

Employment costs in Croatia



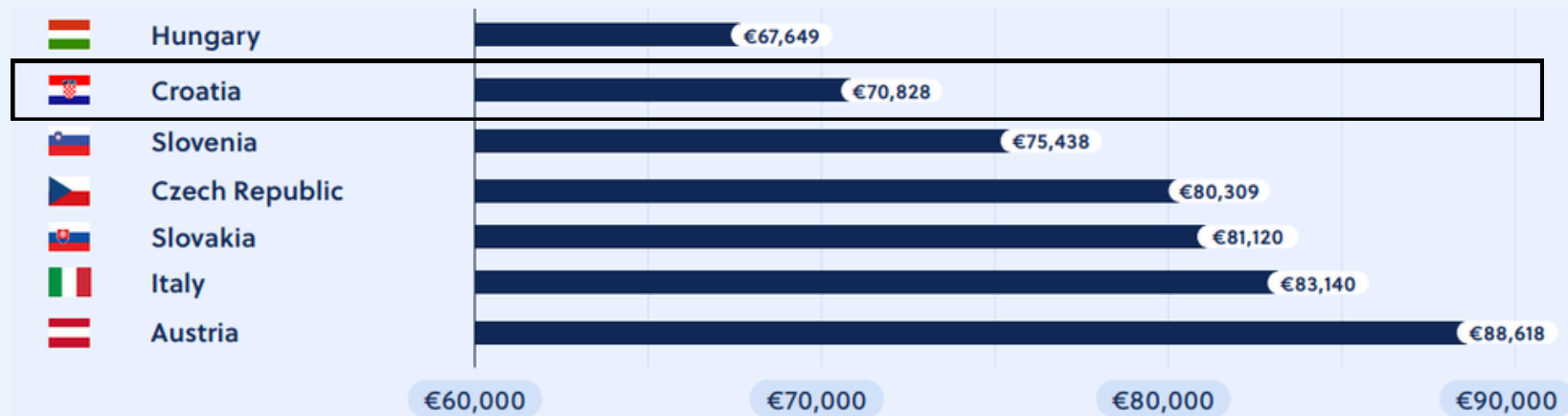
This paper examines the employment costs in the Republic of Croatia and compares these costs with neighboring countries such as Italy, Slovenia, Austria, Hungary, Slovakia, and the Czech Republic. The research was conducted by the organization "Boundless" to understand the financial implications of employment based on an annual salary of €60,000.

In Europe, employment costs vary significantly between countries. The basic salary often represents only a portion of the total costs, while additional costs such as social security and mandatory employer benefits can significantly increase the financial burden. These differences have important implications for employers planning to hire in different countries and for employees in terms of their net earnings.

The aim of this research is to provide deeper insights into the employment costs in Croatia and neighboring countries, offering relevant information to employers and employees for making informed decisions. The analysis will focus on how employment costs differ across countries and how these costs impact the overall financial obligations of employers and the net earnings of employees.



Estimated total employment cost - Comparison of Croatia with neighboring countries



These comparisons show how employment costs can vary significantly even among neighboring countries. For employers in Croatia, it is important to understand these figures to more accurately plan their budgets and make more informed hiring decisions. For employees, these factors directly affect their net salary and financial well-being, and can influence their decision on where to work and live.

Croatia has a total employment cost of **€70,828**, which is higher than Hungary but lower than Slovenia, the Czech Republic, Slovakia, Italy, and Austria. These figures highlight how employment costs can vary significantly between countries, which has important implications for employers when deciding on employment locations and for employees in terms of their net salary.

