student contracts	Occupational trainees (unpaid)
<b>Healthcare - cash benefits and benefits in kind</b>	Full	Full	Full	Full	Full	Full	Full
<b>Sickness - cash benefits and benefits in kind</b>	Full	Full	Full	Full	Full/Partial	None	None
<b>Maternity/paternity - cash benefits and benefits in kind</b>	Full	Full	Full	Full	Full	Full	Full
<b>Old age pensions (preretirement benefits and pensions)</b>	Full	Full	Full	Full	Full	None	Full
<b>Survivors pensions and death grants</b>	Full	Full	Full	Full	Full	Full	Full
<b>Unemployment benefits</b>	Full	Full	Full	Full	Partial (special benefit for seasonal workers)	None	None
<b>Social assistance benefits (means tested for all)</b>	Full	Full	Full	Full	Full	Full	Full
<b>Long-term care benefits</b>	Full	Full	Full	Full	Full	Full	Full
<b>Invalidity benefits</b>	Full	Full	Full	Full	Full	Partial (only if based on accident at work or occupational diseases)	Full
<b>Accidents at work and occupational injuries benefits</b>	Full	Full	Full	Full	Partial (not for casual workers)	Full	Full
<b>Family benefits (means-tested for all)</b>	Full	Full	Full	Full	Full	Full	Full

*n.b. On-call workers and zero-hours workers are not regulated in Croatia (please see also below Table 7 in Annex 2).*

## Annex 2 Additional statistical and other tables referred to in text

### Table 1. Employment by professional status, 15 years or over (%)

	EU-28				Croatia			
	2008		2015		2008		2015	
Employees	83.4	(17.0)	83.9	(15.5)	79.1	(12.0)	84.4	(13.9)
Employed persons except employees	16.5		16.1		20.9		15.6	
<b>Self-employed persons</b>	<b>14.9</b>	<b>(8.2)</b>	<b>14.9</b>	<b>(7.9)</b>	<b>18.7</b>	<b>(7.8)</b>	<b>13.7</b>	<b>(5.0)</b>
Self-employed persons with employees (employers)	4.5		4.2		5.3		5.1	
Self-employed persons without employees (own-account workers)	10.3		10.7		13.4		8.5	
Contributing family workers	1.7	(9.4)	1.2	(8.7)	2.2	(10.4)	1.9	(14.2)

Note: () - newly employed (share of people in current job for 12 months or less, in total employment).

Source: Eurostat.

### Table 2. Temporary employees as % of the total number of employees, and the main reason for temporary employment

	EU-28		Croatia	
	2008	2015	2008	2015
<i>% of the total number of employees</i>				
Total	14.2	<b>14.1</b>	12.3	<b>20.4</b>
Males	13.3	13.8	12.1	20.6
Females	15.1	14.5	12.5	20.1
<i>Reason (total)</i>				
Could not find permanent job	59.4	62.1	51.0	43.0
Did not want a permanent job	13.1	12.5	1.5	1.6
In education or training	18.3	16.8	43.1	52.8
Probationary period	9.1	8.6	4.4	2.5

Source: Eurostat

### Table 3. Unemployment registry exits due to employment

	Number		% of total exits due to employment	
	2008	2015	2008	2015
<i>Type of contract</i>				
Open-ended contract	23,941	15,394	17.8	6.6
Fixed-term contract	104,287	191,196	<b>77.5</b>	<b>82.2</b>
Other professional activities	6,329	25,909	4.7	11.1
<i>Seasonal work</i>	24,403	41,467	<b>18.1</b>	<b>17.8</b>

Source: Croatian Employment Service (CES).

**Table 4. Part-time employment as % of the total employment, and the main reason for part-time employment**

	EU-28		Croatia	
	2008	2015	2008	2015
<i>% of the total employment</i>				
Total	18.2	<b>20.5</b>	8.0	<b>6.9</b>
Males	7.8	10.0	6.1	5.6
Females	30.9	32.7	10.5	8.4
<i>Professional status</i>				
Employees	18.2	20.6	1.2	3.5
Self-employed persons	15.4	18.1	29.1	18.1
Self-employed persons without employees (own-account workers)	19.9	<b>22.7</b>	40.3	<b>27.8</b>
Contributing family workers	40.2	41.2	74.0	76.8
<i>Reason (total)</i>				
Could not find a full-time job	24.5	27.5	17.1	22.7
Own illness or disability	4.8	4.0	17.7	4.3
Other family or personal responsibilities	15.6	14.4	9.1	11.0
Looking after children or incapacitated adults	21.1	20.4	6.7	3.9
In education or training	10.2	9.7	2.9	4.6
Other	23.8	23.9	46.5	53.5

Source: Eurostat.

**Table 5. People at risk of poverty or social exclusion by employment status (18 years and over)**

	EU-28		Croatia	
	2010	2015	2010	2015
<i>At risk of poverty or social exclusion</i>				
Population	22.7	22.9	31.5	29.3
Employed persons	12.1	12.5	14.8	11.8
Employees	10.1	10.5	14.0	11.1
<b>Employed persons except employees</b>	<b>23.5</b>	<b>25.0</b>	<b>20.7</b>	<b>18.1</b>
Unemployed persons	64.5	66.6	61.0	56.6
<i>At-risk-of-poverty rate</i>				
At work			6.3	5.9
Employees			5.4	4.9
<b>Self-employed</b>			<b>12.6</b>	<b>15.3</b>
Unemployed persons			45.1	42.8

Source: Eurostat and Croatian Bureau of Statistics for at-risk-of-poverty rate.

