

Industrial relations Croatia: Developments in working life 2017

Developments in working life in Europe: EurWORK annual review 2017

Contents

Political context affecting working life aspects	1
Developments in industrial relations 2017	2
National social dialogue in 2017 – Scope and Contribution	3
Collective labour disputes in 2017	12
Working time 2017	12
Health and well-being at work 2017	12
Employment status 2017	12
References	15

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Political context affecting working life aspects

Almost during the entire year of 2017 the headlines were on the discussions about large debts of the company "Agrokor", the biggest private food producer and retailer in the country with 60,000 employees. It built up debts of about €6 billion or six times its equity. When Agrokor's financial difficulties became untenable, in March 2017 the government hastily drafted and passed the Law on Extraordinary Administration Procedure in Enterprises of Systematic Importance for the Republic of Croatia. In that way in early April 2017, the Government forestalled the Agrokor's bankruptcy procedure and took control over the company. It appointed special administrator Ante Ramljak on 10 April 2017. The final destiny of Agrokor is still unknown as well as its adverse influence on the Croatian economy. Regarding the crisis in Agrokor, the trade unions underline that the most important task is to preserve jobs in the endangered firms and that there is a need to fully respect the employees' rights from the collective agreements, what is not always the case in Croatia. Although on the first glance, it looks like a single case of bankruptcy, it is very important for the Croatian economy and society as a whole. Reason is that the majority of the Croatian food producers and food proceeding industry were Agrokor's suppliers, and possible bankruptcy of Agrokor could have terrible a domino effect (a chain reaction) on the whole economy.

Social partners reactions following changes in governments

The cabinet was originally constituted by a coalition agreement between the Croatian Democratic Union (HDZ) and Bridge of Independent Lists (Most) and was voted into office by the Croatian Parliament on 19 October 2016. In April 2017, however, disagreements between HDZ and MOST over the ongoing crisis involving Agrokor and the role of Finance minister Zdravko Marić (who was financial director in Agrokor) in activities intended to avert the crisis, led to the collapse of the coalition and Most's four cabinet ministers being removed from their posts by Prime Minister Plenković. On 9 June 2017, HDZ agreed on a coalition with the centre-left Croatian People's Party-Liberal Democrats (HNS), and a cabinet reshuffle took place, with HNS being given two ministries in the cabinet. The new make-up of the cabinet was approved on the same day by the Croatian Parliament. Following the reshuffle of 9 June 2017, two ministers from the previous government were given new portfolios. One of them was Tomislav Ćorić, previously Minister of Labour and Pension System became Minister of Environmental Protection and Energy, while Marko Pavić former state secretary in this Ministry became a Minister of Labour and Pension System. As the impact of the state and government in Croatia is very important on the economic conditions and industrial relations, most attention of the social partners was dedicated to the mentioned appointments. According to the relatively short period since the appointment, there were no significant changes in industrial relations and/or more pronounced reactions from the social partners regarding the employment policy and attitude to industrial relations.

Labour market reforms or major packages of working life regulations

At the beginning of 2017, the Ministry of Labour and Pension System (re)introduced the set of Active Labour Market Policy (ALMP) measures called "From Measure to Career", effective as of March 2017. In a way, this new set of measures represents a redesign of the old measures. Instead of previous 41 measures, the government introduced 9 broad measures that should be more flexible and adjusted to a larger number of unemployed, particularly long-term unemployed, persons with disabilities, and youth. Out of the HRK 1.5 billion budget (€ 700 million) almost a half has been secured from the European Social Fund. Around 50% of all ALMP expenditures is envisioned for just one measure - professional training for work without employment, aimed at young people up to 29 years of age without relevant work experience. This measure was extended to all secondary or higher education graduates. Given that during 2016 alone, there were almost 71 thousand participants in different ALMP programs, with almost 50 percent of them in professional training for work without employment. The government on December 28, 2017 accepted the Guidelines for the development and implementation of the active employment policy in Croatia in the period 2018-2020, which represent a strategic document and a framework for the use of active employment policy measures. It has three main goals: to increase the employment rate; to enable better adjustment between the labour

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market needs and educational output; and to enhance information channels for all participants on the labour market. There were no important changes in other aspects of the labour market policy like unemployment benefits, the mediation in employment etc.

