



Additional information to IR Notes 130 - 23 September 2020

The shortening of working hours in Croatia

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During June 2020, the government had actively communicated with social partners and the Ministries of finance and economy regarding the implementation of the European Commission's SURE job-keeping program. They agreed on the criteria for the shortening of working hours and the government accepted the Decision on a new job retention scheme for companies affected by the coronavirus crisis on its session held on 25 June 2020. The scheme envisages the provision of state co-financing for wages according to reduced working hours. The measure is designed to help out employers who are forced to reduce working hours due to operating difficulties and a drop in business activities by more than 20%. The new support measure, to be in force from 1 July to 31 December 2020 will target firms from all sectors that have 10 or more employees having a revenue decline of at least 20% for the comparable month 2020 to 2019. For employers in the manufacturing industry a drop of less than 20% is allowed. Depending on the needs of the employer, the state can co-finance wages for working time reductions between 10% to 50% of working hours per month. That means from 2.5 working days, up to 50% of the fund of monthly hours. Therefore, the co-financing of workers can be between HRK 400 and 2,000 (€53 to €264). In other words, the financial aid can be given to companies that would work 36 hours a week and shorter, but not shorter than 20 hours a week. This support will not be available for teleworkers. There is a ban on distribution of dividends during the period from 29 May to 31 December 2020. Furthermore, payment of bonuses for achieved results, rewards for work results above the non-taxable amount prescribed by regulations governing personal income taxation and other similar receipts taxed as income, in accordance with regulations governing income taxation, is not allowed. Company owners, co-owners, founders, members of the management board, directors, procurators are not eligible for co-financing of wages. Owners and co-owners are considered to be persons who hold more than 25% of shares in the company's capital. Employee representatives on management and supervisory boards or other appropriate bodies supervising the conduct of business may use the mentioned support. Eligible are full-time employees, regardless of whether the employee is a fixed-term or permanent. The government intends to reduce the administrative burden for application to a minimum. The estimated value of the investment in the new scheme will reach some HRK 3 billion (€397 million) by the end of 2020, and will be financed mostly by the European Commission's temporary Support to mitigate Unemployment Risks in an Emergency (SURE) program. The social partners believed that support for a shorter working week would be used by 100,000-150,000 workers each month. However, according to the data by the Croatian Employment Service, in the period from 1 to 7 July 2020, 81 requirements were accepted for 4,404 workers.

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