CROATIAN LABOR LAW COMPLIANCE BEST PRACTICES

Introduction:
This best practices check list was put together in order to help employers comply with the most important statutory requirements set forth in the Labor Act (Official Gazette 93/14, “Labor Act”) and to be ready for a visit by the Labor Inspection. The task of the Labor Inspection is to assure statutory labor standards compliance by employers at the workplace.

Our experience shows that a Labor Inspection would primarily look at the Labor Act compliance requirements listed below. Additional requirements may apply depending on such individual factors as the nature of the employer’s business and the number of employees.

The Labor Inspection may, but is not obliged to, announce its visit to the employer’s premises in advance. During its inspection, the labor inspector usually reviews relevant documentation (primarily employment contracts, collective bargaining agreements, and work rulebooks) and interviews employee and management representatives.

Depending on the findings of the inspection, the labor inspector may require statutory compliance within a set deadline, prohibit the performance of work, or initiate misdemeanor proceedings and impose monetary sanctions.

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<tr>
<th>LABOR ACT COMPLIANCE REQUIREMENT</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>EMPLOYMENT CONTRACT</td>
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<td>Employment contract vs. service contract</td>
<td>It is the content of the contract, rather than its name, that matters. An individual is considered to be an employee if the important elements of the employment relationship (such as monthly salary, permanent work tasks, work under the direction of an employer, entitlement to holidays) are included in a contract irrespective of what the parties name that contract (for instance, a consultancy or service agreement).</td>
<td>If it is determined that the parties have entered into an employment contract, an employee will enjoy protection under employment law. The burden of proof is on the employer to prove otherwise. There are also potential tax implications, as the employer may be ordered (by the Tax Inspection) to calculate and pay mandatory salary contributions.</td>
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| Definite term employment contracts | An employment contract concluded for a definite time can be an advantageous arrangement for an employer. At the end of the term the employment relationship can come to an end without cause or other complications. However, a number of conditions have to be met for the desired contractual characterization to be given effect. If these conditions are not met, the contractual characterization may be ignored and the employer may also be subjected to fines.  

The duration of an employment contract concluded for a definite time must be determined by (i) a specific time limit, (ii) performance of a specific task, or (iii) the occurrence of a specific event.  

After an initial contract, an employer should not conclude one or more subsequent consecutive definite term employment contracts with an employee in a total time period exceeding three years except (i) in order to substitute a temporarily absent worker, or (ii) if there is an objective reason laid down by the law or a collective bargaining agreement.  

These restrictions do not apply to management board members and other key personnel defined by special legislation authorized to independently manage (part of) an employers’ business. | Possible fines in the amount up to:  

- HRK 60,000 (approximately EUR 8,000) for a legal entity; and  
- HRK 6,000 (approximately EUR 800) for its responsible representatives. |
| Form of the employment contract | The employment contract should generally be concluded in written form. If not, the employer is obligated to issue at least a written certificate on the conclusion of the contract to an employee before commencement of the employee’s work. | Possible fines in the amount up to:  

- HRK 100,000 (approximately EUR 13,350) for a legal entity; and  
- HRK 10,000 (approximately EUR 1,350) for its responsible representatives. |
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| Content of the employment contract | The Labor Act provides for minimum provisions to be included in an employment contract:  
- the contracting parties and their residence/business address;  
- place of work or a specification that the work will be performed at a different location;  
- name and type of work position or a short description of work tasks;  
- commencement date;  
- expected duration (for a definite term employment contract only);  
- duration of annual holidays;  
- notice periods;  
- basic salary, salary supplements and payment periods; and  
- duration of a work day or work week.  
Certain information may be regulated by the collective bargaining agreement or work rulebook.  
Additional elements are provided for certain categories of employees. | An inspector may order the employer to comply with the mentioned statutory requirement within a set deadline.  
In case of failure to act in accordance with the inspector's order, fines in the amount up to:  
- HRK 150,000 (approximately EUR 20,000) for a legal entity; and  
- HRK 50,000 (approximately EUR 6,667) for its responsible representatives. |
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| Minimum age requirement / work of minors | The minimum age of an employee is:  
- 15 years, or  
- 18 years, if an employee is attending mandatory education.  
An employee between 15 and 18 years of age may be employed only with the consent his/her legal guardian.  
Additional statutory requirements for work of minors may apply. | Possible fines in the amount up to:  
- HRK 100,000 (approximately EUR 13,350) for a legal entity; and  
- HRK 10,000 (approximately EUR 1,350) for its responsible representatives.  
In addition, an inspector may prohibit the work of a minor. In case of failure to act in accordance with the inspector’s order, additional fines may be imposed. |

