



## **Weekly Briefing**

**Croatia economy briefing:  
The Labour Act Changes Announced:  
The Effects of the COVID-19 Pandemic**  
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# **The Labour Act Changes Announced: The Effects of the COVID-19 Pandemic**

## **Summary**

*This paper deals with the matter of Labour Act modernization that was announced one year ago, during the first wave of the coronavirus pandemic. Back then, it was seen as an unpopular decision to go into such changes when the global economic and social situation was quite uncertain. Today, the rumors have spread once again that the Government is prepared to introduce some changes to the Labour Act that would take into account the effects of the pandemic, most of all, the option of working from home which remains quite debatable among both employers and employees. While some argue in favor of it, others have stood firmly against it.*

## **Introduction**

Last months marked an opening of the discussion on changes to the Labour Act in Croatia. This topic was discussed last year by members of the Croatian Government, during the first wave of the COVID-19 pandemic, due to findings on possibilities of working from home. However, in 2020, it was hard to expect that amid a global health pandemic that caused social and economic uncertainties, the governing bodies should introduce some major changes when many people already lost their jobs and had unclear working conditions. Thus, the topic was opened again a few months ago, but, as it seems now, nothing will happen until 2022.

## **Modernization of the Labour Act**

Minister of Labour and Pension System, Family, and Social Policy, Josip Aladrović, recently had an opportunity to comment on changes that the Government plans to introduce in order to modernize the Labour Act in Croatia. Aladrović said: “We expect that it will remain as perhaps a positive effect of the pandemic that more workers will work in a separate workplace and work from home. Therefore, we have initiated the procedure according to the amendments of the Labour Act which defined, among other things, these elements. We expect to realize it during the next year, but we are already moving towards formal assumptions to

amend the Labour Act”<sup>1</sup>. Working from home was heavily debated last year when the people were for the first time required to conduct their professional duties and obligations from the comfort of their living rooms. Back then, the opinions on this particular matter were safe to say divided; some people argued that working from home gives them more opportunity to spend their time with families while keeping the necessary level of efficiency and commitment to perform work tasks. The commuters were also given an opportunity to avoid long travels to work and, hence, focus more on their well-being. On the other hand, there were those who argued that a "family zone" was distracting and that they could not focus on the work. Furthermore, the families with children were having difficulties to master and harmonize their work schedules, keeping in mind the fact that schools were transferred to home environments as well, which caused many families with problems on how to help their children with school obligations, while at the same time being as efficient and productive as they usually are when working from offices. After the first wave of COVID-19 ended, there were a lot of employers who decided to continue with the praxis of keeping their employees at home or at least giving them an opportunity to decide whether they want to return to offices or work from home. Some firms introduced a week-to-week schedule which implied one week working from home, one from the office. This was a major change in understanding of work conditions in Croatia, especially with regards to the prevalent conservative notion of work which most Croatians still understand as having to spend their working hours from 8 to 16.

### **The Issue of Fixed-Duration Labour Contracts**

When responding to questions, Aladrović said that the goal is to harmonize the Labour Act in Croatia with other such law in the rest of European countries, that is, with best European practices which would consequently lead the Croatian economy to become more competitive<sup>2</sup>. Furthermore, Aladrović underlined that such changes may also lead to higher salaries, rather than to some further cuttings that already took place since the inception of the coronavirus pandemic. Nevertheless, any changes in the Labour Act would have to take into account the country's specificities; it is not possible to merely introduce the best practices from the European level. Apparently, the Government saw an opportunity to make such a decision when

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<sup>1</sup> Vlada Republike Hrvatske. 2021. Aladrović za HTV: Pokrenuli smo proceduru izmjena Zakona o radu gdje će biti i rad od kuće <https://vlada.gov.hr/vijesti/aladrovic-za-htv-pokrenuli-smo-proceduru-izmjena-zakona-o-radu-gdje-ce-bit-i-rad-od-kuce/31751>.

