

# **Mutual Learning Programme**

DG Employment, Social Affairs and Inclusion

## **Peer Country Comments – Croatia**

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**How temporary work come to fore:**

**precarious arrangements emerging from employment deregulation and formalization in Croatia**

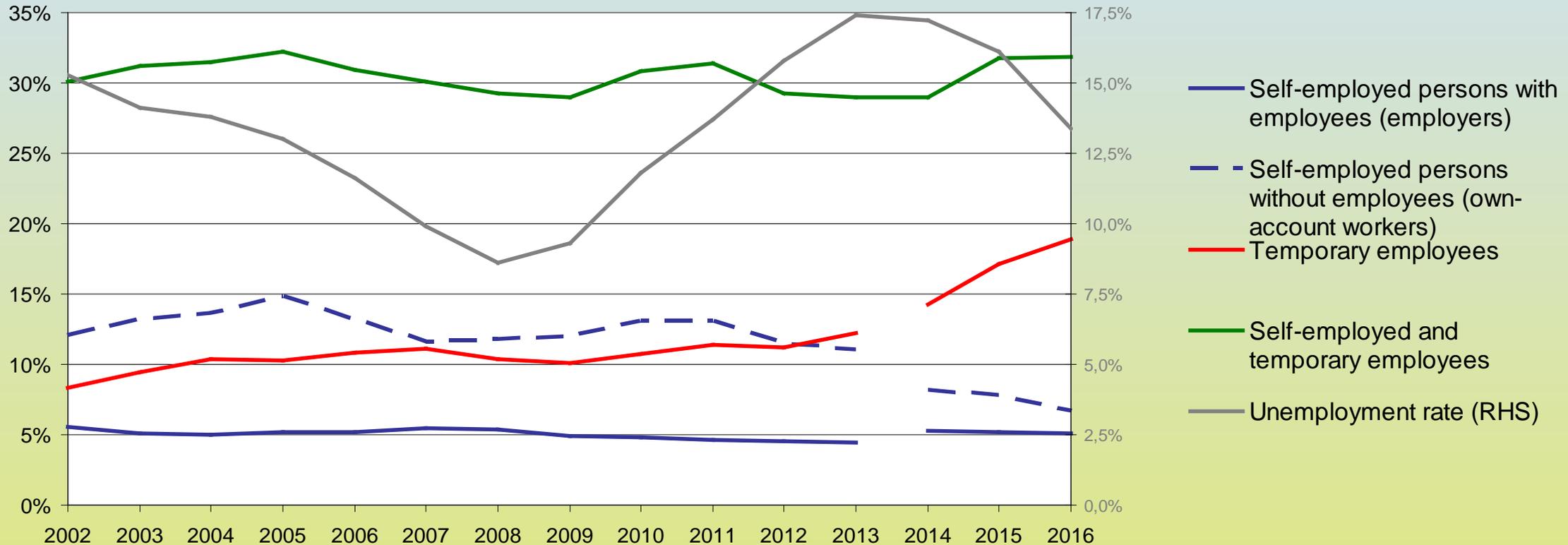
Peer Review on

**“The rise of precarious work (including some forms of solo self-employment) - causes, challenges and policy options”**

**The Hague, 19-20 April 2018**

# Changes in temporary employment and self-employment in Croatia

Atypical employment as share of total employment (15-64), 2002-2016 (LFS)



## Solo self-employment: in decline.

Stable between mid-1990s and mid-2000s, in decline since - from 14,2% (15-74) in 2010 to 11,8% in 2013, and from 8,8% in 2014 to 7,2% in 2016.

## Temporary employment: increasing.

Third-highest share of temporary employment contracts in the EU: from 13,2% to 22,2% of all employees (2012-2016).

Repeated deregulation of employment protection:

**Temporary + Self-employment: stable** -> Easier access to immediate external numerical flexibility (via direct hiring of temporary employees) might have dampened the demand for external functional flexibility ((sub)contracting the self-employed).

# Types of Temporary Employment

Croatian labour market is distinct for the diversity of possible legal options for temporary contracts:

## □ Temporary employment contracts

### ▪ General

Deregulation timeline:

1995 - maximal duration of fixed-term contract was prolonged from 1 to 3 years. (-)

2009 - maximal consecutive duration ceased to be “job-based” to become “employer-based” (+)

2013 - duration limitation was lifted for the first fixed-term contract (-)

- the requirement for elaboration of “objective reason” is now required only for subsequent fixed-term contracts with employers (-)

2009 and 2014 - more flexible organization of working hours (-)

### ▪ Seasonal contracts

Regulation relaxed in 2014 in terms of daily breaks and weekly work-time distribution

### ▪ Temporary agency contracts

Introduced in 2003 and relaxed in 2014 by allowing such arrangement to last up to three years.