Developments in industrial relations 2017

Changes affecting the national-level actors and institutions of industrial relations and social dialogue in 2017

Representativeness

There were no significant changes in the way in which representativeness of social partners is regulated or assessed.

Actors

No major developments affecting the main actors, except the election of Mr. Miroslav Hrašćanec for he new president of Croatian Association of Trade Unions (Hrvatska udruga radničkih sindikata).

Institutions

No legislative or institutional changes to the main social institutions.

Changes in the social dialogue processes

No major changes in practice of national-level social dialogue process.

National social dialogue in 2017 – Scope and Contribution

Main social dialogue topics and outcomes in 2017

Themes	Description of issue	Code(s)- interaction	Type of Interaction	Code(s)- Outcome	Outcome
General labour market to	opics				
Job creation, reduction of unemployment, active labour market policies, labour market participation of different groups	TUs organised activities against <u>the ALMP measure</u> professional training for work without employment because it endangers the regular employment and lowers the price of the labour force on the market. Most of the participants finished tertiary education, but do not have practical knowledge and skills that employers need. The participants are relatively badly paid but mostly they were <u>quite satisfied with the</u> <u>measure</u> .	1, 2 ,8	TUs and Croatian Youth Network as well as some other NGOs organised demonstrations and underlined that the government <u>did not</u> <u>respect the results of</u> <u>ALMP evaluation</u>	7	Due to the decreasing number of total and youth unemployed persons, the number of participants in the said ALMP measure lowered, while government announced the (re)introduction of the apprenticeship that was in a significant amount substituted by the said measure.
Skills, training and employability	The Economic Council of the President of Croatia presented its recommendations dedicated to dual education and VET including the strengthening links of VET to the labour	8	The intention is to solve the current lack of dual education, nonexistence of practical training and its discontinuity, inadequate validation	3, 7	The government announced (re)introduction of dual education and development of curricula to ensure that acquired competences will match labour market needs.

Themes	Description of issue	Code(s)- interaction	Type of Interaction	Code(s)- Outcome	Outcome
	market, enhancing professional capacities, and dealing with the lack of flexibility and cooperation within the VET system.		of learning outcomes, and inability to acquire entrepreneurial skills and knowledge.		
Benefits (unemployment, sickness schemes, minimum income)	The new Act on Employment Mediation and Unemployment Rights has been adopted (OG 16/17).	3	The novelty in the regulation of activities of service providers from EEA countries who perform activities related to employment (like employment (like employment mediation, but not unemployment insurance) is that they can perform these activities temporarily or occasionally in Croatia if they inform the Ministry of Labour. Previously, a precondition for performing such activities was, among others, holding a licence issued by the Ministry of Labour.	2	The amendment makes it easier to perform such activities. There are almost no significant changes and almost no comments by the social partners because this form of employment mediation is not very important in Croatia
Taxation and non-wage	At the beginning of 2017, the social partners	1	TUs on press conferences were	2	The government has delivered a comprehensive reform by

Themes	Description of issue	Code(s)- interaction	Type of Interaction	Code(s)- Outcome	Outcome
related labour costs	supported the government activities directed towards simplification, achieving durability and predictability of the tax system.		against the changes in the Personal Income Tax Act with the argument that they would help rich and make poor citizens worst-off. The tax rates have changed from 12%, 25% and 40%. The new rates are 24%, applying to a monthly salary up to HRK 17,500 (€ 2333).; and 36%, applying to income above HRK 17,000 These rates are reduced by 50% for certain taxpayers – including employees resident in certain local jurisdictions with a low development rate.		changing as many as 15 tax- related Acts. The reason for this change is the high tax burden in Croatia in comparison to surrounding countries. While the VAT Act and Profit Tax Act were amended, there is an entirely new Personal Income Tax Act. This is because a high tax burden on salaries was identified, which impacts negatively on the competitiveness of highly educated employees. In addition, the taskforce's analysis emphasised the need for simplification of processes to determine and report personal income tax.
Pension reforms	TUs are against the intention of the government to encourage a longer working life. This can be achieved by speeding up the equalisation of minimum age required for early	8	Round tables, press conferences, articles in journals where TUs show their resistance towards announced changes.	7	The government announced pension reforms in 2018 but did not provide any important detail.

