



# EMPLOYMENT IN CROATIA



Croatia, officially known as the Republic of Croatia (Republika Hrvatska) is located in the north-western part of the Balkan Peninsula. Formerly known as the Socialist Yugoslavia until 1991. Croatia has been a member of the European Union since 2013. The official language is Croatian, however, there are a number of minority languages used such as Serbian and Bosnian. The service sector dominates the economy in Croatia, accounting for almost 60% of GDP. The tourism sector is also a strong factor in the economy. The Croatian Labour Act regulates employment within the country. Below is some key information regarding employment in Croatia, intended to provide a brief overview of employment law in Croatia. It is not intended as substitute for professional legal advice and counsel.



## PROS AND CONS OF HIRING IN CROATIA

Croatia is a member of the EU meaning there is a vast talent pool of experienced and highly skilled workers able to relocate from other EU countries, as well as talent already located within Croatia. The country has experienced vast economic growth and stability since its independence. Croatia is also a popular country to hire remotely due to its highly educated workforce, universal healthcare, and strong social security system. However, the bureaucratic system is an obstacle a business may face. There will be the requirement to obtain various approvals and permits to establish a business and hire in Croatia. Wait times are often longer than similar procedures in other countries. Croatia's employment laws offer strict protection against discrimination, employers will need to be cautious during hiring to ensure no questions, or procedures may make them liable for discrimination accusations.

## WHY CROATIA IS GOOD FOR REMOTE WORKERS

Remote working is becoming increasingly popular in Croatia, and the country is establishing itself as one of the leading remote working destinations. In January 2021 a digital nomad visa was introduced and is valid for a period of one year. Compared to some other European countries, the cost of living is relatively low.

In fact, there is a dedicated village for remote workers outside of Zadar that opened in October 2021, known as Digital Nomad Valley Zadar, or The Valley offering low-cost rental opportunities, and plenty of co-working spaces.

## WORKING TIME AND OVERTIME

The standard working hours in Croatia are 40 hours per week typically over 5 days. Employees can work overtime, but this should not exceed 8 hours per week, the employer will need to submit a written request for overtime work. Overtime will need to be paid at an additional 50% of the employees' average salary. Employees are entitled to a rest break of 30 minutes, if working over 6 hours per day.

## ANNUAL LEAVE

Employees are entitled to a minimum of 20 working days annual leave per year. In addition to annual leave, employees are also entitled to up to an additional 7 days per year for personal circumstances such as the death of a family member, or marriage. There are 14 public holidays in Croatia.

## TRIAL PERIOD

Probation periods in Croatia are permitted for up to 6 months. Probation periods will need to be included in writing in the contract of employment.





## RESIGNATION AND DISMISSAL

During the probation period an employee maybe terminated with 1 weeks written notice by the employer. Employees will be required to provide one months' written notice to terminate their employment, this will need to be advised in the contract of employment.

The below table shows notice periods outside of the probation period that employers will need to ensure they adhere to. Employees over the age of 50 will need to receive an additional 2 weeks' notice. Employees over the age of 55 will receive an additional 4 weeks' notice. Employers can choose to pay in lieu of having the employee serve their notice.

<b>Years of Service</b>	<b>Notice Period</b>
0 - 1 Year	2 weeks
1 Year +	4 weeks
2 Years +	6 weeks
5 Years +	8 weeks
10 Years +	10 weeks
20 Years +	12 weeks

Notice periods will be halved if an employee is dismissed due to misconduct such as theft, neglect of duties, or absence without permission. If an employee is dismissed due to misconduct, notice must be provided in writing, with documented meetings, and any evidence provided prior to termination. In addition to notice periods, employees who have worked for an employer for more than 2 years and have not been dismissed due to misconduct will also be entitled to severance pay. Severance pay is calculated at no less than 33% of the employees average monthly salary for each year of service. This is capped at 6 months of the employees' salary.

## RESTRICTIVE COVENANTS

Post termination restraints can be enforceable if they are reasonable and protect a business's legitimate interests. An employer can stipulate that for up to 2 years after employment ends that the employee cannot accept employment with a market competitor and cannot complete business transactions that are in competition with their employer. An employee will be entitled to compensation for any post-termination restraints, which is equal to at least half of their average salary paid to the employee in the 3 months before termination of employment. Any restraints will be void if it is proven their aim is not to protect legitimate business interests, or that it puts the employee at a disadvantage with future employment and promotion.

## CONTRACT OF EMPLOYMENT

A written contract of employment is a legal requirement in Croatia. Employment contracts in Croatia are generally for an indefinite period of time. Only under certain circumstances may the contract be for a set period, such as for seasonal work, a temporary project, or to temporarily replace an employee who maybe on sick leave or maternity leave. Any contract of employment



## CONTRACT OF EMPLOYMENT CONT...

must be in the local language, state the salary in the Croatian currency Croatian Kuna (HRK), and be signed by both the employer and employee. Other details that will be required but are not limited to include personal details of both parties, work location, working hours, start date, job title, job description, holiday entitlement, and notice period.