Regarding the total employment cost in Europe for an employee with a salary of €60,000, the figures show the following:

€61.074

**The lowest
employment costs
in Europe are in:**

 **Lithuania**

€88.618


**The highest
employment costs
in Europe are in:**

 **Austria**

Employment costs and estimated net salaries for employees

Comparing the ratios across all countries in Europe, Bulgaria has the smallest deduction at only 14.63%, while Iceland has the highest at 49.12%. The ratios in Croatia and neighboring countries are as follows:


48,66%

 Slovenia


40,12%

 Italy

37,31%

 Austria

33,65%

 Hungary


30,30%

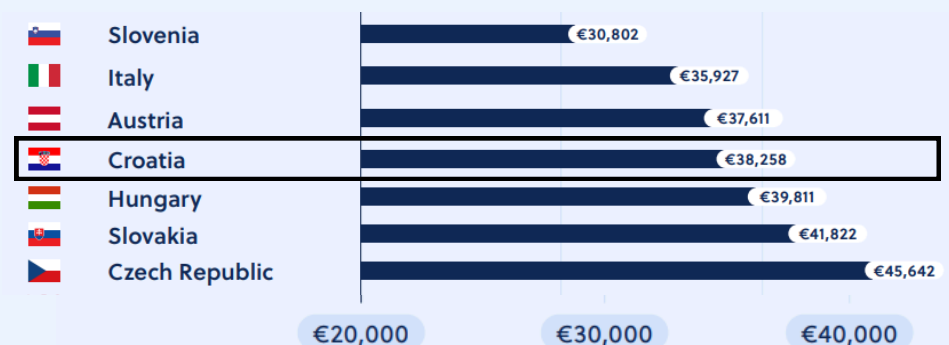
 Slovakia

23,93%

 Czech Republic

36,24%

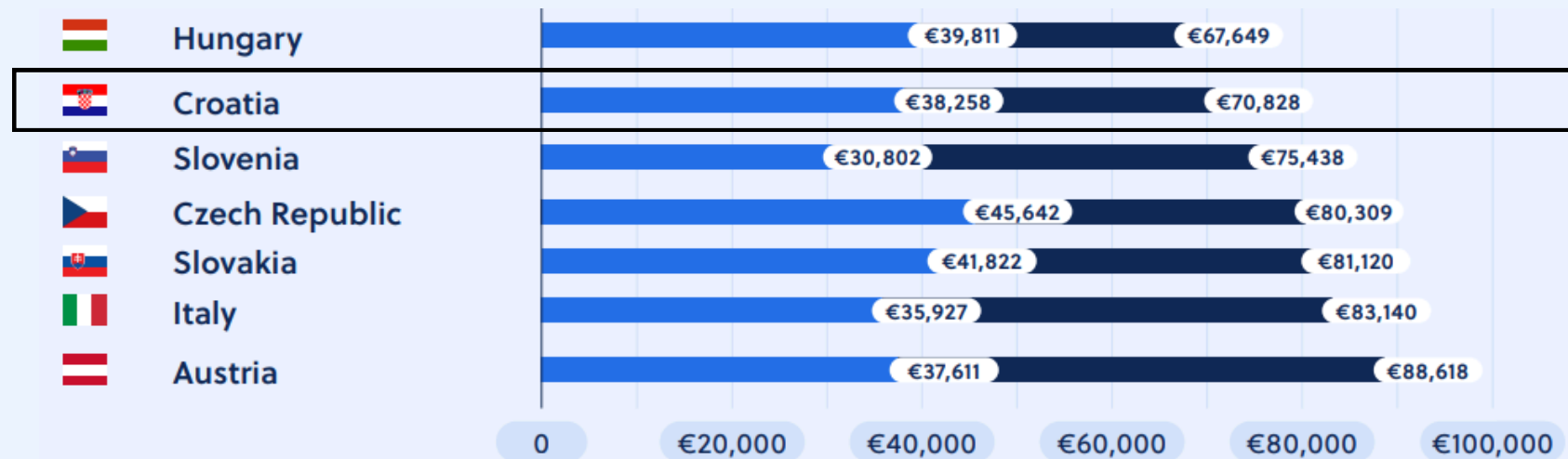
 Croatia



These figures show how the cost of living, tax systems, and social contributions vary significantly among these countries, which directly affects the final amount that employees actually receive in their bank accounts.