Themes	Description of issue	Code(s)- interaction	Type of Interaction	Code(s)- Outcome	Outcome
	retirement and old-age retirement for men and women, and then gradually raising this age to 67 years for women and men.				
Working life related then	nes				
Wage setting systems, including the setting of minimum wages (but excluding the 'regular' annual debates about the determination of the level of the new minimum wage)	For 2018, the government introduced <u>tax incentives</u> for the transportation and the subsequent accommodation of seasonal workers, a large portion of which travel from inland regions of the country to the coast to work in hotels, restaurants and other establishments that cater for tourism.	8	TUs and employers in the tourism sector supported such a decision because that would enable easier finding of needed workers	2	The lack of the labour force in a serious impediment for the further development of tourism sector so every measure for its resolvement is more than useful and welcomed by the social partners.
	The government and the Parliament increased the amount of the gross minimum wage (MW) for 2018 from HRK 3,276 (\notin 437) to HRK 3,438.80 (\notin 459). Although TUs demanded that the share of the MW in the average wage would increase to 50%, it stays the same at	1	Approximately 76,000 workers in Croatia currently receive the MW. In addition, the law on the MW was also amended in such a way that additions to basic wage, such as overtime, night work and work on Sunday	2	As a measure to compensate employers for the increase in the minimum wage, the government has proposed reducing, by 50%, the minimum rate for health insurance contributions, which are paid by employers. This will result in employers paying HRK 103.85 (€ 13.8) less monthly in contributions

Themes	Description of issue	Code(s)- interaction	Type of Interaction	Code(s)- Outcome	Outcome
	42.9%.		and on holidays, must be paid above the MW level.		for the minimum wage. Net amount of the minimum wage is HRK 2,752 (\in 367) while employers' costs will decrease from HRK 3,839.47 (\in 512) to 3,735.62 (\in 498). To be entitled to compensation, an employer must be paying a minimum wage for at least 12 months.
Working time regulations	Work on Sunday in Croatia is often affected by the problem of unpaid overtime work. The Labour Act (OG 93/14) and the Act on Public Holidays (OG 130/11) prescribe that workers who work on Sunday are supposed to receive compensatory free days. However, in the retail sector these provisions are often infringed.	8	TUs lobbied the Government to legally ban the work on Sunday in the retail sector. On two previous similar cases, the Constitutional Court subverted such legislation, by stating that it undermines free market competition.	7	Only provisions of the Labour Act currently regulate working time of the retail stores. <u>The</u> <u>Association for Sunday</u> consisting of 16 various organisations and NGOs will continue with its activities directed towards the ban the work on Sunday in the retail sector.
Terms and conditions of employment, including different forms of contracts	The government announced its intention to cancel in 2018 the supplement of 0.5% of wage per year of the working experience for the employees in the state sector.	8	Trade unions have announced that they would be against the proposal by the government.	3	State employees and servants will be divided into 12 payment grades, each of which will have 12 payment levels within which initial coefficients for each job will be determined.

Themes	Description of issue	Code(s)- interaction	Type of Interaction	Code(s)- Outcome	Outcome
Health, safety and well- being at work	TUs are against the intention of the government in rationalisation of health care institutions and strengthening the economic criteria in the health care provision, primarily privatisations, because that will endanger the accessibility and equity of the health care.	8	Round tables, press conferences, articles in journals where TUs show through media their resistance towards announced changes.	7	The national policy regarding the development of the health care system implies collaboration and integration of hospitals through restructuring in order to achieve better quality of health services, treatment outcomes, satisfaction of users and healthcare providers, as well as a long-term system cost rationalisation with the aim of ensuring accessible and quality healthcare.
Work-life balance related themes, incl. family leaves	Social partners support the changes of maternity and parental benefits (OG 59/17).	8	Mentioned changes increased parental benefits and maternity - parental allowances.	2	The ceiling on parental benefit increased from 80% to 120% of the budgetary base rate - from HRK 2,660 (\in 358) to HRK 3,991 (\in 538) per month. Furthermore, the flat-rate amount of parental allowance paid to inactive and unemployed parents increased from 50% to 70% of the budgetary base rate - from HRK 1,663 (\in 224.34) to HRK 2,328 (\in 314.05) per month).

