Reading Time: 8 minutes

Globalization Partners provides employer of record services for clients that want to hire employees and run payroll without first establishing a branch office or subsidiary in Croatia. Your candidate is hired via Globalization Partners’ Croatia PEO in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company’s behalf exactly as if he or she were your employee to fulfill your in-country requirements.

Table of Contents

- Basic Facts About Hiring in Croatia
- Employment Contracts in Croatia
- Working Hours in Croatia
- Vacation in Croatia
- Croatia Holidays
- Bonus in Croatia
- Sick Leave in Croatia
- Maternity/Paternity Leave in Croatia
- Termination/Severance in Croatia
- Severance Pay in Croatia
- Croatia Tax
- Health Insurance in Croatia
- Additional Benefits in Croatia
- Why Globalization Partners

Our Global Employer of Record Platform™ and Global PEO service enables clients to run payroll in Croatia while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Croatia.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You’ll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in 170 countries around the world, quickly and painlessly.

Croatia, a crescent-shaped country with a population 4.23 million, borders the Adriatic Sea, Central Europe, and Southeast Europe and includes more than 1,000 islands. Croatians have a reputation for being highly professional and yet relaxed about business. They are friendly
and outgoing, but take business matters slowly, so you must have patience. First meetings are used to get to know each other and decision makers will often not be present. Punctuality is highly valued, companies are structured hierarchically, and protocols are strictly adhered to. Be aware that Croats have a great, but dark sense of humor and are often sarcastic. They like to tease and expect you to not only take it, but to dish it back.

**Basic Facts About Hiring in Croatia**

Croatian law forbids employment discrimination, but there is a high degree of tension between ethnic Croats and the 30 different minorities living in Croatia. Employers need to take great care that their employment policies are in line with Croatian law and that there are appropriate procedures and training in place to handle workplace discrimination and harassment.

When negotiating the terms of an employment contract with an employee in Croatia, it may be useful to keep the following standard benefits in mind:

**Employment Contracts in Croatia**

The general rule in Croatia is that employment contracts are executed for an indefinite duration. Under exceptional circumstances, the contract may be made for a definite period if it is for seasonal work, replacement of a temporarily absent employee, or a temporary project.

It is legally required to put a strong, written employment contract in place in Croatia, in the local language, which spells out the terms of the employee’s location of the employment, job description, compensation, benefits, and termination requirements. An offer letter and employment contract in Croatia should always state the salary and any compensation amounts in Croatian Kuna rather than a foreign currency.

This information is provided as generally accepted information and is not intended as advisory services.

**Working Hours in Croatia**

The standard work week in Croatia consists of up to 40 hours per week spread out over 5 or 6 days. Employees can work overtime, not to exceed 8 hours per week if the employer submits a written request for overtime work. Overtime must be paid at a rate of 50% over the
employee’s standard salary.

**Vacation in Croatia**

Employees in Croatia are entitled to a minimum of 20 business days off per year. Employees are also entitled to up to 7 days leave per calendar year for important personal events such as marriage or death of a close family member.

**Croatia Holidays**

Croatia celebrates 14 public holidays for which employees are given the day off, including:

- New Year’s Day
- Epiphany
- Easter
- Easter Monday
- Labor Day
- Corpus Christi
- Anti-Fascist Struggle Day
- Statehood Day
- Victory Day
- Assumption Day
- Independence Day
- All Saints’ Day
- Christmas Day
- Stephen’s Day

**Bonus in Croatia**

The 13th month bonus is not standard in Croatia. Employees typically receive performance-based bonuses.

**Sick Leave in Croatia**

Employees are entitled to a maximum of 42 days of paid sick leave per year. The amount that is paid during sick leave depends on the employment agreement, however, it cannot be less than 70% of the average daily wage in the 6 months preceding the sick leave.

After 42 days, the income replacement benefit is calculated and paid out by the employer.
and reclaimed by the HZZO (the Croatian Health Insurance Fund).

**Maternity/Paternity Leave in Croatia**

Pregnant employees are entitled to:

- 28 days of maternity leave prior to the expected delivery date or 45 days before the delivery date under special circumstances, based on a medical assessment.
- After the birth of a child, female employees are entitled to at least 70 days of maternity leave or until the child turns 6 months of age.
- After the 70-day period expires, the father has the right to use the remaining period of maternity leave, with the mother’s consent.

There is no statutory requirement for paid paternity leave but the employee has the option of using their personal leave.

**Parental Leave:** Parents are entitled to parental leave of 120 days per parent per child for the first or second child once the child reaches 6 months of age.

- They can use the leave until the child reaches 8 years of age
- The leave can be taken fully, partially (no more than two times per year) or part-time (the duration of parental leave is doubled and the compensation is reduced to 50% of what would be paid for with full-time leave).

**Termination/Severance in Croatia**

The employer can set a probationary period in the employment contract of up to 6 months. If during the probationary period the employer determines that the employee does not meet the criteria for the position, the employee may be dismissed without severance pay and with at least a 7-day written notice.

