

2015

Annual Review of Labour Relations and Social Dialogue Croatia

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- After six consecutive years of recession, GDP has finally steadily moved into positive territory, recording positive growth rates in all four quarters, with the first estimates pointing to a GDP increase of 1.6 percent in 2015 on an annual basis. However, not much progress has been made in approaching the Maastricht budget deficit criteria of 3 per cent of GDP and the debt-to-GDP ratio continued to grow.
- With elections set for the end of 2015, the Government refrained from significant reforms, except for a number of social measures, such as trying to solve the socially-sensitive issue of Swiss Franc denominated loans or introducing electricity vouchers for recipients of social benefits.
- Parliamentary elections held in November resulted with a tie between the incumbent centre-left and the contesting centre-right coalitions, with a newly-formed party MOST, in fact a coalition of local independent lists, gaining a pivotal role in the Parliament. By the end of the year no parliamentary majority had been formed, snap elections remaining an option.
- Collective bargaining in the public sector was once again marked by the Government's attempt to limit budget spending on wages, and its interventions into rights set by collective agreements through legislation. Two important private sector branch agreements, for the construction industry and catering, were renegotiated, introducing annual bargaining rounds on wages.
- The Government's report on application of the 2014 Labour Act showed an increase in the use of flexible working time arrangements and temporary agency work, as well as some other flexible provisions introduced in 2014.



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1. SOCIO-ECONOMIC DEVELOPMENTS

According to first estimates by the Croatian Bureau of Statistics (DZS), GDP increased in real terms by 1.9 per cent in the fourth quarter of 2015, compared to the same quarter of 2014, making it a fifth consecutive quarter with GDP growth. The largest positive contribution to GDP came from an increase in exports of goods (+11.5 per cent), while the contribution of domestic demand was also positive due to an increase in final consumption expenditure of households (+2.4 per cent). Gross fixed capital formation increased as well (+3.7 per cent). According to the first estimates, GDP growth in 2015 was 1.6 per cent on an annual basis. In December, industrial production, working-day adjusted, increased by 1.0 per cent compared to December 2014. Labour productivity in industry increased by 3.3 per cent in the same period.

According to preliminary data of the Croatian National Bank (HNB), there was 666.1 million € of foreign direct investments in first 9 months of 2015, compared to 2.89 billion € for the whole of 2014. According to first estimates of DZS, total export of goods in 2015 was 87.6 billion HRK (11.6 billion €), 10.7 per cent more than in 2014, while import of goods was 139.8 billion HRK (18.4 billion €), increasing by 7.0 per cent. The coverage of imports by exports was 62.6 per cent, compared to 60.5 per cent in 2014. In the first 9 months of 2015, the current account balance of payments recorded a surplus of 2.6 billion € (compared to 0.96 billion € in the same period last year). While the balance of payments traditionally records a high surplus in the third quarter (due to tourism), in 2015 for the first time surplus was recorded in the second quarter. At the end of November gross external debt amounted to 47.2 billion € (HNB data). According to data of the Ministry of Finance, the state budget deficit in 2015 amounted to 9.6 billion HRK (€ 1.3 billion), or 2.9 per cent of the GDP. Budget income increased by 7.8 per cent, while expenditure increased by 4.3 per cent, compared to 2014. At the end of November, public debt amounted to 285.3 billion HRK (€ 37.6 billion, 85.4 per cent of GDP), which is 4.1 per cent more than in the same period last year (HNB data).

Although the Constitutional Court ruled in April that there were no grounds for a referendum on a concession on motorways (see 2014 Review), the Government nevertheless cancelled the project and announced that instead shares of Croatian Motorways Maintenance and Tolling Ltd. would be offered to pension funds and citizens. However, this did not materialise either. No important privatisations were carried out in 2015, except for partial private recapitalisation of the Croatian Postal Bank, and few privatisation tenders in tourism which failed to attract satisfactory offers. At the end of December 2015, there were 21,043 businesses with blocked accounts (56 per cent less than the year before), employing 15,649, with total unpaid obligations of 18.1 billion HRK (2.4 billion €, a drop of 38.9 per cent). The sharp decrease was the result of the new Bankruptcy Act¹, introducing automatic initiation of the bankruptcy procedure for businesses blocked for more than 120 days. The number of citizens with blocked bank accounts remained stable with 321,580 (0.3 per cent less than the year before), or 7.5 per cent of the population, with unpaid obligations of 36.5 billion HRK (4.8 billion €, an increase of 17.6 per cent).

