

ACCES TO SOCIAL PROTECTION FOR WORKERS AND THE SELF-EMPLOYED IN THE REPUBLIC OF CROATIA

I. INTRODUCTION

Croatia has long tradition in providing framework for social security. In 1891 limited pension and invalidity insurance were introduced for mining workers, rail workers and civil servants whereas additional categories of workers had the option to join the voluntary pension and invalidity insurance schemes. In 1907 first Employment office was established.

Social security system in Croatia is based on principles of universality, solidarity and equality. The principle of universality in the sense that coverage is extended to the whole of population however the basis for insurance varies. The principle of solidarity means that while contributions are related to economic activity, whether they are paid by the employers, workers or the self-employed, the coverage extends, in certain cases, even to the inactive people, children and the elderly. Finally, the principle of equality means that everyone being covered by the same risks has the same entitlements. Croatian social security system is, with the exception of second and third pillars in pension system, contributory.

The share of social protection in the GDP of Croatia is constantly rising and in 2019 amounted to 21.8%. More specifically, social benefits accounted for 98,2% of total social protection with the largest expenditure for old age risk (34,5%) and sickness/health (33,8%).

The particularity of Croatian social security system is that different types of risks are bundled and therefore need to be examined in their totality. For instance, sickness/health risk is connected to accidents at work in a way that is difficult to precisely delineate the two. Equally, invalidity risk and survivors are connected to the old age risk insofar that the same contribution which is a contribution for pension insurance as defined by law, covers both all of them and therefore the insurance period is relevant for calculation of benefit for all those risks.

To mirror this, the social security is managed by three institutions:

- Croatian Employment Service for unemployment risk
- Croatian Pension Insurance Institute for invalidity, old age, survivors' benefit and invalidity
- Croatian Health Insurance Fund for sickness and health risk, maternity and parental benefits

The principles as set out in the Recommendation on Access to social protection for workers and the self-employed are all implemented throughout the legal framework for social security:

- formal coverage – having in mind that Croatian social security system has the universal approach, and that it is mandatory, there is no difference in access for those who are insured based on employment status as workers, or the economic activity (self-employed, liberal professions, appointment to public office, special cases). Croatian labour legislation does not contain special provisions for platform workers; therefore, an economically active person is either a worker, or the self-employed or falls within special categories (i.e., providing service based on a civil law contract). Regardless, when there is economic activity, there is an obligation to participate and contribute to the social security insurance.
- effective coverage by which the same rules and conditions for exercising an individual right equally cover workers and the self-employed, while potential differences in rules (such as the fact that salary compensation for workers is determined by the average amount of salary paid in preceding period, while it is determined by the average insurance base for which the self-employed are registered in case of the self-employed) do not result in differentiated entitlements. The differences arise from the specifics of the employment or the type of economic activity.
- adequacy, defined as timely provision of an adequate level of protection to workers and the self-employed in the event of a “social risk” in terms of poverty prevention, upholding a decent standard of living, specifically through the payment of the appropriate income replacement benefit is manifested by the fact that the calculation of the social security contributions and entitlements are based on an objective and transparent assessment. In addition, the amount of benefit is closely related to previous wage (unemployment, sickness and health, maternity) or contributions level (parental, old age, invalidity, survivors’, accidents at work). In recent years, the focus of reforms in social security system was on greater concern for the adequacy of social security benefits, for instance, for pensions by taking into consideration the adjustment of pensions which is done twice a year or by increasing the parental leave benefit.
- the principle of transparency is ensured by the right of individuals to have access to updated, comprehensive, accessible, user-friendly, and clearly understandable information about their individual rights and obligations, in Croatia free of charge.

Each branch will be described in detail below.

It is important to note, the Croatian Labour Code provides a definition of a worker as an employed natural person performing certain works for an employer and allows for varied terminology (employee, staff member, labourer, officer, clerk and similar). There is no, however, definition of the self-employed. Economic activity can be performed through self-employment and other various forms (e.g., liberal professions). These other forms are regulated by specialized legislation and even though they do not entail elements of self-employment they are still considered activity within the meaning of social security legislation. Croatian social security system does not distinct the self-employment and other economic activities regarding access, coverage or entitlements.