**Table 6. In-work at-risk-of-poverty rate by type of contract and by full-/part-time work**

	EU-28		Croatia	
	2010	2015	2010	2015
<i>Type of contract</i>				
Employees with a permanent job	5.2	5.8	6.8	5.2
Employees with a temporary job	13.7	16.5	8.2	10.2
<i>Full-/part-time work</i>				
Part-time	12.5	15.4	18.5	20.4
Full-time	7.1	7.8	5.9	5.4

Source: Eurostat.

**Table 7. Overview of non-standard forms of employment**

ILO (2016)	Eurofound (2015)	Croatia	Legal basis for such work
Temporary employment  (fixed-term, including project - based or task-based, casual work)	-	Fixed-term employment	Art. 12 of Labour Act (LA) <ul style="list-style-type: none"> <li>• first contract no limitations</li> <li>• successive contracts – max. 3 years, with some exceptions</li> </ul>
		Additional work (over full-time for another employer) Possible also through self-employment as company owner, craftsmen, tradesmen, independent professionals or freelancer via contract for service or author's contract	Art. 61/3 and Art. 62/3 LA (max. 8h /week, or 180 h/ calendar year) Civil or commercial contract (Obligations Act)
Part-time	-	Part-time work	Art. 62 LA
On-call work	Casual work <ul style="list-style-type: none"> <li>• Intermittent work</li> <li>• On-call work (zero hours contract)</li> </ul>	Not regulated by LA Possible via contract for service (Obligations Act) or author's contract	
Multi-party	-	Temporary Agency Work	Arts. 44-52 LA (hiring-out: max. 3 years)
	Employee sharing <ul style="list-style-type: none"> <li>• Ad-hoc employee sharing (labour pooling)</li> </ul>	Temporary assignment to another associated company	Art. 10/3 LA (max. 6 months within Croatia) Art. 18/4 LA (max. 2 years if posted abroad)
	<ul style="list-style-type: none"> <li>• Strategic employee sharing</li> </ul>	Not regulated Possible only via temporary assignment agreements (LA)	
Temporary employment (seasonal)	-	Fixed-term employment	Art. 12 of Labour Act (LA)
	-	Permanent seasonal employment	Art. 16 LA
	Voucher-based work	Voucher work (allowed only in agriculture)	Arts. 9 -13 of Employment Promotion Act – (max. 90 days/ calendar year)
Disguised employment	-	Occupational training work without employment	Art. 59 LA, or Arts. 6-8 Employment Promotion Act
	-	Student work	Art. 88/4 of the Act on Science and Higher Education + Ordinance
Dependent self-employed	-	Self-employed (as company owners, craftsmen, tradesmen, independent professionals or freelancers) via contract for service or	Civil or commercial contract (Obligations Act)

		author's contract
-	Job sharing	Possible only through provisions on part-time work
-	Interim management	Not regulated by LA Currently possible via: 1) fixed-term employment contract, or 2) contract for service/work of a self-employed person or strategic management company owner (Obligations Act)
-	ICT based mobile work	Not regulated by LA Currently possible only by obeying LA provisions on alternative workplace employment contracts;
Casual work in 'on-demand' or 'gig economy'	Crowd employment	Not regulated by the LA Work can be performed via: 1) employment contract (LA), 2) self-employment, or 3) contract for service (Obligations Act) – most likely in practice
-	Portfolio Work	Not regulated by LA, falls under Obligations Act (contract for service)
-	Collaborative employment (Umbrella organisations, cooperatives etc.)	As a new modality for self-employed and start-up firms, Not regulated by LA, but falls under the Obligations Act (e.g. contracting parties are agreeing on terms of sharing work-space and other supportive tasks)

Source: Authors of this report based on Grgurev & Vukorepa 2016 (forthcoming in 2017), ILO 2016 and Eurofound 2015.

Note: LA is a legal reference to 'Labour Act'

**Table 8. Social security contribution rates, after 2016 amendments**

Social insurance type	For employees	For self-employed	Self-employed in agriculture and forestry	Occupational training without employment contract	Student work	Other income recipients (contract for service, author's contract)
<b>Pension insurance</b> (from gross earnings or contribution base)						
- 1 <sup>st</sup> Pillar	15%	15%	5%	15%	-	7.5%
- 2 <sup>nd</sup> Pillar	5%	5%	5%	5%	-	2.5%
- For workers in arduous and hazardous jobs	from 4.86% to 17.58%	-	-	-	5% (special pension contribution covering physical injury, disability and death)-	-
<b>Health insurance</b> (on top of gross earnings or contribution base)						
- health insurance	15%	15%	7.5%	15%	-	7.5%
- health and safety contribution (for injuries at work and occupational disease)	0.5%	0.5%	0,5%	0.5%	0.5%	-
<b>Unemployment insurance</b> (on top of gross earnings or contribution base)	1.7%	1.7%	1.7%	-	-	-

Source: Authors' own elaboration based on analysis of relevant legislation.



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