Themes	Description of issue	Code(s)- interaction	Type of Interaction	Code(s)- Outcome	Outcome
Any other relevant themes/topics addressed in the national level/peak level social dialogue					
Quotas for foreign workers	TUs were against the government's decisions on <u>increasing quotas for</u> <u>foreign workers for 2018</u> . The number of foreign workers increased from 9,000 work permits in 2017 to 31,000 in 2018.	1	TUs deem that there is a need to increase the total level of wages in Croatia what will motivate people to work and stay in Croatia.	2	Most of these additional quotas will go to Croatia's strongest economic field, the tourism sector, but it will be applied also in the building industry and shipyards.
The Government's plan for lowering administrative burden on the economy	Only employers participated), because it applies also to labour protection.	7	Savings are planned to be implemented also in the health and safety on the work	7	The discussion has not been finished but all trade unions are against it, while the Croatian Employers' had supported it.

Note:

Codes for '*Type of interaction*': 1 - Tripartite debate; 2 - Tripartite negotiation; 3 - Formal consultation of both social partners; 4 - Formal consultation of trade unions; 5 - Formal consultation of employers organisations; 6 - Bipartite debate; 7 - Bipartite formal negotiations; 8 - Lobbying from at least one side; 9 – Type of interaction unknown.

Codes for '*Outcome as per 1.1. 2018*': **1** - Unilateral decision by government; **2** - Legislation passed; **3** - Legislation prepared (in legislative process, not concluded); **4** - Tripartite agreement or joint position reached; **5**- Bipartite agreement reached; **6**- Joint opinion of social partners reached; **7** - Issue not closed, ongoing exchange; **8** - Issue dropped, no concrete outcome, no further exchange; **9** – Outcome unknown, none of these types.

Selected major social dialogue debates

Social partners discussed the Draft of an Act on the Strategic Development Planning and Development Management System

The Economic and Social Council discussed a Draft Proposal for an Act on the Strategic Development Planning and Development Management System. Social partners supported the mentioned document because it is a major step forward towards planning and management of the available economic potential in a more efficient way and to achieve better results.

The Economic and Social Council on its 213th meeting held on 25 September 2017 discussed a Draft Proposal for an Act on the Strategic Development Planning and Development Management System. Its goal is to solve the problems of strategic economic development planning, public policy coordination and governance by means of more transparent division of roles between Parliament and the Government, as well as between the ministries and government bodies. The Ministry of Regional Development and EU Funds (MRDEUF) has prepared the mentioned draft. Until 2017, the Croatian Government discussed more than 200 development strategies and strategic operational plans and documents, some of which even obtained parliamentary approval. However, there is still no single umbrella strategy to define key national development goals and priorities and to formulate a strategy implementation framework. Despite the lack of own ideas and a vision of development, or of development strategies, the governments have adopted, since 2013, a series of documents containing key public policy determinants. These are the structural reform implementation (National Reform Programme), fiscal policy direction (Convergence Programme) or priority areas for investments from EU funds and national budget (Operational Programmes, i.e. the Rural Development Programme). Instead of creating a national strategy to coordinate the development priorities at the national and sectoral levels and harmonize them with the strategic priorities of the EU, the under-resourced administration improvised in trying to find a balance between sectoral priorities (where sectoral strategies existed) and the priorities set in the EU strategic documents. The proposed act is aimed at improving the strategic public policy planning and management through a harmonized system of planning and designing, as well as implementation and performance assessment of those policies. The strategic planning documents are divided into documents: a) of national significance; b) of local and regional significance (relating to municipalities, cities and counties); c) connected with the EU economic governance framework; and d) related to the management of the EU funds.

Outcome of the social dialogue and views of the stakeholders on the social dialogue Social partners supported the mentioned document because it is a major step forward towards an integrated strategic planning system enabling public policy makers to plan and manage the available economic potential in a more efficient way and to achieve better results.

The role of social partners in achieving gender equality in Croatia

The conclusion from the analysis of the collective agreements in view of gender equality, equal opportunities and a work-life balance conducted by the Ombudsperson for Gender Equality is that the social partners need further instructions regarding the legal framework for equal treatment and equal opportunities. With the aim to improve the position of women on the labour market, Croatian Employers' Association realised the Project "Towards real equality between men and women – adjustment of professional and family life", while Croatian TUs participated in the activities related to "Unions Say No to Violence" and breaking the glass walls.

