

C/M/S/ Zagreb

Croatian Labour Law: Overview and Update

**Nordic Chamber
14 May 2008**

Agenda

- ! Sources of the Croatian labour law
- ! Labour Act – basic features & principles
- ! Labour contracts
- ! Working hours
- ! Rest periods
- ! Annual leave
- ! Salary
- ! Termination of a labour contract
- ! Transfer of contracts to a new employer
- ! Work of foreigners in Croatia
- ! Collective agreements

1. Sources of the Croatian Labour Law

! Laws

- Labour Act (OG No. 38/95, 54/95, 65/95, 17/01, 82/01, 114/03, 142/03, 30/04, consolidated version - 137/04);
- Act on Foreigners (Official Gazette No. 79/07)

! Collective Agreements

! Employment rules

! Individual labour contracts

! Other related regulations

- Compulsory Health Insurance Act
- Pension Insurance Act
- Safety at Work Act
- etc.

2. Labour Act – Basic Features and Principles

- ! Last amendments in 2003
- ! Further amendments expected for the purpose of harmonization of its provisions with the EU law

Principles

- ! No discrimination
- ! Free stipulation of working conditions within the limits set by the Labour Act and other obligatory provisions
- ! Application of the right which is most favourable for the worker
- ! Subordinated application of general provisions of the law of civil obligations (confirmed by the *SC Dec. No. Revr-139/03-2*)

3. Labour Contracts

- ! Written form obligatory
- ! Mandatory content of the labour contract prescribed by the Labour Act
- ! Open-ended contract as a rule
- ! Trial period

- ! Managerial contracts

4. Working Hours

- ! Full-time: 40 hours per week
- ! Part-time working hours possible
- ! Overtime work
 - Only for various reasons
 - Max. 10 hours per week
 - Overtime work must be paid additionally
- ! Rescheduling of working hours
 - Must not exceed 52 hours a week (for non-seasonal works) – in such case additional overtime work not allowed (*Opinion Class: 140-13/00-36/6002 , No. 341-99-05/2-00-1245 of 17 October 2000, Croatian Pension Insurance Fund*)
 - Rescheduling not to be used to disguise overtime work!

5. Rest Periods

- ! Break
 - 30 minutes (included in the working hours)
- ! Daily rest
 - 12 hours
- ! Weekly rest
 - 24 hours
- ! Increased salary to be paid to the workers for the work on Sundays, holidays, and – acc. to the law – “other days that are not working days”

6. Annual Leave

- ! Min. 18 working days for each calendar year
- ! Acquired after 6 months of uninterrupted work
- ! No waiver or compensation
- ! Additional days
 - For certain reasons in many collective agreements
 - For personal reasons 7 working days max.

7. Salary

- ! At present the monthly minimum gross salary amounts to HRK 2,441.25 (ca. 334 EUR)
- ! The new Minimum Salary Act to be enacted in the next few months – agreed to be 39% of the average salary in Croatia
- ! No general reference point for salary increases – stipulated either by the collective agreement, employment rules or individual contract
- ! Some additional payments acc to the collective agreement, employment rules or labour contract!

8. Termination of a Labour Contract

- ! Types of notices:
 - Regular notice
 - Extraordinary notice
- ! The notice has to be in writing and the reasons for termination, the notice period and the entitlements regarding termination have to be stated - non-compliance with these requirements may result in the termination being null and void.

9. Regular Notice

- ! Justified reasons for termination by the employer:
 - business reasons
 - personal reasons, or
 - worker's misconduct
- ! Different treatment of “small” and “big” employers as well as of the employer and the worker
- ! Dismissal Accompanied by an Offer to Alter the Terms of the Labour Contract
 - the dismissal has to be grounded on one of the reasons for the regular notice and has to be explained – *SC Dec. No. Rev-1951/00*
 - The worker may accept the offer but can still argue that the dismissal was not allowed before the court

9. Regular Notice

! Notice period

- If the employer cancels - min. 2 weeks, max. 3.5 months - depending on the length of the employment by the employer and the age of the worker
- If the worker cancels - max. 1 month if he/she has a particularly important reason for that

! Severance pay

- to a worker who is being dismissed due to business reasons after a 2-year service
- amount of the minimum statutory severance pay equals $\frac{1}{3}$ of the average monthly salary in the preceding 3 months multiplied by the number of years of the continuous employment with that employer

10. Extraordinary Notice

- ! if, due to a grave violation of an employment obligation or due to any other highly important fact and recognising all the circumstances or interests of both contracting parties, continuation of the employment is not possible
- ! Not subject to a prescribed or agreed notice period!
- ! Allowed only within 15 days after gaining knowledge about the basis of the extraordinary notice

11. Transfer of Contracts to a New Employer

- ! If, as a result of a status change or legal transaction, the whole company or (a part of) the business operation is transferred to a new employer, all labour contracts of workers working in the company or part of the company are also transferred to the new employer
- ! The employer has to inform in writing the worker whose contract is being transferred about the transfer of his or her labour contract to the new employer

12. Work of Foreigners in Croatia

- ! Only on the basis of a work / business permit!
- ! Work permit
 - on the basis of annual quotas
 - the quota rule does not refer to work permits issued to certain categories of foreigners (e.g. the key personnel whose status has been regulated by SAA, employees transferred as part of internal staff transfers within related companies, etc.)
- ! Business permit to foreigners who have/are:
 - founded/incorporated a company,
 - registered a craft in Croatia,
 - engaged in freelancing / providing services on behalf of a foreign employer
- ! Additional consent of the competent state office necessary – to confirm interest of the Republic of Croatia for issuing a business permit to a particular person!

12. Work of Foreigners in Croatia

- ! Certain categories of foreigners are exempted from the requirement to apply for a work permit, providing they do not work in Croatia for more than 30 days in a year, e.g.
 - foreigners performing assembly works in cases their work is a condition for the use of warranty rights;
 - procurators, directors and supervisory board members, not being employed by the company;
 - foreigners engaged in educational activities etc.
 - artists etc.

13. Collective Agreements

- ! Not obligatory
- ! Can contain all sorts of rules
- ! Areas for which they can be concluded:
 - Individual company
 - Industrial sector
 - county
- ! The provisions of a collective agreement shall prevail over any subsequent agreements between the worker and the employer, if more favourable for the worker! (acknowledged position of the *SC No. Su-IV-46/2007*)
- ! Collective Agreement applicable on the area of the whole country and on all the workers and employers active in the trade sector and in the construction sector

Thank you!

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