II. BRANCHES OF SOCIAL PROTECTION

1. UNEMPLOYMENT

a) Access and Coverage

The conditions, duration, and amount of cash benefits during unemployment are determined by The Labour Market Act¹.

Unemployment insurance is mandatory for all workers, self-employed and economically active, and on that basis, they are mandatorily insured according to the pension insurance regulations such as:

- Registered tradesmen
- Persons in liberal professions
- Professional athletes with regulated status
- Persons registered for agricultural activity subject to income tax or revenue tax
- Persons registered for agricultural activity, insured on own demand
- Executives and board members
- Croatian citizens employed abroad with international organisations or foreign employers in case when they have no mandatory insurance based on foreign rules, on international agreement or EU social security coordination rules
- Croatian citizens employed in Croatia by foreign employer which does not have the subsidiary in Croatia, when those workers have no mandatory insurance based on foreign rules, on international agreement or EU social security coordination rules.
- Parent-carer, carer for child with developmental difficulties, carer for person with disability

And in case there is no other basis for insurance:

- Persons not in regulated professions but whose activity has a level of independence and permanence aimed at generating income or revenue
- Executives and board members
- Home workers

In case of unemployment, the right to benefit will depend on three factors: (i) the cause of unemployment or cessation of economic activity; (ii) the duration of insurance period; and (iii) if the request has been made within 30 days after the end of employment, self-employment or activity.

The right to unemployment benefit is only granted in cases of no fault for cessation of labour or economic activity. As the insurance period is equal to the employment period, it will

¹ Official Gazette 118/18, 32/20

determine the right to and the amount of benefit. In order to qualify for the unemployment benefit, the unemployed person should have at least 9 months of insurance within 24 months prior to unemployment. The amount depends on the length of the insurance and can be granted for the period of 90 to 450 days. Persons who have 32 years of insurance and whose age is within 5 years of statutory retirement age are entitled to the unemployment benefit for the duration of their unemployment (either until they are employed again, or they retire).

The right to unemployment benefit is linked to the availability to the labour market and active job search. To maintain eligibility for unemployment benefit, the unemployed person is expected to be available for work, meet the obligations of active job search and participate in the upskilling and re-skilling programmes.

Unemployment benefit is not considered a social protection measure (social benefit) but is a form of unemployment insurance. It is available only to workers and persons whose economic activity was terminated, and who are insured in case of unemployment. Based on data available for January 2021, 22% of unemployed receive the unemployment benefit.

Until 2018 the unemployment risk was insured based on mandatory contributions paid by the employer. Aiming at reducing labour cost, the unemployment benefits are since financed by the dedicated Croatian Employment Service budget. However, in terms of access, coverage and level of protection, the rights of the unemployed have remained at the same level.

b) Adequacy

The amount of the unemployment benefit depends on

- For workers - gross wage average in the 3 months preceding the cessation of labour activity
- For self-employed and other economically active – paid contributions for statutory insurance average in 3 months preceding the termination of self-employment activity

and amounts to 60% for the first 90 days and 30% for the remaining period.

The unemployment benefit is capped at 70% for first 90 days and 35% for the remaining period based on national average net wage in the previous year. Also, the minimum amount is linked to minimum wage and cannot be lower than 50% of the net statutory minimum wage. The amount of benefits is the same regardless of the type of previous activity or reason for cessation of activity.

2. SICKNESS AND HEALTH

a) Access and coverage

Health insurance scheme is regulated by the Compulsory Health Insurance Act².

Sickness and health insurance is mandatory for:

- all Croatian citizens with residence in Croatia
- all aliens with legal residence in Croatia
- all EU citizens and third country nationals with temporary stay registered in Croatia if they have an employment contract with an employer who has a registered office in Croatia or if they conduct economic or professional activities in Croatia, provided they are not insured in another Member State or third country, unless otherwise stipulated by European Union regulations or international treaty.