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<th>PERSONAL DATA PROTECTION / PROTECTION OF EMPLOYEES’ DIGNITY</th>
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| Personal data protection | The work rulebook should define the collection, processing, use and delivery of employees’ personal data to third parties. | Possible fines in the amount up to:  
- HRK 60,000 (approximately EUR 8,000) for a legal entity; and  
- HRK 6,000 (approximately EUR 800) for its responsible representatives. |
| Personal data officer | An employer employing more than 20 workers should appoint a person (in addition to the management of the employer) to supervise the collection, processing, use and delivery of employees’ personal data to third persons. | |
| Protection of employees' dignity | An employer employing more than 20 workers should appoint a person (in addition to the management of the employer) authorized to receive and deal with complaints related to the protection of employees’ dignity. | The inspector may order the employer to comply with the statutory requirement within a set deadline.  
In the case of non-compliance with the inspector’s order, additional fines may apply. |
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<td><strong>WORKING HOURS</strong></td>
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<td>Full-time working hours</td>
<td>Full-time working hours cannot exceed 40 hours a week.</td>
<td>Possible fines in the amount up to:</td>
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<td>Additional work</td>
<td>An employee working full time with one or more employers may take up additional part-time work with a different employer. Such additional work may not exceed 8 hours per week and 180 hours per year. The full time employer (employers) must issue prior written consent for such additional work.</td>
<td>• HRK 100,000 (approximately EUR 13,350) for a legal entity; and&lt;br&gt;• HRK 10,000 (approximately EUR 1,350) for its responsible representatives. Additional monetary sanctions under special legislation may apply.</td>
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<td>Overtime work</td>
<td>An employer is allowed to request overtime work from employees only in case of (i) force majeure, (ii) an extraordinary increase of the scope of work, or (iii) other urgent cases. However, in any case, total work is capped at 50 hours per week and overtime work at 180 hours per year (unless otherwise regulated under a collective bargaining agreement, in which case overtime hours may be capped at a maximum of 250 hours per year). The overtime work of certain categories of employees is either completely prohibited (e.g., minors) or subject to certain statutory limitations (e.g., a pregnant employee, generally, may work overtime only upon signing a statement voluntarily accepting it).</td>
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<td>Rescheduled working hours</td>
<td>The employer may decide to reschedule working hours in a way that during a certain period (that cannot exceed 12 consecutive months), in one period the employees work longer, while in another period they work shorter working hours. Various restrictions apply.</td>
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### LABOR ACT COMPLIANCE REQUIREMENT

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<th>Registration with mandatory health and pension insurance</th>
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<td><strong>DESCRIPTION</strong> The employer must give the employee a copy of the registration form for pension and mandatory health insurance within 8 days from the expiry of the statutory registration deadline. The deadline for registration with the Croatian Pension Insurance is generally 24 hours from the commencement of work. It is 8 days for the Croatian Health Insurance.</td>
</tr>
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| **CONSEQUENCE IN CASE OF A BREACH** Possible fines in the amount up to:  
- HRK 100,000 (approximately EUR 13,350) for a legal entity; and  
- HRK 10,000 (approximately EUR 1,350) for its responsible representatives.  
Additional monetary sanctions under special legislation may apply. |