In December 2015, the inflation rate at an annual level amounted to negative 0.6 per cent, mostly as a result of falling prices of clothing and footwear. The average net wage for the period January to December 2015 was 5,711 HRK (753 €), which is a nominal increase of 3.2 per cent and a real one of 3.7 per cent compared to the same period in 2014. The average gross wage for the same period was 8,055 HRK (1,062 €), which is nominally a 1.3 per cent increase and in real terms was 1.8 per cent. The gross minimum wage for 2015 was set at 3,030 HRK (396 €), 0.4 per cent more than in 2015. In December, the registered unemployment rate was 17.9 per cent (19.6 per cent in December 2014). According to the Labour Force Survey, the unemployment rate in the third quarter of 2015 was 15.4 per cent, the activity rate was 53.5 per cent and the employment rate was 45.3 per cent. According to DZS, the at-risk-of-poverty rate in 2014 was 19.4 per cent (19.5 per cent in 2013), while the Gini-coefficient was 0.30 (0.31 in 2013).

¹ Official Gazette, No 71/15

2. STATE POLICIES

Kolinda Grabar Kitarovic of the centre-right Croatian Democratic Union (HDZ) won the second round of presidential elections held in January 2015 by a tight margin (50.74 per cent) against incumbent Ivo Josipovic, backed by the Social Democratic Party (SDP). The last year of the Government's mandate did not bring any significant reforms, except for a number of social measures. Parliamentary elections held in November resulted with a near tie between the HDZ-led "Patriotic coalition" (33 per cent) and the incumbent SDP-led coalition "Croatia is growing" (32 per cent). Due to the unexpected result (13 per cent) of newly-founded MOST, a coalition of local independent lists, neither of the big coalitions obtained an overall majority of seats. MOST, which claims to be ideologically neutral, advocates an inconsistent mixture of libertarian and interventionist economic policies and lacks a clear policy statement on the labour market and social policy.

From January forward, the non-taxable part of wages was increased, as well as the threshold for the highest income tax rate. The resulting increase in net wages positively influenced domestic demand and GDP, but those earning above the average profited more than workers with lower wages. A tax on interest earned on savings, at the rate of 12 per cent, was also introduced. After a sharp rise of the Swiss Franc in January, the Government temporarily fixed the exchange rate of Franc. In September, the Consumer Credit Act was amended, giving banks 45 days to offer conversion of all loans into Euros and using the exchange rate applicable on the day the loan was taken. Banks complied but have also appealed to the Constitutional Court, which is yet to decide on the constitutionality of the law. Starting from February, recipients of social benefits and low-income earners with debts up to 35,000 HRK (4,576 €) were able to apply for a programme of debt write-off. Up to December 24,965 applications were received, 70.4 per cent of which were approved. In September, the Act on Social Welfare was amended, lifting a two-year limit on social benefits for recipients fit for work (introduced in 2013), as due to the prolonged economic crisis it was deemed inappropriate. In October, electricity vouchers were introduced for 125,000 recipients of social benefits, financed by a solidarity tariff.

In August, the Ministry of Labour compiled a report on monitoring the application of the 2014 Labour Act, which showed an increase in use of flexible working time arrangements and temporary agency work, as well as some other flexible provisions introduced in 2014, but also pointed out that it was too early for more thorough evaluation of the new act. Although temporary agency workers still count for less than 1 per cent of total employment, their number increased by 12 per cent in 2014 compared to 2013. Spending on active labour market policy (ALMP) was again increased (+18 per cent), with around 50 per cent of the funding coming from EU funds. The measure "occupational training without commencing employment" again counted for approximately 50 per cent of the 53,700 ALMP users until the end of November. As of January, remuneration for young people using the measure was increased from 1,600 to 2,400 HRK, thus reaching the level of minimum wage. Comprehensive independent evaluation of ALMP measures is still being awaited. From January employers hiring persons younger than 30 on open-ended contracts are exempt from contributions based on wages (health care, occupational health and safety and employment insurance) for a period of five years.