Even though health insurance is compulsory for everyone, the basis for insurance can vary. However, based on employment or economic activity, mandatory health insurance covers:

- employed persons
- persons elected to public office or to regional or local authorities if they receive a salary for the work in question
- residents of Croatia employed in another Member State or in a third country, who are not covered by health insurance in the Member State or the third country in question, or who are not covered by compulsory health insurance pursuant to the legislation of the country where they work as per European Union regulations or an international agreement,
- executives and board members
- registered craftsmen
- persons in liberal professions
- persons who perform agricultural and forestry activity
- priests and other clergy
- persons providing care and assistance to disabled veterans of the Homeland War
- persons who have the status of a parent caregiver under the special rules

In addition, the health insurance is extended to the dependants of the insuree:

- spouse or partner
- children, step and foster children until 18 years of age
- orphaned children legally dependant on the insuree
- legally dependant parents, if incapable to lead an independent life and work, without own resources
- disabled grandchildren, brothers, sisters and grandparents, if legally dependent upon the insured person, without own resources

² Official Gazette 80/13, 137/13 and 98/19

The legal basis for insurance is only relevant as it determines who is obligated to pay contributions, it does not otherwise distinct entitlements from health insurance. When the insurance is based on employment or economic activity, the contributions are borne by the employer in case of worker or in case of self-employment by the person performing economic activity themselves. For the unemployed, the insurance is paid by the Croatian Unemployment Service. For other economically inactive persons contributions are paid from the State budget.

b) Entitlements under the compulsory health insurance

In kind benefits covered by healthcare services include:

- primary health care
- specialist and consultative health care
- hospital health care
- medication, with possible exceptions
- dental prostheses, with possible exceptions
- orthopaedic and other medical aids, with possible exceptions
- cross-border health care

There is no qualifying period to access benefits in kind except for orthopaedic and other medical aids where there is requirement of prior insurance period of at least 9 months uninterrupted or 12 months with interruptions during the last 2 years.

In addition, persons insured based on employment or performance of economic activity are entitled to absence from work for the duration of incapacity or impediment to work (sick leave).

Cash benefits covered by healthcare include:

1. compensation during temporary incapacity or impediment to work
2. compensation during temporary incapacity or impediment to perform economic activity
3. reimbursement of travel cost incurred in relation to exercise of healthcare service
4. compensation for hospital accommodation when accompanying a child undergoing medical treatment

To qualify for the cash benefit, the person needs prior insurance period of at least 9 months uninterrupted or 12 months with interruptions during the last 2 years. If this condition is not fulfilled, the insured person is entitled to the minimum sickness benefit. If the impediment to work is a result of accident at work or occupational disease, there is no prior insurance requirement.

c) Adequacy

For workers, salary compensation is determined from the compensation base which consists of average amount of salary paid to the insured person over the course of 6 months preceding the temporary incapacity or impediment to work.

For the self-employed, the salary compensation base is equivalent to the monthly insurance base for calculation and payment of contributions for compulsory health insurance over the course 6 months preceding the temporary incapacity or impediment to work, less statutory compulsory contributions, taxes and surcharges.

The salary compensation for workers and the self-employed cannot be lower than 70% of the salary compensation base, provided that, as a monthly amount for full-time work, it cannot be lower than 25% of the calculation base (HRK 831.50, Approx. 110 Eur).

Persons who have not completed the necessary periods of insurance are entitled to the minimum sickness benefit.

Salary compensation amounts to 100% of the salary compensation base for both workers and the self-employed during:

- contingencies resulting from the homeland war
- illness and complications related to pregnancy and childbirth
- leave due to death of a child
- quarantine, including Covid-19 quarantine
- nursing a sick child under the age of 3
- donation of tissues and organs
- accident at work/occupational disease

When absence from work due to incapacity or impediment to work starts, the salary compensation is borne by the employer for the first 42 days (7 in case worker is person with disability) or the self-employed person themselves. On the day 43 the payment of salary compensation is paid from Croatian Health Insurance Fund and capped at HRK 4,257.28 (Approx. 570 Eur) unless incapacity or impediment to work is result of accident at work or occupational disease when there is no amount cap, and the cost is borne by Croatian Health Insurance fund since day 1.

