
COVID-19 and Labour Law: Croatia

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Abstract

Key measures relating to labour law in Croatia in the COVID-19 crisis are job-saving measures that provide financial support for employers (salary subsidies and tax relief). Measures meant to mitigate the difficulties caused by the COVID-19 crisis are still a work in progress. Wage cuts in the public sector have been announced.

Keywords: Covid-19; Labour Law; Job-saving measures.

In Croatia, the disease known as COVID-19 was declared an epidemic on 11 March 2020. Intensive legislative activity ensued. In this contribution, the following pieces of legislation will be analysed: the legislation on income support and job-saving provisions (section 2), on social distancing and work from home (section 3), on parental leave (section 4) and on particularly vulnerable workers (section 5). Furthermore, Section 6 deals with the role of social partners in the effort to design those measures. The gaps left uncovered by the measures will be addressed in Section 7. Finally, a few concluding remarks are presented in Section 8.

1. Effects of the Interruption of Business Operations on Employment

1.1 Financial Support for Employers

The interruption of business operations has resulted in dismissals and unpaid leave in industries affected by the crisis (in particular, in the hospitality sector and in labour-intensive industries)¹. Therefore, there was a need to introduce a new active policy measure. The job-saving measure is at the disposal of employers affected by the COVID-19 crisis in the accommodation, food and beverage sectors, in the transportation and warehousing sectors and in a number of labour-intensive industries (textile, clothing, footwear, leather, wood and furniture). It is also available to employers who have been unable to perform activities because of the decisions of the Civil Protection Headquarters, and to other employers who can prove the negative impact of COVID-19 crisis on their business

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¹ The Croatian Bureau for Employment reports on influx of newly unemployed. <https://www.hzz.hr/statistika/>.

operations (or establish facts from which it may be presumed). They can claim salary subsidies for their employees as follows:

- an amount of HRK 3,250.00² (raised to HRK 4,000.00³ for April and May) per month for each full-time employee;
- up to HRK 1,625.00⁴ per month for part-time workers;
- a prorated amount (based on HRK 3,250.00⁵ or HRK 1,625.00 respectively)⁶ per employee for the time they could not work because of the Decision of the Civil Protection Headquarters, and
- an amount of HRK 203.12⁷ (HRK 250,00⁸ for April and May) per month as a subsidy for the pension insurance contribution paid into the second pillar.

Even the employers who dismissed the employees due to the COVID-19 crisis are entitled to subsidies when they re-employ former employees⁹.

A total of 86,764 employers (who employ about 506,000 employees) have claimed the financial support described above.¹⁰ It is a considerable number in light of the overall number of employees in Croatia (1,517,580)¹¹.

2. Tax Relief for Employers

Tax relief is available to employers whose income has declined (or is likely to decline in the next three months compared to the same period of last year) by at least 20% due to the COVID-19 crisis¹². With the initial measure, the employers affected by the crisis were entitled to an interest-free deferral of taxes due. Two weeks after introducing this measure, the Government decided to introduce additional measures because it faced the reasoned criticism of employers: now they can be exempted from paying tax completely or they can pay the deferred tax in instalments. It is obvious that most employers would not be able to accumulate enough money to pay their taxes immediately after the crisis, as they would be required to in line with the initial measure. According to the Amendment to the Ordinance on the Implementation of the General Tax Act, if the crisis lasts longer than three months, entrepreneurs can defer paying their taxes by three more months. Entrepreneurs unable to meet their fiscal obligations by that deadline can apply to pay tax in monthly instalments over up to 24 months, interest-free. Employers are exempted from paying social security

² About EUR 423.00.

³ About EUR 526.00.

⁴ About EUR 214.00.

⁵ About EUR 423.00.

⁶ About EUR 214.00.

⁷ About EUR 27.00.

⁸ About EUR 33.00.

⁹ Croatian Employment Service, Job-saving measures in coronavirus-affected industries (COVID - 19). Available at: <https://mjera-orm.hzz.hr/potpورا-ocuvanje-radnih-mjesta/>

¹⁰ http://www.nhs.hr/novosti/subvencija_i_za_otpustene_radnike_ako_ih_do_sutra_poslodavci_vrate_na_posao_70881/

¹¹ Croatia in Figures, Croatian Bureau of Statistics, Zagreb, 2019, p. 6. Available at: <https://www.dzs.hr/>

¹² Ordinance on Implementation of General Tax Law (Official Gazette No 35/2020).

contributions on subsidized salaries. Those whose business operations have been closed by the decision of the competent authority during the COVID-19 crisis will be exempted from paying tax arrears if their income decreases by at least 50% within the period of three months after the entry into force of this provision relative to the same period in the previous year¹³.

