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)
  - **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

- Self-employed persons with employees (employers)
- Self-employed persons without employees (own-account workers)
- Temporary employees

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

**Crisis onset**
- UB cap increase

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

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

- Agency employment allowed
- Contributions for service contracts
## Assessment of some relevant practices in combating temporary employment precariousness

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