Trade unions remained critical of the Government's record in economic policy and its results in terms of job creation. The central International Labour Day demonstration, organised jointly by all five trade union confederations and gathering around 1,500 trade unionists, took place in the former industrial stronghold of Sisak, 50 km from the capital, and was entitled "FOR saving industry and jobs". During the election campaign, the Union of Autonomous Trade Unions of Croatia (SSSH) adopted its traditional Pre-Election Platform. The document explicated the foundations of the new growth model demanded by the unions, prerequisites for socio-economic development (such as establishment of good governance in public administration and a broader public sector), and a set of specific trade union demands such as reindustrialisation, eradication of unpaid and undeclared work, an increased minimum wage, better enforcement of labour law and collective agreements and strengthening collective bargaining and workers co-determination. On the basis of the Pre-



Election Platform, SSSH held a series of meetings with the main parties and organised a public debate including politicians and trade unionists.

3. INDUSTRIAL RELATIONS

Collective bargaining in the public sector was, for the fourth year in a row, marked by the Government's attempt to limit budget spending on wages and using legislative changes to undermine the rights established by the collective agreements (CA). In March, Parliament adopted amendments to the Act on Withholding the Right on Increased Wage on the Basis of Years of Service² (4-10 per cent wage increases contained in public sector CAs) and the new Act on Withholding of Certain Material Rights to Employed in the Public Services³ (referring to the annual holiday allowance and Christmas bonus). These laws were justified by the need for fiscal consolidation and obligations resulting from the EU Excessive Deficit Procedure. In 2014 a number of public sector unions initiated assessment of the constitutionality of the laws, which suspended the provisions of CAs, and in April 2015 the Constitutional Court ruled that such intervention was not unconstitutional. The Court argued that "although the Government must respect its contractual obligations, its constitutional obligation for the country's economic development makes withholding of certain privileges for a limited duration a legitimate measure of economic consolidation".

In August, the Government adopted the "Action plan on establishing and regulating the wage system in the Republic of Croatia 2015-2016". The plan was a reaction to the European Council 2015 Country-Specific Recommendations (CSR), advising Croatia to "tackle the weaknesses in the wage-setting framework", in order to "foster the alignment of wages with productivity and macroeconomic conditions". The plan aims at developing a system of monitoring wage developments, better coordination and harmonisation of collective bargaining in public administration and services (including standardisation of wages), stronger linking of wages with productivity through coordination of collective bargaining in state-owned companies and conducting an

analysis of the effects of the minimum wage on productivity and social inclusion. Unions representing workers in state-owned companies opposed the plan, arguing that attempts at coordinating collective bargaining in such companies violate the freedom of collective bargaining.

In August, an addendum to the CA for the public health sector was signed, introducing wage additions for special work conditions and "responsibility for life and health of people", thus compensating for the 4-10 per cent additions for years of service that had been removed from public sector CAs last year. Educational sector trade unions reacted by asking for a 4 per cent wage increase for educational workers. When the Government refused and conciliation failed, employees of schools and universities went on strike in September. With the elections approaching, the Government insisted any negotiations should wait for the post-election period. The strike was eventually called off after a week.

The Labour Act adopted in July 2014 contained a provision stating that all decisions on extended application of collective agreements, adopted before the Act came into force, would automatically expire six months after the Act was effective. Therefore, in February 2015, extended application of sectoral agreements for the construction industry, catering, travel agencies and the wood and paper industry expired.