## MATERNITY AND PATERNITY LEAVE

Expectant mothers are entitled to 28 days of maternity leave before the expected due date, this can be increased to 45 days under circumstances that require a doctor's authorisation. Following the birth, the mother is entitled to at least 70 days maternity leave, or until the child is 6 months old. Employees are entitled to full pay by the HZZO Hrvatski zavod za zdravstveno osiguranje (Croatian Health Insurance Fund) provided they have made social security contributions for at least 9 consecutive months, or 12 months in 2 years. As of August 2022, fathers are entitled to 10 days paid paternity leave, or 15 days in the case of twins. Parents are also entitled to parental leave of 120 days per parent when the child reaches over the age of 6 months, this leave must be used before the child reaches 8 years old.

## SICKNESS LEAVE

Employees are entitled to 42 paid sick days per year. The amount will depend on what has been agreed during employment but must be equivalent to no less than 70% of the average salary in the previous 6 months. After 42 days income replacement benefit is calculated and paid by the employer, this is then claimed back from the HZZO. Employees will need to have made social security contributions for at least 9 consecutive months, or 12 months within 2 years with interruptions.

## SOCIAL SECURITY

The social security system in Croatia is contribution based by both employer and employee. This consists of items such as pension, health, unemployment, work accident insurance, maternity, and family benefits. There are certain criteria that need to be met to be entitled to these benefits, such as unemployment benefit, a person must have worked at least 9 months over the past 24 months. Employment must not have been terminated voluntarily, or through fault of the applicants.

## HEALTHCARE AND INSURANCE

Croatia has compulsory health insurance that all residents must be registered for, Obavezno zdravstveno osiguranje, this ensures every resident has access to basic care and is administered by the HZZO. Contributions are made by employers. Treatment is not always free but is heavily subsidised. As well as the Obavezno zdravstveno osiguranje, there are another two options for healthcare insurance in Croatia. Dopunsko zdravstveno osiguranje, this is an optional health insurance supplement that is available from either the HZZO, a private bank, or an insurer. This is affordable and eliminates most co-payments for primary care hospital visits. Dodatno zdravstveno osiguranje, this is the highest level of health insurance in Croatia and is only offered by banks and private insurers. This private healthcare option usually covers specialists, additional treatments, laboratory tests, preventative care, and extended hospital visits.





# EMPLOYMENT OF FOREIGN NATIONALS

Most foreign nationals will need a permit or visa to work in Croatia. Residents of countries that are a member of the European Union (EU) or the European Economic Area (EEA) do not need a work visa for employment in Croatia. Employers wishing to employ nationals from outside the EU will first need to contact the Croatian Employment Service to conduct a labour market test to ensure there are no unemployed Croatian nationals who suitable for the position.

The employer can then submit a request for a residence and work permit to the Ministry of the Interior through the police department within 90 days of receiving the notification of the result of the labour market test. Employers will not be required to request a labour market test when it is a request for an extension for an employee already working for the same employer that their residence and work permit is originally held with.

Croatia is also part of the EU blue card scheme. Applicants must be from a country outside the EU, and have a bachelor's degree, or at least 5 years professional senior experience. Applicants will be required to hold a job offer, or an active work contract. EU blue card applications are often fast tracked and can be a quicker way of being able to work in Croatia.





# SALARY AND SALARY TAXES

## MINIMUM WAGE

The minimum wage in Croatia increased in January 2023 from 4,687.50 HRK to 5,274.15 HRK per month.

## INCOME TAX

The Croatian tax year runs from January to December. Below is a guide to employee income tax in Croatia.



Annual Salary	Tax Rate %
Less than 360,000 HRK	20%
More than 360,000 HRK	30%

## SALARY PAYMENTS

Salaries are paid on a monthly basis in Croatia, no later than the 15th of each month.



## SOCIAL SECURITY CONTRIBUTIONS

Social security contributions are the responsibility of the employer to deduct from an employee's salary before payment. Both the employer and employee are subject to social security contributions. An employees' social security contributions are pension contributions levied at a 20% rate. These are broken down into two pillars, pillar I 15% contributions, and pillar II 5% contributions. This is based on gross salary and is capped at 57,222 HRK monthly. This is applicable for both pillars I and II. A 686,664 HRK annual cap is applicable for pillar I payments regardless of if the payment is salary or another type of remuneration.

Employers make contributions of 16.5% towards health insurance based on gross salary, which is uncapped. Employers also have obligations towards disabled employees, if a company employs 20 or more employees, they are required to employ a certain number of disabled individuals. The number should be equal to 3% of the total number of employees. Employers who fail to meet these requirements will need to pay a monthly fee equivalent to 20% of the minimum gross salary for each disabled employee that should be employed according to the quota.



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