Comparison between employment costs and net salaries

The following analysis shows the comparison between net salaries and the costs for employers in different countries, focusing on data for Hungary, Croatia, Slovenia, the Czech Republic, Slovakia, Italy, and Austria.



The analysis of employment costs and net salaries in several countries shows that Croatia is in the middle of the spectrum compared to the mentioned countries. In Hungary, employers bear lower employment costs, while employees receive slightly higher net salaries compared to Croatia. Slovenia, on the other hand, has higher employment costs and significantly lower net salaries, which is an unfavorable ratio for employers. The Czech Republic has high employment costs, but employees receive significantly higher net salaries than in Croatia. Slovakia also has higher employment costs but also higher net salaries, which is a moderately more favorable ratio compared to Croatia.

Italy has higher employment costs and lower net salaries, which is an unfavorable ratio for employers compared to Croatia. Austria has the highest employment costs and slightly lower net salaries, which is an extremely unfavorable ratio for employers. This leads to the conclusion that Croatia offers moderate employment costs and relatively decent net salaries, making it a competitive option for employers, especially compared to Italy, Austria, and Slovenia.

The cost of employment and net salaries for lower wage levels

The highest-paid employees fare the best in Croatia. However, an analysis of employment costs and net salaries for lower annual gross salaries than the stated €60,000 reveals that Croatia is not at the top. As salaries decrease, so does Croatia's advantage compared to others.

For a gross salary of €3,000, only Slovenia is less favorable than Croatia. In Croatia, an employee with a gross salary of €3,000 receives a net salary of €2,032. In Italy, this net salary amounts to €2,050, and in Austria, it is €2,150. On the other hand, a Slovenian worker receives only €1,876 due to high tax rates ranging from 16 to 50 percent. However, a significant number of Slovenians later receive tax refunds, depending on children and dependents, which can significantly reduce the tax burden, similar to Croatian system.

Croatia is the least tax-competitive at the lowest wage levels. From a gross salary of €1,000, a single person in Croatia receives €770 net, while an Austrian worker receives €849, a Slovenian €725, and an Italian €699. Austria taxes lower wages less because the annual tax-free amount in Austria is €12,465, while in Croatia the personal tax allowance is only €6,720 annually.

Slovakia, for example, has €3,803 of tax-free income, but due to lower rates and a larger burden shifted to the employer, workers in Slovakia have a higher net amount than in Croatia. For instance, from a Slovakian gross salary of €7,000, a top professional receives €4,900 net, which is €500 more than a Croatian professional. Such a worker in Slovakia costs the employer €9,532, while in Croatia the same professional costs €8,155, meaning that a Croatian worker is about €1,300 cheaper for the employer than a Slovakian one. The same applies to a low-paid worker with a gross salary of €1,000; a Croatian employer pays a total of €1,165, while a Slovakian employer pays €1,362.