An employment contract can be terminated by mutual agreement of both parties or for cause. The applicable notice periods are as follows:

- Before the first year of employment is complete: 2 weeks’ notice
- One year of employment: one month’s notice is required
- Two years of employment: one month and two weeks’ notice
- After five years of employment: two months’ notice is required
- After 10 years of employment: two months and two weeks
- After 20 years with the same employer: 3 months’ notice is required
If an employee has twenty years of tenure with the same employer, the notice periods are increased by two weeks if an employee is over 50 years old or by one month if the employee is over 55 years old.

**Severance Pay in Croatia (in addition to notice)**

1. When the employer dismisses the worker following a two-year tenure, and unless dismissal is given due to the worker’s misconduct, the worker shall be entitled to severance pay in an amount determined on the basis of the worker’s tenure with that employer.

2. Severance pay for each year of tenure with the same employer must not be agreed upon or determined in an amount lower than one-third of the average monthly salary earned by the worker in a period of three months prior to the termination of the employment contract.

3. Unless otherwise provided for by the law, collective agreement, working regulations or employment contract, the aggregate amount of severance pay referred to in paragraph 2 of this Article may not exceed six average monthly salaries earned by the worker in a period of three months preceding the termination of the employment contract.

**Period of Notice Details in Croatia (with references to specific articles)**

**Article 121**

1. The notice shall begin as on the date of notice of termination of the employment contract.

2. The notice shall be suspended during pregnancy, maternity, paternity or adoption leave, half-time work, part-time work due to intensive childcare, leave of pregnant or breastfeeding worker, and during leave or part-time work due to having to take care of a child with severe development disabilities, under specific provisions, as well as in the case of temporary incapacity for work during treatment or recovery from injury at work or a professional illness, and during service in national defense forces.

3. The notice shall be suspended during the period of temporary incapacity for work.

4. In the case of suspension of notice due to temporary incapacity for work, the worker’s employment relationship shall be terminated at the latest on expiry of six months after the date of notice of termination of the employment contract.
(5) Unless otherwise provided for in collective agreement, working regulations or employment contract, the notice shall not be suspended during annual and paid leave, and the period of temporary incapacity for work of the worker released by the employer from obligation to work during the notice period.

Article 122

(1) In case of regular notice of dismissal, the notice period shall be a minimum of:
1) two weeks, for less than one year of tenure with the same employer,
2) one month, for one year of tenure with the same employer,
3) one month and two weeks, for two years of tenure with the same employer,
4) two months, for five years of tenure with the same employer,
5) two months and two weeks, for ten years of tenure with the same employer,
6) three months, for twenty years of tenure with the same employer.

(2) For the worker with twenty years of tenure with the same employer, the period of notice referred to in paragraph 1 of this Article shall be increased by two weeks if the worker has reached the age of 50 or by one month if the worker has reached the age of 55.

(3) In case of termination of the employment contract due to the breach of obligations arising from the employment relationship (dismissal due to the worker’s misconduct) the period of notice shall be two times shorter than the notice periods established in paragraphs 1 and 2 of this Article.

(4) The employer shall be obliged to pay compensation and recognize all other rights to the worker released from the obligation to work during the notice period, as if he had worked until the expiry of notice period.

(5) During the notice period the worker shall be entitled to be absent from work for at least four hours a week, for the purpose of seeking for new employment.

(6) In case of termination of the employment contract by the worker, a shorter notice period for the worker than for the employer, compared to the period provided for in paragraph 1 of this Article, may be laid down by collective agreement or employment contract.
(7) Where the employment contract is terminated by the worker for a serious reason, the period of notice may not exceed one month.

Severance Pay Details (with references to specific articles)

Article 126

(1) When the employer dismisses the worker following a two-year tenure, and unless dismissal is given due to the worker’s misconduct, the worker shall be entitled to severance pay in an amount determined on the basis of the worker’s tenure with that employer.

(2) Severance pay for each year of tenure with the same employer must not be agreed upon or determined in an amount lower than one-third of the average monthly salary earned by the worker in a period of three months prior to the termination of the employment contract.

(3) Unless otherwise provided for by the law, collective agreement, working regulations or employment contract, the aggregate amount of severance pay referred to in paragraph 2 of this Article may not exceed six average monthly salaries earned by the worker in a period of three months preceding the termination of the employment contract.

Croatia Tax

Croatia does not have a state-sponsored social security system other than the following:

- Health Insurance: 15% employer contribution.
- Unemployment Insurance: 1.7% employer contribution.
- Accident Insurance: 0.5% employer contribution.

In order to stimulate the involvement of young people in the labor market, employers are exempt from paying social security contributions for a period for 5 years if they hire a person of less than 30 years of age under a permanent contract.

Health Insurance in Croatia

Croatia has a compulsory health insurance which is included within the mandatory employer social insurances. Therefore, it is not common for employers to provide additional private health care coverage.
Additional Benefits in Croatia

Croatians workers are often given the following benefits:

- company cars
- mobile phones
- performance-related bonuses
- occasional gifts at Christmas and Easter, given either as cash, company products or shopping coupons

Why Globalization Partners

Establishing a branch office or subsidiary in Croatia to engage a small team is time-consuming, expensive and complex. Croatian labor law has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization Partners makes it painless and easy to expand into Croatia. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you’re in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our Croatia PEO and Global Employer of Record Platform provides you peace of mind so that you can focus on running your business.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in Croatia, please contact us.

Request a Proposal