<sup>2</sup> Vlada Republike Hrvatske. 2021. Aladrović za HTV: Pokrenuli smo proceduru izmjena Zakona o radu gdje će biti i rad od kuće <https://vlada.gov.hr/vijesti/aladrovic-za-htv-pokrenuli-smo-proceduru-izmjena-zakona-o-radu-gdje-ce-bit-i-rad-od-kuce/31751>.

introducing the National Recovery and Resilience Plan. The Plan was recently adopted by the Croatian Government and was sent to the European Commission to be further "polished" and harmonized with the European Union's goals. As mentioned in the document, the current labor legislation, "including those parts that refer to separate workplaces 'have proved insufficient to quickly adapt to the circumstances of the COVID-19 pandemic and other extraordinary circumstances that occurred in parallel', meaning the earthquakes in Zagreb and Sisak-Moslavina County"<sup>3</sup>. However, the paramount issue still remains, and that is the prevalence of fixed-duration labour contracts. The share of these contracts on the Croatian market is 25%, and the Government has put itself a goal of reducing this number to 20% in the period of next five years<sup>4</sup>. Of course, this will be extremely difficult to achieve due to a fact that such contracts are used by employers as leverage if their workers prove unable to deliver the working outcomes. The problem is that fixed-duration contracts are heavily used in the public sector as well, including state institutions. For example, there is a significant amount of people who are employed on a fixed duration contract, and they are required to sign it on a number of occasions, because of their employers' unwillingness to offer them an open-ended labour contract which is concluded for an indefinite period. Additionally, the problem is that fixed-duration contracts, that is, the years a person spends on having such a contract, are not included in the length of work service. This proved to be especially important for young people who are, on most occasions, offered a fixed-duration contract and once they left that particular job, the months or years spent there are not included in their work experience.

### **The Response of Ministry of Labour and Pension System, Family, and Social Policy**

When the media started to speculate on what was behind the Government's decision to start the procedure of labour act modernization, there were rumors according to which the goal was to introduce flexibility in laying off the workers who are employed on an open-ended labour contract in order to cause higher fluctuations on labour market which would be seen as a first step in making the market more competitive which would ultimately lead to higher

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<sup>3</sup> Galić, Gabrijela. 2021. Mijenja se Zakon o radu, tražit će se smanjenje nekih radničkih prava. *Faktograf.hr* <https://faktograf.hr/2021/05/04/zakon-o-radu-ugovori-odredjeno-lakse-otpustanje-smanjenje-otpremne-otkazni-rok/>.

<sup>4</sup> Galić, Gabrijela. 2021. Mijenja se Zakon o radu, tražit će se smanjenje nekih radničkih prava. *Faktograf.hr* <https://faktograf.hr/2021/05/04/zakon-o-radu-ugovori-odredjeno-lakse-otpustanje-smanjenje-otpremne-otkazni-rok/>.

employment rates<sup>5</sup>. The Ministry of Labour and Pension System, Family, and Social Policy, however, is reluctant to address these rumors and still remains quite diplomatic in its answers saying: "...we are ready to adopt some new solutions through the modernization of labour legislation so that we can manage current and future changes in the labour market, while taking care of decent working conditions of every worker"<sup>6</sup>.

## **Conclusion**

Be that as it may, the COVID-19 pandemic has shown that new opportunities have emerged in the labour market, but the laws are still very much conservative with that regard. The people remain safe to say ambivalent towards working from home, as is the case with employers. Some have taken the benefits from it, while others are skeptical and argue that the home environment is causing people to be less efficient. The Government has announced changes to the Labour Act, but only after the consultations with syndicates and employers are concluded. Accordingly, we could expect some news on that matter in the next couple of months.

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<sup>5</sup> Marić, Jagoda. 2021. Bitka za što lakše davanje otkaza: Vlada, unatoč krizi, do lipnja sprema novi Zakon o radu. *Novilist.hr* [https://www.novilist.hr/novosti/hrvatska/bitka-za-sto-lakse-davanje-otkaza-vlada-unatoc-krizi-do-lipnja-sprema-novi-zakon-o-radu/?meta\\_refresh=true](https://www.novilist.hr/novosti/hrvatska/bitka-za-sto-lakse-davanje-otkaza-vlada-unatoc-krizi-do-lipnja-sprema-novi-zakon-o-radu/?meta_refresh=true).

<sup>6</sup> Marić, Jagoda. 2021. Bitka za što lakše davanje otkaza: Vlada, unatoč krizi, do lipnja sprema novi Zakon o radu. *Novilist.hr* [https://www.novilist.hr/novosti/hrvatska/bitka-za-sto-lakse-davanje-otkaza-vlada-unatoc-krizi-do-lipnja-sprema-novi-zakon-o-radu/?meta\\_refresh=true](https://www.novilist.hr/novosti/hrvatska/bitka-za-sto-lakse-davanje-otkaza-vlada-unatoc-krizi-do-lipnja-sprema-novi-zakon-o-radu/?meta_refresh=true).