If the sickness benefit is paid for a period exceeding three months, the base is adjusted to reflect wage changes by the recipient's employer whenever the increase exceeds 5%.

It is possible to cumulate health benefits with other social benefits (family, long term care) and social assistance but not with earnings from economic activity.

i. Supplementary health insurance

As persons insured under compulsory healthcare insurance are still obliged to cover (small) part of the healthcare service cost, they can, on a voluntary basis, contract supplementary health insurance which will cover those costs. The supplementary health insurance can be provided either by Croatian Health Insurance Fund or a private insurance company.

ii. Additional health insurance

Additional health insurance is a voluntary insurance, provided by private insurance companies, giving higher standards of healthcare provided by private healthcare institutions.

3. MATERNITY, PATERNITY AND PARENTAL BENEFITS

The system of maternity and parental benefits is regulated by the Maternity and Parental Benefits Act³.

3.1. MATERNITY BENEFIT

a) Access and coverage

The maternity leave is designed for protection of pregnant woman or has recently given birth and for the protection of a new-born child.

In case of pregnancy and maternity, women are entitled to:

- maternity leave – exemption from work
- childcare leave
- maternity benefit in cash

The entitlement to maternity leave, as the exemption from work and childcare leave, is given to women who have compulsory health insurance coverage⁴, in particular:

- employed women
- women performing economic activity, including the self-employed
- unemployed women

³ Official Gazette 85/08, 110/08, 34/11, 54/13, 152/14, 59/17, 37/20

⁴ In Croatia, all persons having residence or registered temporary stay in Croatia have to have compulsory health insurance. Therefore, access to maternity benefits is available to all women with residence or registered temporary stay in Croatia regardless of the specific legal base for their healthcare insurance

- women who have compulsory health insurance coverage not based on employment or economic activity, including students, women incapacitated for work due to professional rehabilitation, pensioners.

Entitlement to maternity benefit in cash is given to:

- employed women
- women performing economic activity, including the self-employed and liberal professionals
- unemployed women
- women who have compulsory health insurance coverage not based on employment or economic activity, including students, women incapacitated for work due to professional rehabilitation, pensioners.

During pregnancy, childbirth and caring for a newborn child, a pregnant woman who is an employed or self-employed, or a mother who is an employed or self-employed is entitled to maternity leave 28 days prior to the date of expected childbirth until the child reaches 6 months of age, and maternity leave consists of mandatory and additional maternity leave.

A pregnant woman who is an employed or a self-employed pregnant woman, or a mother who is employed or self-employed exercises the right to mandatory maternity leave for a continuous period of 98 days, of which 28 days are prior to the date of expected childbirth and 70 days following the birth of the child (mandatory maternity leave).

Exceptionally, a pregnant woman who is employed or self-employed, depending on the state of her pregnancy and her health condition, may start maternity leave 45 days prior to the date of expected childbirth.

After the mandatory maternity leave, a mother who is employed or self-employed is entitled to additional maternity leave until the child reaches 6 months of age, which she can transfer to the father of the child (who is employed or self-employed) in full or for a limited time.

During the exercise of the right to maternity leave, a parent who is employed or self-employed parent is entitled to salary compensation in the amount of 100% of the salary compensation base determined according to the regulations on compulsory health insurance (no limit).

b) Adequacy

During the maternity leave, a parent who is employed or self-employed is entitled to salary compensation in the amount of 100% of the salary compensation base determined according to the regulations on compulsory health insurance (no limit).

The requirement for cash benefit is prior insurance period of 9 months uninterrupted or 12 months within the 2 years preceding the maternity leave.

Women who have not completed prior insurance requirement, are entitled to flat rate benefit which is 70% of the budgetary base (HRK 2328,20, Approx. 310 Eur).

3.2. PARENTAL BENEFIT

a) Access and coverage

The system of parental benefits in the Republic of Croatia is regulated by the Maternity and Parental Benefits Act⁵.