**Porez za poslodavca: 16.5% + €5 -
€527**

Social Security : 16.5%
Chamber of Commerce contributions: €5 - €527

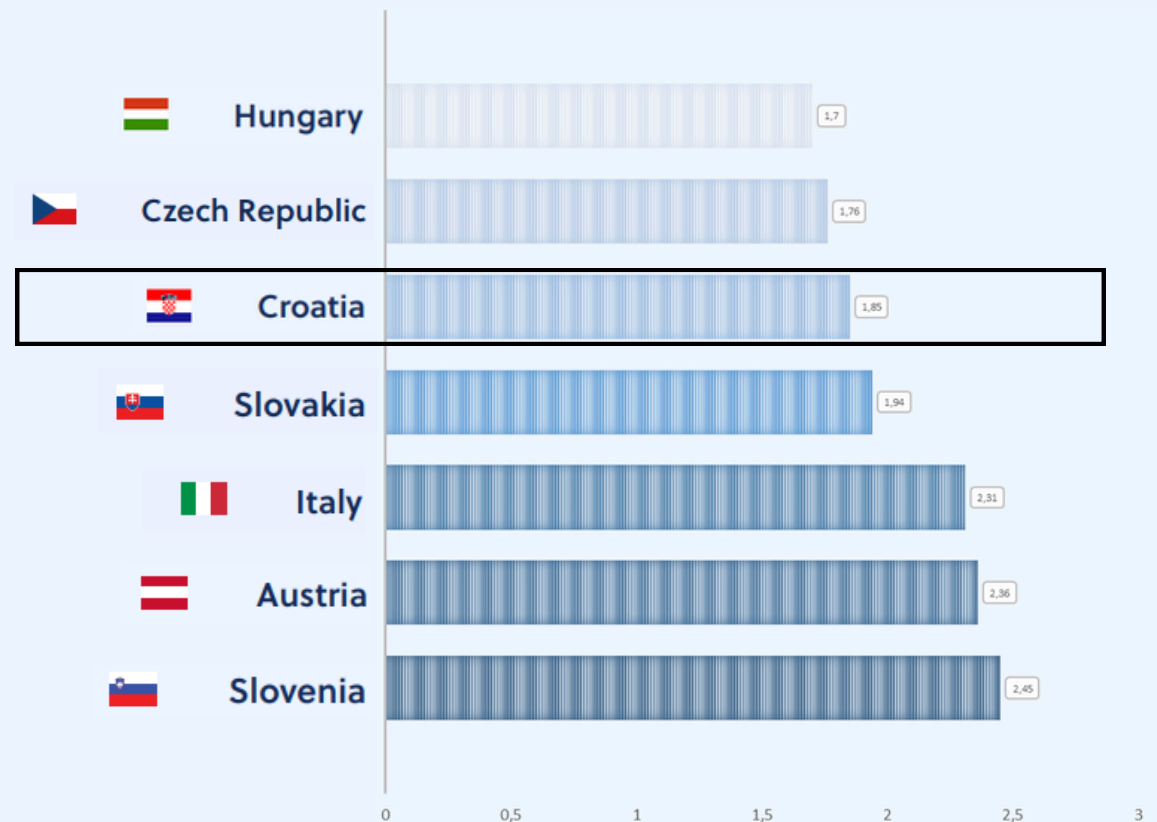
Employee tax: 40% - 50% + surtax on income tax

Social Security: 20% with a maximum amount of €970 monthly and €12,095 annually
Surtax: 10% - 18% depending on the city of residence
Income tax - Progressive tax rate on gross income:
up to 50.399€ = 20%
over 50.399€ = 30%

How much does an employer have to pay for each euro an employee earns?

The graph shows the ratio between the total cost of a salary for the employer and the net salary that the employee actually receives in different countries. These data illustrate the financial burden that employers bear relative to each euro that employees earn, which is a key indicator of the financial efficiency of employment.

In Hungary, the cost for the employer is €1.70 for every euro of net salary to the employee, which is lower compared to **Croatia (€1.85)**. The Czech Republic has a similar ratio of €1.76, while Slovakia is slightly higher at €1.94. Italy and Austria show significantly higher costs for employers, with ratios of €2.31 and €2.36, respectively. The highest cost for employers relative to employee earnings is in Slovenia, where it amounts to €2.45 for every euro earned.



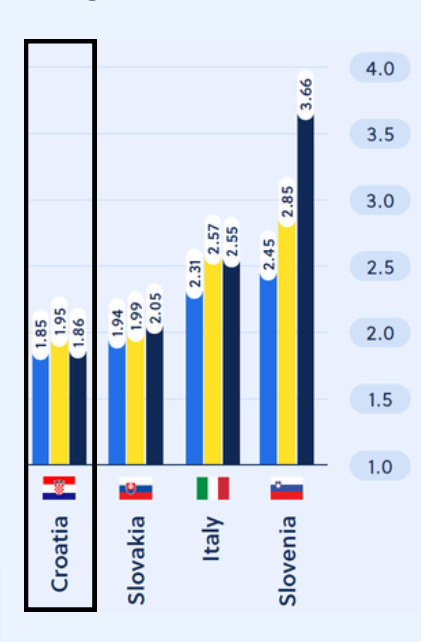
Comparison of cost-to-salary ratio with increasing salaries