Bodiroga-Vukobrat (2017) explains the gender equality in Croatia with particular attention to the labour market and the role of social partners. Social partners in Croatia are obliged to comply with the provisions of the Gender Equality Act and measures for the achievement of gender equality when conducting collective negotiations and concluding collective

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agreements at all levels (Article 11(6) <u>Gender Equality Act</u>). Pursuant to the Anti-Discrimination Act (Article 15 <u>Anti-Discrimination Act</u>), the Public Ombudsman shall consult the social partners (representative associations of trade unions and employers of a higher level) and civil society organisations when drawing up regular reports, opinions and recommendations on the occurrence of discrimination. The general conclusion from the analysis of the collective agreements in view of gender equality, equal opportunities and a work-life balance conducted by the Ombudsperson for Gender Equality is that the social partners need further instructions regarding the legal framework for equal treatment and equal opportunities, given that many collective agreements themselves contain provisions that generate inequalities based on gender.

Although not a part of the social dialogue, many activities were realised. With the aim to improve the position of women on the labour market, Croatian Employers' Association realised the Project "<u>Towards real equality between men and women – adjustment of professional and family life</u>". Croatian <u>TUs support action</u> of IndustriALL Global Union "Unions Say No to Violence". Breaking the glass walls and preventing the female poverty On International Women's Day, the Union of Autonomous Trade Unions of Croatia (UATUC) demanded breaking the glass walls and ceilings, which segregate women and men in different professions. It also required full gender equality at the labour market, quality and safe jobs, unquestionable reproductive and sexual rights and quality and accessible public services. With the goal of improving the position of women on the labour market and prevent female poverty, the government informed social partners on its job creation programme for women, called "Make a Wish". It aimed at employing approximately 3,000 women throughout Croatia who would care for senior citizens and will be carried out in remote rural and island areas and in areas in which the unemployment rate is higher than the national average. Local and regional self-government units can apply for the tender, which is open until 2020.

According the Eurostat data on <u>gender pay gap in unadjusted form</u>, with 10.4% of average gross hourly earnings of men in 2014, Croatia is significantly better than the EU28 (16.6%) and Euro area countries (16.9%). However, all social partners and other stakeholders in Croatia are fully aware that there should be more comprehensive and coordinated activities in lowering and elimination of the mentioned gap.

Unilateral government actions - without social dialogue

There were no important/major issues connected to industrial relations and labour market, where government decided unilaterally without consulting with social partners.

Changes affecting the sectoral and company level social dialogue 2017

The Guidelines for collective bargaining and coordination in determining salaries of state and public service

In February 2017, the Government adopted the Guidelines for collective bargaining on the conclusion of collective agreements intended for civil servants and employees in public services. Their purpose is to improve the collective bargaining system for conclusion of collective agreements that legally bind the Republic of Croatia by defining guidelines for action and equalising access to bargaining committees of Croatian Government during the negotiating process. Furthermore, it also should ensure the transparency and legal certainty in planning, preparation and conclusion of collective agreements (The Government of RC, 2017). The method of determining salaries of state and public service employees is insufficiently coordinated, thus allowing great differences in procedural provisions. The government stresses the need to establish a coordinated system of collective bargaining for civil and public services. The government intends to establish a unit at the central state administrative body which will be responsible for coordinating and concluding collective bargaining agreements for civil and public service employees. The adoption of new

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legislation on public sector wages, aiming to better harmonize wages across the public administration and public services has been postponed by more than 2 years, to 2019.

Innovation in collective bargaining

There were no new aspects that have not been addressed within such agreements before. Furthermore, there were no previously uncovered actors to the bargaining table and the cases of uniting actors that have not bargained jointly before.

Collective labour disputes in 2017

In 2017, there were no significant changes in the regulation of collective disputes.

Public sector remuneration

In 2009, an increase of public sector wages by 6% per year as soon as the economy grew by 2% on average in two consecutive quarters was agreed (see Croatia - Latest working life developments – Q4 2016). After years of recession, the economy did return to growth in 2015 and the condition thus met. However, the government referred to the fragile budget as a reason for why the increased failed to materialize. Negotiations between the government and public sector trade unions failed to lead to an agreement. The unions demanded the full 6% while the Minister of Labour pointed to the protection of state finances as the reason why no agreement was reached. The annual wage increase of six percent would cost the budget up to 0.5% of GDP. The government proposed increasing the amount used to calculate public employees' basic salary by 2% for three times during 2017. Due to the announced changes in the system of remuneration of employees in state and public services (by introducing common wage grids and job complexity coefficients, more consistent job descriptions and framework containing competences), one can expect further conflicts between the government and TUs and reactivation of all at first glance solved issues. In the private sector, there were strikes due to late or non-payment of wages, although in a smaller scale than in previous years.