After the child reaches six months of age, a parent who is a worker or a self-employed parent is entitled to parental leave, which may be exercised until the child reaches eight years.

In doing so, a parent who is a worker or a self-employed parent is entitled to parental leave for a period of eight or 30 months, depending on the number of children born and the manner of its utilisation, and specifically for the period of:

- eight months, for the first and second child
- 30 months, for twins, the third and each subsequent child.

As a rule, the right to parental leave is used by both parents who are both workers or self-employed parents, each leave lasting four or 15 months.

However, if parental leave is utilised by only one parent, in accordance with the agreement, it is utilised for a period of six months for the first and second child, or 30 months for twins, the third and each subsequent child.

b) Adequacy

The amount of the parental benefit is calculated from the salary compensation base for the parent concerned but cannot be lower than 70% or higher than 170% salary compensation base (Approx. 310- 750 Eur).

When parental leave is used for twins, third and each subsequent child in the remaining part, therefore after the expiration of six months if it is used by one parent, or eight months if it is used by both parents, salary compensation amounts to 70% of the calculation base (HRK 2,328.20, Approx. 310 Eur).

3.2.1. ADOPTION

Adoption leave is entitlement for adoptive parents who have health insurance and on occasion of adoption. Adoptive parent (agreement between mother and father who will take it) is entitled to exemption from work for 6 months after the adoption or in case of an older child until the child is 18 years of age. The adoption leave can be prolonged for 60 days in case of adoption of twins or if the adopted child is the third or subsequent child in the family or a child with developmental difficulties. During the adoption leave, adoptive parent is entitled to cash benefit in the amount equal to 100% of remuneration paid to the worker in the 6 months preceding the maternity leave, no ceiling.

⁵ Official Gazette 85/08, 110/08, 34/11, 54/13, 152/14, 59/17, 37/20

The requirement for cash benefit is prior insurance period of 9 months uninterrupted or 12 months within the 2 years preceding the adoption leave. Otherwise, for adoptive parents who have not completed prior insurance requirement, are entitled to flat rate benefit which is 70% of the budgetary base (HRK 2328,20, Approx. 310 Eur).

After the adoption leave has ended, adoptive parents are entitled to parental leave.

4. OLD AGE AND SURVIVORS' BENEFITS

a) Croatian Pension System Overview

The Croatian pension system is a multi-pillar system based on the three-pillar concept. It covers all categories of economically active persons with no separate schemes for special occupational categories. However, special regulations are covering certain categories of persons.

i. Mandatory Pension Insurance Based on Generational Solidarity (Pillar I)

The Mandatory Pension Insurance Scheme is regulated by the Pension Insurance Act⁶.

The first pillar of the Croatian pension system is statutory pension insurance, mandatory for all employed, self-employed and economically active persons such as: workers (persons appointed to public office or in regional or local authorities, etc.), craftsmen, attorneys, persons involved in training for work without establishment of an employment relationship, farmers and some other groups of insurees (caregivers of the Croatian Homeland War Invalids, caregiver parent, board members, athletes, etc.) and persons insured under special provisions. It covers the risks of old age, death and disability, including work-related injury and disease. Currently, it represents a fundamental part of the pension system, based on pay-as-you-go type of financing and on the defined benefits (earning-related, point-based system). It is financed by payment of contributions and from the state budget revenues.

ii. Mandatory Pension Insurance Based on Individual Capitalised Savings (Pillar II)

The second pillar with individual accounts was first regulated in 1999 and started operating in 2002. It is a fully funded, defined contribution scheme that is managed by four private companies for the management of pension funds. At the time of its establishment, participation in the second pillar became mandatory for all economically active persons who were under the age of 40 in 2002 (born in 1962 or later). Economically active persons born between 1952 and 1962 were given the possibility to opt-in while persons older than 50 in 2002 (born 1951 or earlier) remained insured within the first pillar only.