### REST PERIODS

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<th>Breaks; Daily and weekly rest periods; Annual leave</th>
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| **DESCRIPTION** An employer should respect the minimum statutory requirements regarding:  
(i) breaks (at least 30 minutes each working day);  
(ii) daily rest periods (at least 12 consecutive hours);  
(iii) weekly rest periods (at least 24 consecutive hours);  
(iv) annual leave (minimum of 4 weeks).  
Certain exceptions may apply. |
| **CONSEQUENCE IN CASE OF A BREACH** Possible fines in the amount up to:  
- HRK 60,000 (approximately EUR 8,000) for a legal entity; and  
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<td><strong>SALARY</strong></td>
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| Right to minimum salary          | All employees working in Croatia have the right to a minimum salary determined by applicable law. As of 1 January 2014, the minimum salary is HRK 3,017.61 gross (approximately EUR 400). | Possible fines in the amount up to:  
  - HRK 100,000 (approximately EUR 13,350) for a legal entity;  
  - HRK 10,000 (approximately EUR 1,350) for its responsible representatives.  
  The total amount of penalties may be increased depending on the number of employees who did not receive the minimum salary. |
| Salary                           | The salary for the previous month must be paid by the fifteenth of the current month (unless otherwise specified by a collective bargaining agreement or an employment contract). | No sanctions under the Labor Act are provided. However, by breaching this provision an employer may be exposed to employee lawsuits for salary payment.  
Non-payment of salary constitutes a criminal act, unless the employer cannot access its bank accounts or does not have sufficient funds (for reasons other than deliberately avoiding salary payment). |
| Payroll account                  | An employer must give a payroll account to an employee within 15 days from the day of payment of a salary or severance payment. | The inspector may order the employer to comply with the statutory requirement within a set deadline.  
In the case of non-compliance with the inspector’s order, fines may apply. |
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<td><strong>WORK RULEBOOK AND RECORDS</strong></td>
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<td>Work rulebook</td>
<td>An employer employing more than 20 workers must adopt and publish a work rulebook regulating salaries, organization of work, procedure and measures for the protection of employees' dignity, prevention of discrimination and other issues important for the employees (except when such issues are regulated by a collective bargaining agreement).</td>
<td>The inspector may order the employer to comply with the mentioned statutory requirement within a set deadline. In the case of non-compliance with the inspector's order, fines may apply.</td>
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| Employment records               | An employer is required to keep records on its employees that include employees' personal data and data regarding employees' working hours and any overtime work. | Possible fines in the amount up to:  
  - HRK 100,000 (approximately EUR 13,350) for a legal entity;  
  - HRK 10,000 (approximately EUR 1,350) for its responsible representatives. |
| **TERMINATION DUE TO BUSINESS REASONS** | | |
| Employment of new employees      | If an employment contract is terminated due to business reasons, the employer is not allowed to hire another employee to perform the same work for at least six months from the day of delivery of the notice of termination to the dismissed employee. If the need for performance of the same work arises in a 6-month period from the notice of termination, the employer is obliged to offer a new employment contract to the previously dismissed employee. | Possible fines in the amount up to:  
  - HRK 60,000 (approximately EUR 8,000) for a legal entity; and  
  - HRK 6,000 (approximately EUR 800) for its responsible representatives. |
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<td><strong>FOREING EMPLOYEES</strong></td>
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| Work of foreign employees        | An employer who employs a foreign employee must comply with all applicable rules concerning foreigners and immigration policies, including required stay permits and possession of valid documents. | Possible fines in the amount up to:  
- HRK 150,000 (approximately EUR 13,350) for a legal entity; and  
- HRK 70,000 (approximately EUR 1,350) for its responsible representatives.  
In addition, the inspector may prohibit the work of a foreign employee and prohibit the performance of business activities by the employer for a period of 30 days.  
In the case of non-compliance with the inspector's order, additional fines may be imposed. |
This memorandum has been prepared solely for the purpose of general information and is not a substitute for legal advice.

Therefore, WOLF THEISS accepts no responsibility if – in reliance on the information contained in this memorandum – you act, or fail to act, in any particular way.

If you would like to know more about the topics covered in this memorandum or our services in general, please get in touch with the contacts listed above, or with:

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