The cost-to-salary ratio for the Czech Republic and Austria decreases as salaries increase, meaning that the relative burden on employers decreases for employees with higher earnings:



Hungary is the only country among those listed where the burden remains the same:

In the mentioned countries, including Croatia, the cost-to-salary ratio increases with rising salaries, indicating that the relative burden on employers increases for employees with higher earnings:



Czech Republic

The Czech Republic stands out due to a dramatic shift in cost-effectiveness as salaries increase. While the cost-to-salary ratio is relatively average for lower salaries, it significantly decreases for those with the highest earnings, making the Czech Republic the second most cost-effective country in Europe for employers hiring top talent.

Austria

Despite being one of the countries with the highest employment costs for a salary of €60,000, Austria's cost-to-salary ratio significantly decreases as salaries move into higher brackets.

Slovenia

Although Slovenia can boast relatively low employment costs for lower salaries, its cost-to-salary ratio sharply rises for employees with higher earnings, making it the least cost-effective option for companies with high salaries.

Advantages of employment in Croatia

Based on the observed parameters, there are several advantages that make employment in Croatia attractive compared to neighboring countries:

Competitive salaries

Employees in Croatia receive a higher portion of their gross salary after taxes and contributions compared to neighboring countries such as Slovenia, Italy, and Austria.

Moderate employer costs

The total employment cost for an employer in Croatia is lower than the costs in Slovenia, the Czech Republic, Slovakia, Italy, and Austria. This makes Croatia more favorable for employers compared to these countries.

Stable business environment

Croatia offers a stable business environment with fewer fluctuations in taxes and contributions compared to some other countries. This can aid employers in long-term planning and budgeting for employment costs.

Favorable cost-to-net salary ratio

The ratio between the total cost for the employer and the net salary of the employee in Croatia is €1.85 for every euro of net salary. Although this ratio is slightly higher than in Hungary and the Czech Republic, it is lower compared to other neighboring developed countries such as Slovenia (€2.45), Italy (€2.31), and Austria (€2.36). This indicates a relatively favorable ratio compared to neighboring countries.

Favorable total employer cost

Only Hungary, among the observed countries, has lower total employer costs than Croatia, which places Croatia in a favorable position compared to other neighboring countries. However, even though costs are higher in other countries, in some of them the net salary received by employees is also higher, resulting in a better ratio of these two indicators compared to Croatia.

Source of data:

- 1) Boundless; An In-Depth look at Employment Costs and Take-Home Pay Across 32 Countries (2024) - <https://boundlesshq.com/downloads/hiring-expenses-and-take-home-pay-across-32-countries/>
- 2) Boundlesshq; Employment Model in Croatia - <https://boundlesshq.com/guides/croatia/>
- 3) Moj posao; Kako Hrvatska oporezuje u odnosu na druge? (2024) - <https://mojposao.hr/savjet/7a28712c-0fed-42f1-a914-6e0c894e6391/ista-placa-a-manje-novca-kako-hrvatska-oporezuje-u-odnosu-na-druge>



Want to learn more?

If you are interested in more detailed information about employment costs in Croatia, the relationship between gross and net salaries, and a comparison with costs in neighboring countries, the Entrepreneurial Center of Krapina Zagorje County is at your disposal. Our approach and programs are tailored to market demands and offer concrete solutions for the challenges faced by entrepreneurs. For more information, please contact us!



049/354-695



info@poduzetnickicentar-kzz.hr



<https://poduzetnickicentar-kzz.hr/>



Poduzetnički centar
Krapinsko-zagorske županije d.o.o. 