

## **Enterprise vouchers to formalise undeclared work in agricultural sector, Croatia**

<b>Title of the policy or measure (in English)</b>	Enterprise vouchers in seasonal agriculture (Vrijednosni kuponi za sezonski rad u poljoprivredi)
• Country	Croatia
• Sectors	Agriculture and fishing (plant production, animal husbandry and fishing)
• What groups are targeted by the measure	<ul style="list-style-type: none"> <li>- Employers in agricultural sector (directly targeted)</li> <li>- Workers involved in undeclared work in agricultural sector (directly targeted)</li> <li>- Labour inspectors (indirectly targeted)</li> </ul>
• Purpose of measure	Legitimising undeclared work
• Short sentence summarising the measure	The Enterprise vouchers are purchased by employers in the agricultural sector which can then be used to pay for seasonal and occasional workers. This scheme entitles the unemployed and pensioners to work up to 90 days per calendar year, performing various jobs in the agricultural sector.
<b>Background</b>	
• Background context driving the implementation of the measure	The aim of the Enterprise Vouchers' scheme is to reduce undeclared work in seasonal and occasional work in agriculture. <sup>i</sup> Prior to this scheme, for employers it was expensive to employ seasonal and occasional workers on a declared basis because they were generally required to pay for a full month's work; however, this type of work depends directly on weather conditions which might mean that the number of actual working days might be significantly less depending on the weather (e.g., 5 days). Therefore, the result was that employers used undeclared work. <sup>ii</sup> Enterprise vouchers were introduced to simplify temporary and casual employment in agriculture and to encourage formalisation of undeclared work in the agricultural sector. The purchased vouchers include social contributions. In addition, the worker is protected by a number of regulations regarding the minimum daily wage, the maximum number of working hours per day and the entitlement to rest periods.
• When was the measure implemented? (including start date and end date/ongoing)	Summer of 2012 – ongoing
• Names(s) of authorities/bodies/organisations involved	<ul style="list-style-type: none"> <li>• Labour Inspectorate/ Ministry of Labour and Pension System</li> <li>• Ministry of Agriculture - advisory body</li> <li>• Financial Agency (Fina) - sell vouchers</li> </ul>
• Scope of the measure (a pilot project, nationwide, regional wide)	Nationwide
• Type of (policy) measure	Structural reform If "other", please specify:

- Key objectives of the measure

**General objective:**

- To formalise a significant share of the undeclared work conducted in the agricultural sector.

**Specific objectives:**

- To simplify temporary and casual employment in agricultural sector.
- To increase compliance to labour/employment regulations of employers in agriculture.
- To communicate employment rights to those involved in seasonal and occasional work in agriculture.

**Specific measure**

- Description of how the measure operates in practice

The measure is implemented in practice based on the following grounds<sup>ii; iii; iv; v; vi.</sup>

- *The purchaser and the eligible type of work*

The Enterprise vouchers can be purchased only for seasonal and occasional work in agriculture. According to the Employment Promotion Act of 2012 the price of the Enterprise voucher includes social contributions. The work conducted with continuity, which does not depend directly on weather conditions, is not considered seasonal or occasional work in agriculture, and therefore, Enterprise vouchers cannot be used (i.e., an employment contract for a definite or indefinite time applies).

- *The seasonal worker*

Any unemployed person, pensioner or jobseeker can be employed as a seasonal worker. Those already employed, self-employed, those with disabilities, minors, those in maternity or parental leave are not entitled to be employed via Enterprise vouchers.

- *Contract and procedure*

- The employment contract for seasonal and occasional work in agriculture must be concluded before the worker commences working (i.e., by accepting the Enterprise voucher). The content of the contract is regulated (Regulation on the Content and Form of the Contract for Seasonal Work in Agriculture) and cannot be changed based on a different agreement between the employer and seasonal worker. The contract has the form of a booklet with specific details, namely:

- Year of agreement and information about the seasonal worker
- Day, month and year of work; details about employer; details about the wage and payment methods; space for attaching vouchers. The minimum daily wage paid for this type of contract is regulated on a yearly basis. In 2018, the minimum daily wage may not be lower than EUR 11.24 (HRK 83.19). This figure includes the value of the voucher which covers pension insurance contributions, health and safety at work contributions and employment contributions of EUR 3.20 (HRK 23.74).
- The back page of the booklet includes the contract regulations: (1) the workday cannot exceed 12 hours; (2) the worker is entitled to a minimum 30-minute break in each workday if the work is more than 6 hours per day, and an uninterrupted daily rest period of not less than 12 consecutive hours in each 24-hour period, and an uninterrupted weekly rest period of not less than 24 consecutive hours in each

seven-day period, and (3) the length of employment of a seasonal worker in agriculture cannot be longer than 90 days within a calendar year.

- When commencing the respective work, a seasonal worker is required to have the seasonal employment contract with them. The seasonal work does not have to be conducted continuously (i.e., the 90 days of work can be conducted with interruptions). The seasonal employment contract is concluded by adding Enterprise vouchers in the contract/booklet. Whilst the Enterprise vouchers are purchased from the Financial Agency (Fina), the worker is paid directly via bank account or cash (as stipulated in the contract/ booklet).
- At the end of the year, the booklet is submitted by the worker to the Croatian Pension Insurance Institute for calculating their pension contributions.

• What resources and other relevant organisational aspects are involved?

- The main institution enforcing the employers` compliance with labour/ employment regulations is the Labour Inspectorate. However, other enforcement bodies which are responsible for tackling various facets of undeclared work/undeclared activities might be involved (i.e., Tax Administration and Customs Administration under the Ministry of Finance).
- No public subvention on the employers' labour cost is provided by this scheme.

• What are the source(s) of funding?