Working time 2017

During 2017, there were no major changes in the regulation of working-time.

Health and well-being at work 2017

Physical working environment

There were no major changes in the regulation of the physical working environment.

Psychosocial working environment

There were no major changes in the regulation of psychosocial risks at work.

Type of contracts	Changes made during 2017.
	There were no major changes in the regulation of the employment status during 2017 but there were discussions and statements that are presented here:
'Standard' employment contracts	Whilst employers called for greater contract flexibility and flexibility of labour law, trade unions objected to the deterioration of worker protection and called for an improvement of the legal status of "flexi-workers". Regarding the waiting, employers sometimes send

Employment status 2017

	employees on waiting if there is nothing for them to work, but they receive compensation (wage). This is not directly stipulated by the Labour Act, but the Article 95, Paragraph 3, is applied. Its states: (3) The worker shall be entitled to compensation during the period of work interruption due to the fault of the employer or due to other circumstances beyond the worker's responsibility. Their wages and salaries are in the average amount of the wages and salaries in previous three months, if this has not been stipulated in different way by the Labour Act, other legislation, collective agreement(s), the work regulations (<i>pravilnik o</i>
Self-employed	<i>radu</i>) or the employment contract.There were no major changes in the regulation of the employment status made during 2017.
Fixed term contracts	There were no changes in the regulation regarding fixed term contracts
Temporary agency workers	Given the fact that all agency workers work on the fixed- term contracts they are frequently exposed to same kind of discriminatory practices as many other fixed-term workers. According to the Labour Act, the agency work should not be used for the work of permanent character, but in practice this is often not the case. These workers are in much worse position than the employees on the regular fixed-term contracts, because due to the changes of the Labour Act (OG 93/14) the employer must pay the agency workers the same salary as other employees, but only the salary (no transport costs, Christmas supplement, etc.)
Posted workers	The Union of Autonomous Trade Unions of Croatia in 2017 established a Counselling Centre for posted workers who work in another EU country and have an employment contract concluded with Croatian employer or with an agency for a temporary employment registered in Croatia. Posted workers remain in the system of the Croatian labour law, but they also have some rights of the host county regarding working hours, duration of yearly holidays, protection of health and security on working place etc.
Seasonal workers	Losing benefits associated with contract termination is a frequent practice for the seasonal workers. For instance, these workers do not receive their Christmas bonuses because they usually do not work in the winter period. Another issue with the seasonal workers is overtime. For workers on standard contracts the overtime is paid 50% more.
Zero hour contracts	Relatively similar to zero hour contract is an employment contract for a permanent seasonal job. It obliges the employer to pay contributions for his/her seasonal worker throughout the year (Art. 16), unlike a regular fixed-term employment contract. Additionally, a contract for a permanent seasonal job obliges the employer to offer his employee a new employment contract for the following season (Art. 16). The Law allows prolonged working time

	for the seasonal worker to a maximum total duration of 60 hours a week (Art. 67), but in this case, the worker's written consent is needed. Article 74 of the Labour Act prescribes a shorter period of rest for a seasonal worker than for a regular worker (minimum daily rest period of eight consecutive hours) and compensatory rest rights.
Other contracts (e.g. individual contracts, 1 day contract, mini-jobs,) <please add="" rows=""></please>	Part-time work in Croatia is often misused in the sectors that require lower level of educational attainment and skills such as retail. Part-time workers in these sectors often work more than they are supposed to (in some cases even full time) for a part-time salary. There is a need to underline the widespread misuse of student contract. This alternative form of work is not regulated in the Labour Act although such people often work full-time. Students working on the student's contracts are cheap for the employers. Payment of their salaries is not linked to paying the income tax, or the related surtax, but only to the commission and reduced pension and health insurance contributions. It is not surprising that the use of students' contracts in the economy increased, after the Fiscal System Act (OG 133/12) made informal work much more difficult. Such form of the labour is highly precarious with respect to wage levels, social security entitlements (almost no social security or pension entitlements), job security, access to training and other labour conditions. Trade unions for a longer period have warned on such practice, so the Draft of the Act on the student work has been prepared. The Draft will be on the public discussion soon.

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