⁶ Official Gazette 157/13, 151/14, 33/15, 93/15, 120/16, 18/18 - Decision of the Constitutional Court of the Republic of Croatia, 62/18, 115/18 and 102 / 19

Exemptions from the second pillar exist for persons who are entitled to a pension under more favourable conditions (active military and police personnel, judiciary officers).

Insured persons who are obliged to be insured in I and II pension pillars and insured persons who have voluntarily opted for the II pillar have the right to choose a pension scheme and which pension system is more favourable for them.

iii. Voluntary Pension Insurance (Pillar III)

The voluntary pension insurance is a voluntary, fully funded, defined contribution, privately managed pension scheme based on individual accounts.

4.1. OLD AGE PENSION

Insured persons acquire the entitlement to an early age pension and the entitlement to an old age pension when two conditions are met (i) prescribed retirement age and (ii) prescribed qualifying period.

The general qualifying period for the old-age pension is 15 years for both men and women.

There are exceptions to the qualifying period requirement which can be shorter (ie. in case of bankruptcy of an employer or in case of unemployment for at least 2 years before having fulfilled the general eligibility conditions prescribed for the early age pension). In January 2021 there were 342 beneficiaries whose qualifying period was shorter than 15 years.

In case of long-term insurance (longer than 41 years) the retirement age is lowered and equal to early age retirement (no penalty for early age retirement). In January 2021 there were 38000 beneficiaries with long-term insurance.

There are special provisions for arduous and hazardous jobs when each 12-month contribution period is counted as 14, 15, 16 or 18 months, depending on the occupation performed and the working conditions encountered. A pro-rata enhancement (i.e. imputed extra years/months of service) applies to shorter service periods. This has the effect of a higher pension accrual rate for each period of contribution since the amount of pension benefit is calculated also on the basis of the pension insurance period.

The statutory retirement age is currently:

- Men: 65 years
- Women: 62 years and 6 months in the year 2020
- Men and women long-insured persons with 41 years of insurance or more: 60 years.

In the transitional period from 2020 to 2029 the retirement age for women is being gradually increased by 3 months per calendar year to reach 65 in 2030.

The entitlement to early retirement is possible when the following conditions are met:

- Men: 60 years of age and insurance period of 35 years
- Women: 57,5 years of age and insurance period of 32,6 years in 2020

Age and qualifying period for women are being gradually increased by 3 months per calendar year from 2020 to 2029, to reach 60 years of age and 35 years of qualifying period in 2030 respectively.

The same conditions apply to persons unemployed for at least 2 years before fulfilling the early pension requirements due to enterprise bankruptcy.

4.2. SURVIVORS' PENSION

In case of death of the insured person, his/her family members are entitled to the survivors' benefit. Family members included are:

- surviving spouse or partner
- divorced spouse older than 50 and if the deceased had financial support obligation
- children (own children, foster children, stepchildren) until 18 years of age or until 26 years of age in case of attending tertiary education or unlimited in case of disability
- brothers and sisters if the deceased had financial support obligation
- parents older than 60 (no age requirement in case of disability) if the deceased had financial support obligation

For gaining entitlement to the survivor's benefit, the following requirements should be met on the part of the deceased:

- five years of the insurance period or ten years of the qualifying period
- completed qualifying period prescribed for the entitlement to the disability pension
- being a beneficiary of an old age pension, early retirement pension or disability pension
- underwent professional rehabilitation.

If the death of an insured person is caused by work injury or occupational disease, family members are entitled to a survivors' pension irrespective of the length of the insuree's qualifying periods.

The pension is based on the general invalidity or old age pension the deceased received or would have been entitled to at the time of death.

The survivors' pension is calculated as a percentage of the pension the deceased received or would have been entitled to at the time of death, depending on the number of survivors:

- one survivor: 70%
- two survivors: 80%
- three survivors: 90%
- four or more survivors: 100%

5. INVALIDITY

a) Access and coverage

Invalidity insurance is part of the pension insurance, therefore in the case of invalidity, the person will be entitled to invalidity pension (benefit). The invalidity pension is given to the beneficiary starting after the invalidity is determined until the person reaches the age for old age pension.