## □ Temporary work arrangements not relying upon the employment contract

▪ **Contracts for service** (contributions introduced in 2002, halved in 2017)

▪ **Author’s contracts** (lower taxation base, no contributions until 2017)

▪ **Student contracts** (pre-transition, current regulation dating 1996, pending revisions)

▪ **Workplace occupational training** (2010, broadened 2012, 2017)

▪ **Daily voucher system for seasonal workers in agricultural sector** (introduced 2012)

# Types of Self-Employment

Self-employment is no less diverse with respect to modes of employment. Contributions act distinguishes:

**sole traders and artisans**

**persons engaged in liberal professions**

**agricultural and forestry workers**

+ stable regulation: obligatory contributions, fixed sectorally (contribution base: 38-110% average wage)

+ unemployment insurance introduced in 2014 (1.7% contribution base)

+ many workers are effectively self-employed via casual “contract for service” or “author’s contracts” (often commissioned by large firms and prevalent in media, culture and education sectors, sometimes resembling bogus self-employment)

# Challenges faced by workers in flexible employment

## a) Income adequacy

Relative poverty, subjective poverty, material deprivation higher among **temporary employees** than permanent:

- The seasonal nature of substantial part of temporary employment
- No minimum wage regulation for student employment, contract work and workplace training
- Tendency of lower wages for workers on fixed-term contracts

**Solo self-employed:** do not fare worse than employees, yet hardship in agriculture and among informally self-employed.

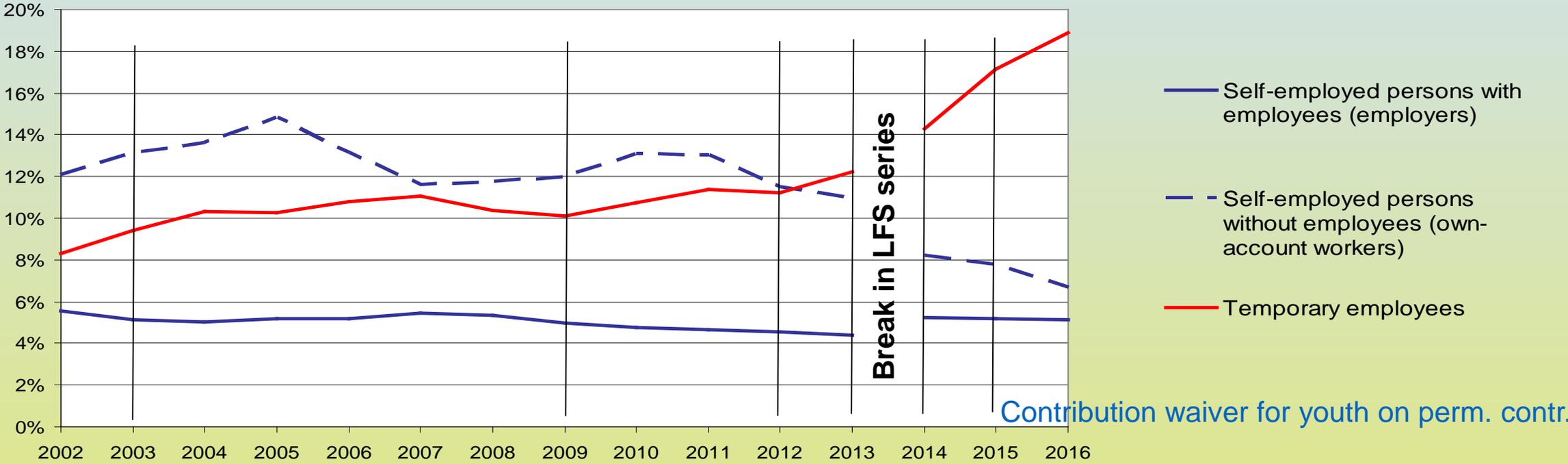
## b) Social security

- Seasonal employees:** challenges accessing UB (9/24 months), pension adequacy
- Temporary work not based on employment contract:** absence of various social security mechanisms (sick leave, UI, paid vacation...)
- Solo self-employed:** issue of benefit adequacy (due to low contribution base).

## c) Certainty of continuing work

- Temporary employees:** high, but declining rate of transition to permanent jobs (43.7% in 2011 to 30.8% in 2015, 3yr avg)
- Solo self-employed:** often not self-employed due to own preferences, rather high transition to unemployment.

# Policy interventions and changes in non-standard employment



Agency employment allowed  
 Contributions for service contracts

Permanent seasonal worker ALMP  
 Unemployment contributions self-empl  
 Working time rearrangement (esp. seasonal)  
 Extension temporary agency arrangements

**Color legend**  
 Changes introducing flexibility  
 Changes reducing precarity  
 Changes affecting labour market

Crisis onset  
 UB cap increase

Deregulation fixed-term employment  
 Fiscalization of receipt payments  
 Workplace occupational training extended  
 Agricultural vouchers introduced

Contribution waiver for youth on perm. contr.

Break in LFS series

# Assesment of some relevant practices in combating temporary employment precariousness

Name of the practice:	<b>Permanent seasonal worker</b>	<b>Five-year waiver on health and unemployment contributions for workers under age 30 who enter the permanent employment</b>
Year of implementation:	2001 (2013 as an ALMP)	Jan 2015
Coordinating authority:	Croatian pension insurance institute (registering contributions), Croatian Employment Service (assessing employer eligibility for income support)	Regulated via Contributions Act, Croatian pension insurance institute (registered type of working arrangement)
Objectives:	Overcoming pension insurance gaps and providing income support for seasonal workers during the off-season, while ensuring labour supply for employers providing such arrangements	Facilitate transition of young people into permanent employment
Main activities:	Minimum-wage pension contributions (employer), up to six-month of income support (CES)	Employers are automatically waived 17.2% of gross wage contributions for five years when arranging a permanent contract with a person under 30.
Results so far:	Increased usage (991 in 2014 to 2831 in 2017), but only when coupled with CES support. Still, minor part (3.5% of all seasonal workers covered).	Widespread use (89 thousand persons) and popularity among employers, yet no substantive reduction in youth temporary employment.