3. Health and Safety of Employees (Social Distancing, Remote Work)

Social distancing measures and limiting freedom of movement have significantly affected working conditions. Due to the coronavirus lockdown, only necessary service providers are at work and only essential stores (such as grocery stores and pharmacies) are open. Their opening hours have been reduced¹⁴. Employers are required to organize work from home where possible, both in the private and public sectors¹⁵.

Employees who do not work at home need to obey social distancing measures and specific health and safety measures. For instance, according to Article III of the Decision on the General and Specific Protective Measures implemented by taxi service providers, employers are required to inform employees about the COVID-19 disease and provide working conditions that, *inter alia*, include regular cleaning of the premises with disinfectants¹⁶. The mandatory quarantine and home isolation for drivers of international transport cargo vehicles upon entry into the Republic of Croatia have been introduced as well¹⁷.

4. Increased Care Burden due to the Closure of Schools and Day Care Facilities (Parental Leave)

Salary compensation during parental leave has been raised but there have been no measures to help parents facing an increased care burden due to the closure of schools and day care facilities¹⁸.

¹³ Arts 71c – 71m of the Amendment to the Ordinance on the Implementation of General Tax Act (Official Gazette No 43/2020).

¹⁴ The Civil Protection Headquarters of the Republic of Croatia has limited opening hours of stores (Decision on Store Opening Hours (Official Gazette No 35/2020)).

¹⁵ Decision on Measures Limiting Social Gatherings, Work in Commerce, Services and Sports and Cultural Events (Official Gazette No 32/2020) and Decision on the Work Organisation in the State Administration Bodies during the Epidemic of the COVID-19 Disease Caused by SARS-CoV-2 Virus (Official Gazette No 32/2020).

¹⁶ Official Gazette No 35/2020.

¹⁷ Decision on the Procedure and Application of Quarantine and Home Isolation for Drivers of International Transportation Lorries during the Declared COVID-19 Disease Outbreak (Official Gazette No 37/2020).

¹⁸ Amendment to the Act on Maternity and Parental Benefits (Official Gazette No 37/2020).

5. Particularly Vulnerable Workers (Self-employed, Casual Workers)

The right to financial assistance for the so-called permanent seasonal workers¹⁹ and co-financing of the costs of extended pension insurance is prescribed by the Amendment to the Act on Labour Market.²⁰

Certain groups of self-employed persons (such as freelance artists) who lost their income due to the closure of theatres, museums or concert hall also need to be protected. Therefore, the Ministry of Culture has announced on their official web site that it is about to establish a crisis fund. The crisis fund will disburse funds to natural and legal persons in the culture sector, to cover the extended period of preparatory activities for approved cultural projects whose implementation has been delayed due to the epidemic.²¹

6. Role of Social Partners in Designing Measures (Social Dialogue)

The measures that were introduced initially were designed without any prior consultation with the social partners. The failure to consult social partners when the initial measures were designed resulted in the need to redesign them.²² Regarding the public sector, the Government issued a Conclusion stating that it would launch negotiations with the social partners on the amount which will serve as the base for the salary calculation for civil servants and employees in the state administration and for other employees in the public sector.²³ Apart from this, they will negotiate reducing other financial rights guaranteed to the civil and public servants and employees in the public sector by the applicable collective agreements.

7. Issues that have not been sufficiently addressed or have been left vacant by the provisions currently in force

The initial tax relief measures (such the postponement of tax payments) were faced with serious criticism as inadequate. Therefore, the redesigned measures were introduced, taking on board the reasoned criticism of employers.²⁴ Regarding the issues that have been left vacant by the recently introduced measures, it should be mentioned that there here have

¹⁹ A permanent seasonal worker is a casual worker for whom the employer pays extended pension insurance contributions between seasons when s/he does not work and which guarantees the employer that the seasonal worker will accept the offer for employment for the next season; if the worker declines the offer to conclude an employment contract s/he needs to reimburse the contributions paid by the employer (Art 16 of the Labour Act).

²⁰ Official Gazette No 32/2020.

²¹ <https://www.koronavirus.hr/vladine-mjere/mjere-za-kulturu/133>

²² See above, Section 2.2.

²³ Conclusion of 2.4.2020, No 022-03/20-07/89, 50301-25/14-20-2 (Official Gazette No 41/2020).

²⁴ See above, Section 2.2.

been no measures introduced to help employees who need to reconcile work and care provision due to the closure of schools and day care facilities.

8. Conclusion

Job-saving measures introduced so far comprise subsidies for salaries and pension insurance contributions, and tax relief for employers in the private sector. After heavy criticism levied by employers, the initial measures on the amount of financial support and tax relief for employers have been amended. The conclusion is that the effort to design the anti-crisis measures is a work in progress and that social partners should have been consulted in the process of designing the measures for the private sector, just as they will be consulted in the public sector as per the announcement. Since the public sector needs to bear its part of the financial burden of the crisis just as the employees in the private sector do, their salaries and other financial rights are likely to be cut soon.

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