When beneficiaries of invalidity pension reach the statutory retirement age, as a rule their contributions from the 2nd pillar are transferred to the 1st pillar unless it is more favourable for the individual to remain in the 2nd pillar.

Entitlement to the invalidity pension requires fulfilment of the following conditions: (i) partial or total incapacity for work and (ii) completed the necessary qualifying period, including in another Member State.

A partial or general disability may occur because of illness, accident outside work, accident at work or occupational disease.

Partial incapacity for work exists if the person, after professional rehabilitation and with regard to their condition, is able to work for at least 70% of working time on jobs which are similar to his previous work but accommodated for their specific needs. The total incapacity for work exists when the person has permanently and irretrievably lost capacity for work.

Prior insurance is relevant for the calculation of the invalidity pension when incapacity for work is caused by reasons outside of work. If incapacity for work has occurred before the 65 years of age the qualifying period must cover at least one-third of the working life (calculated from the expected start of working life at the age of 20, 23 or 26 depending on the educational attainment and the day of when the disability has been determined). Exceptionally, if the total incapacity to work occurs before the person is 30, i.e., 35 years of age, the eligibility condition regarding the completed qualifying period will be less restrictive (one, i.e., two years of the insurance period).

If the incapacity for work is a result of accident at work or occupational disease, no qualifying period is required. In such a case, the pension amount will be determined as if the person completed at least 40 years of the qualifying period.

5.1. TEMPORARY INVALIDITY PENSION

If a person whose work capacity has been restored by the occupational rehabilitation becomes long term unemployed, regardless if immediately or later on, they are entitled to temporary invalidity pension if they were:

- unemployed for at least 5 years after successful professional rehabilitation
- reached 58 years of age

If the person was intermittently employed in intervals shorter than 6 months, the condition of the length of unemployment will not apply.

5.2. PROFESSIONAL REHABILITATION

Professional rehabilitation is a set of measures and activities intended to rehabilitate persons whose work capacity is reduced as a result of accident or disease but still have a certain degree of residual work capacity. These measures include costs of training or education, accommodation allowance, meals (in certain cases) and salary⁷.

The entitlement is conditional upon (i) age, (ii) cause of reduced work capacity, (iii) prior insurance period.

If the work capacity was reduced due to accident at work or occupational disease, there is always entitlement to professional rehabilitation. In case the work capacity was reduced due to non-work related cause, the entitlement is given to a person who is younger than 55 and depending on the qualifying period completed until the occurrence of reduced work capacity with certain level of residual work capacity.

5.3. ACCIDENTS AT WORK

Accidents at work are covered by both the health insurance scheme and pension insurance scheme and they do not constitute a separate branch of social security but rather a mix of entitlements stemming from both schemes.

Therefore, the beneficiaries are the same as for health insurance and pension insurance, both mandatory for all workers and the economically active persons.

Furthermore, the health insurance scheme does not make distinction between the cases undergoing the treatment due to the work-related incapacity or an incapacity occurred outside of work. However, in the case of an accident at work, the salary compensation is equal to the amount of 100% of the salary compensation base and prior insurance period is not a precondition.

⁷ Person who was employed or economically active when the cause of the reduced work capacity occurred is entitled to the salary compensation for the duration of professional rehabilitation.

III. GAPS

a. APPRENTICES

Different analysis of Croatian Unemployment Insurance Scheme assert that there is a gap in relation to the apprentices but this requires wider consideration. In Croatian educational system, as part of the vocational education and training, pupils are required to a certain amount of practical learning. As most VET schools do not have the capacity to provide such practical training to the extent necessary for completion of the VET programmes, the pupils are referred to acquire practical experience with real employers as mentors (e.g., a pupil studying to be hairdresser in hairdresser salon). However, it is important to stress that while acquiring this practical experience, pupils are not in employment relationship, nor can they be considered to be in any way economically active. Since there is no employment relationship and they cannot be considered to be workers, nor do they have rights and obligations stemming from employment relationship, they are not covered by the unemployment insurance or old age risk. At the same time, pupils are covered by the mandatory health insurance and by mandatory pension insurance for risks related to accident at work and occupational disease (insurance is derived from pension insurance), on the basis of education. If the risk occurs, they are entitled to professional rehabilitation. Equally, as there is no employment relationship, labour legislation does not apply to apprentices during their praxis.

b. PATERNITY LEAVE

Yet there is no dedicated legal framework for paternity entitlement. However, having in mind the transposition period for the Work-life balance Directive, the legal framework will be put in place by end of Q2 2022.