National funding

**Evaluation and outcome**

• Has the measure achieved its objectives?

The Enterprise voucher scheme has proven to be successful in formalising undeclared work in the agricultural sector by simplifying the employment of temporary and casual workers. The perceived outcome has been a drop in undeclared work in agriculture, measured by the increase in the number of purchased Enterprise vouchers over the period 2012-16, the number of employers using this scheme and by the reduction in the number of complaints received by those working in this sector.

• Assessment method (including indicators used to measure its impact), and the outputs and outcomes achieved

When launched, in 2012, a total of 325 295 Enterprise vouchers were sold to 3 363 legal entities (large employers accounted for 27.3 % of the vouchers purchased, and small and medium employers accounted for 72.7 %), of which 98.6 % were for work in the field of crop production, 1 % fisheries and 0.4 % animal husbandry. In 2016, a total of 406 595 vouchers were sold to 2 059 legal entities (large employers 25.3 %, small and medium employers 74.7 %), of which 90.8 % were for work in the field of crop production, 6.5 % fisheries and 2.7 % animal husbandry<sup>ii</sup>.

Year	Vouchers	Employers
	(no.)	(no.)
2012	325 295	3 363
2013	517 183	3 371
2014	493 672	2 703
2015	469 672	2 324
2016	406 595	2 059

The increase in employment using Enterprise vouchers leads to a perceived drop in undeclared work in agriculture, measured by the reduction in the

<ul style="list-style-type: none"> <li>• What are lessons learnt and the key conditions for success?</li> </ul>	<p>number of complaints received by those working in this sector.</p> <p>Lessons learnt and key success factors:</p> <ul style="list-style-type: none"> <li>• Enterprise vouchers are important in supporting both employers and workers in the agricultural sector, to conclude legitimate working contracts for seasonal and occasional work<sup>vii</sup>. The booklet form of the contract enabled workers to be informed on their rights under the employment contract through Enterprise vouchers. The price of the Enterprise vouchers includes the social contributions which enables the seasonal workers to gain comparable benefits to other types of employees.</li> <li>• It is important that the Enterprise voucher is attached to the contract/booklet before the work begins. Thus, the employer and the worker cannot make a separate (verbal) agreement to under-report the number of days worked.</li> <li>• Setting a maximum number of days for such contracts (i.e. 90 days within a calendar year in this case), or a maximum number of vouchers an employer is entitled to purchase, can help to avoid unintended negative effects (i.e. substitution of permanent formal employment contracts).<sup>ix</sup></li> </ul>
<ul style="list-style-type: none"> <li>• Level of transferability (e.g. other countries/groups/sectors)</li> </ul>	<p>This type of voucher has a high level of transferability to other Member States which face high levels of undeclared work in agriculture, considering that no budget is allocated for providing subventions to the employers. This type of employment contract can be also transferred to other sectors involving occasional work where undeclared work is high and labour inspection is difficult as, for example, in household services. However, when implementing service voucher schemes, pilot initiatives should be used as well as ex-ante and ex-post evaluations to ensure that they are not a substitute for permanent formal employment contracts.</p>
<p><b>Additional information</b></p>	
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<ul style="list-style-type: none"> <li>• Sources</li> </ul>	<p>Official Gazette. (2012). Employment Promotion Act. 57/12, 120/12.</p>
<ul style="list-style-type: none"> <li>• Metadata and key words for online search</li> </ul>	<p>Croatia; agricultural sector; enterprise vouchers; occasional work; seasonal work; seasonal employment contract; permanent employment contract; temporary work; employment rights; social contributions; pension contributions</p>

<sup>i</sup> Eurofound. (2013). *Seasonal work vouchers, Croatia*. Available at: <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/seasonal-work-vouchers-croatia>

<sup>ii</sup> Markota, T. (2018). *Vouchers in seasonal agriculture, Croatia*. Presentation at the 4th Plenary session of the European Platform Tackling Undeclared Work, March 8-9, Brussels.

<sup>iii</sup> Grgurev, I. (2017). The Concept of 'Employee': The Position in Croatia. In Waas B. and van Voss G.H. (Eds.), *Restatement of Labour Law in Europe: Vol I: The Concept of Employee*. Hart Publishing.

<sup>iv</sup> Novakovic, N. (2015). *Croatian Employers' Association (CEA), The Attitude of the Croatian Employer's Association on Croatia's Underground Economy*, Zagreb, September 1, 2015. Available at: [www.ijf.hr/upload/files/file/ENG/GREY-conf/novakovic.pptx](http://www.ijf.hr/upload/files/file/ENG/GREY-conf/novakovic.pptx)

<sup>v</sup> Williams, C.C., Renooy, P. Baric, M. (2013). *Tackling undeclared work in Croatia*. Eurofound. Available at: <https://www.eurofound.europa.eu/publications/report/2013/labour-market/tackling-undeclared-work-in-croatia>

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<sup>vi</sup> Williams, C.C., Bohne, C., Brunner, M., Denecke, J., Olle, M., Radvanský, M. and Štefánik, M. (2017). *Preventative Policy Measures to Tackle Undeclared Work in Croatia*, Croatian Ministry of Labour and Pension System. Available at: [https://www.researchgate.net/publication/318453335\\_Preventative\\_Policy\\_Measures\\_to\\_Tackle\\_Undeclared\\_Work\\_in\\_Croatia](https://www.researchgate.net/publication/318453335_Preventative_Policy_Measures_to_Tackle_Undeclared_Work_in_Croatia)

<sup>vii</sup> Mandl, I., Curtarelli, M., Riso, S., Vargas Llave, O., Gerogiannis, E. (2015). *New forms of employment*. Eurofound. Available at: <https://www.eurofound.europa.eu/publications/report/2015/working-conditions-labour-market/new-forms-of-employment>