However, already at this stage, the Labour Act⁸ does contain a provision that allows the worker to be absent from work with remuneration (paid leave) for important personal purposes, in particular for those related to marriage, childbirth, serious illness or death of an immediate family member, in total of 7 days per calendar year, unless otherwise provided for by collective agreement, working regulations or employment contract. While this cannot strictly be considered a social protection instrument, it does contain elements relevant to meet the intention of paternity leave and providing fathers with the right to absence from work on occasion of the birth of a child for the purposes of providing care and bonding with the child. For the period of absence from work, the worker is paid remuneration as if he actually worked.

⁸ Labour Act, NN art. 86.

IV. IMPACT OF COVID-19

Covid-19 pandemic has not had direct impact on Croatian social protection system. The entitlements and/or conditions have remained the same as they already provide wide personal and material coverage.

However, the labour market has been severely impacted by the exceptional circumstances. It is important to emphasize the main goal of the Croatian Government was to prevent unemployment and that by timely implementation of protective mechanisms, in the form of Subsidies for job preservation, resulted in significantly mitigated negative consequences and prevention of sharp rise in number of unemployed, which is evident from the labour market data. Unemployment rate (20-64) was at 6,4% in 2019, only to rise to 6,6% during 1Q 2020 and is still modestly rising and was at 6,8% in Q3 2020.

Job preservation will continue to be a priority of economic recovery, in particular through the job preservation support targeting those economic activities which had sharpest decline in activity and income. The subsidies were directed to sectors most affected by the pandemic in a given period, especially the ones whose work was restricted. Since their introduction in March 2020, the job preservation subsidies are used by over 100.000 employers for more than 600.000 workers.

Support for short-time work was introduced in July 2020. The use of the support enables employers whose business activities have diminished to temporarily reduce working time by up to 90% with support up to HRK 4,000 (Approx. 535 Eur). This measure will continue to be implemented until the end of 2021. It is estimated that the measure will cover an average of 23,000 workers throughout 2021.

Additionally, there are specific measures aimed to support and maintain jobs for persons with disabilities, such as minimum wage for persons with disabilities, contribution payment referral for the employers of persons with disabilities, and furthermore support for the job preservation of persons with disabilities who are not employable in the open market, such as in protective workshops, integrative workshops and employment units for the employment of persons with disabilities. It is estimated it will cover 100 employers and 500 persons with disabilities.

The measure targeted specifically at employers who work seasonally was modified and eligibility was extended targeting “permanent seasonal workers”. This measure is available to employers from all industries that have periods of reduced workload during the year because of the seasonal nature of the business and is mostly used in the tourism and hospitality industry. The eligibility to financial assistance was extended to the permanent seasonal worker during the special circumstances. So far, the employers who work seasonally received pension insurance contributions compensation from Croatian Employment Service for their workers during the period when they were not working, while their workers received financial aid during that period in order for them not to completely lose their income. The eligibility period was 6 months, while now it is extended in order to cover the entire period of the extraordinary circumstances caused by the COVID 19 outbreak.

V. NEXT STEPS

One of the activities planned in the National Recovery and Resilience Plan is an analysis of the adequacy of the unemployment cash benefit. The analysis will research different aspects of unemployment benefit: the amount, duration, eligibility requirements, and it also will investigate the structure of beneficiaries. Based on the results, appropriate amendments of the legislative framework will be proposed which will ensure the legal and material protection of unemployed persons. This activity is planned for 4Q of 2023 and, along with NPRR, it will be part of the National plan for labour, safety at work and employment 2021-2027.