In April, social partners in catering signed a new CA, immediately initiating a procedure for extension of its application. Notwithstanding certain minor harmonisations with the 2014 Labour Act, the new CA retained most of the provisions of the old one, but unlike the previous open-ended CA, was signed for the duration of one year. Social partners agreed this period would be used for detailed negotiations with the aim of a thorough rearrangement of the whole CA, and especially the provisions on wages. The Minister of Labour extended its application in May. After five rounds of negotiations, the addendum to the CA was signed in October. It introduced regular wage bargaining for the basic wage for the most simple jobs and minimal wages for typical categories of

² Official Gazette No 36/2015

³ Official Gazette No 36/2015

jobs (differentials between each of them remaining the same), to be concluded before the end of April each year. The definition of "worker with special competences" who can be exempted from the application of CAs (such as directors, middle-management and certain specialists) was reviewed and clarified with the aim of limiting the practice of certain employers to employ standard workers on so-called "manager contracts". The addendum also prolonged the duration of the CA until the end of 2017.

A new collective agreement for the construction industry was signed in September. The agreement was concluded on an indefinite period, but with the obligation of its annual novation. The minimal basic wage was increased by 1.5 per cent, the change being reflected in wage levels for all groups of jobs (which are calculated by multiplication of a basic wage with a coefficient). At the same time, additional payment for overtime was decreased from 50 per cent to 30 per cent, and for Sunday work from 35 per cent to 30 per cent; other material rights remained as they were. Provisions on working time were made more flexible. Following the request of both sides, the Minister of Labour extended the agreement's application in December.

In April, a new CA covering workers in 14 local road maintenance companies was concluded. A new CA for Croatian seafarers on ships in international navigation was signed in June for a period of two years, covering more than 5,000 seafarers in eight Croatian seafaring companies operating in international navigation. A new CA for humanitarian de-mining work (the previous one expired in June 2014) was finally signed in February 2015. However, on the employers' side it was not signed by the Humanitarian Mine-Clearing Association, affiliated to the Croatian Employers' Association (HUP), which had been the signatory of the previous CA, but by a new sectoral employers' organisation, organising only 20 per cent of the employers in the sector. Material rights remained at the same level as in the previous CA. The agreement was signed for a period of four years but provides for annual bargaining on wages and materials rights to be conducted each October.

In most of the CAs signed in 2015, both on branch and company level, there was some harmonisation with the 2014 Labour Act. A significant number of CAs, especially in the private sector, used the possibility offered by the new Labour Act to regulate the working time more flexibly than stipulated by legislation, such as increasing the annual or weekly limit on overtime, or introducing unequal distribution of working time. As in previous years, there were a number of strikes due to non-payment of wages, both in private and state-owned companies, most prominently in the metal industry.

In April, the Seafarers' Union of Croatia (SPH) re-affiliated to SSSH, which it left in 2009. The Independent Trade Unions of Croatia (NHS) held their fifth regular Congress in October. During the year, SSSH established an on-line database of collective agreements⁴, which includes integral texts and structured data on 149 variables for each CA, enabling extraction of statistics and comparisons. By December, more than 230 CAs had been entered into the database, which is only partially public.

In January, HUP and SSSH signed a Cooperation Agreement aimed at further development of bipartite social dialogue, providing for its institutionalisation through establishment of the Bipartite Social and Economic Council (BiSEV). In April, a joint work programme was adopted, setting five priorities for joint initiatives in the upcoming period (public administration reform, vocational education, development of entrepreneurship, collective bargaining and European Framework Agreements).

4. TRIPARTITE SOCIAL DIALOGUE

Tripartite social dialogue was less intensive than in previous years, due to the Government's less ambitious legislative agenda, especially in the field of labour relations. Social partners remained unsatisfied with the its quality, although there was some improvement with their involvement in the European Semester process, as in March the National Reform Programme was discussed by the Economic

⁴ www.baza.kolektivni-ugovori.info



and Social Council (GSV) and the social partners were asked to provide their inputs for the document.

The project "Strengthening Tripartite Social Dialogue in Croatia" ended in September, resulting with a set of recommendations for improvement of the tripartite social dialogue, aimed at enhancing the quality of policy-making processes, improving the work of the GSV, increasing institutional support for tripartite social dialogue, as well as fostering the quality and culture of dialogue in general. The recommendations were translated into the "Action Plan for Enhancement of Social Dialogue", which was discussed by the GSV in September, receiving its support. However, the Action Plan is a watered down version of the original recommendations, while it is far from certain if its implementation would be pursued after the elections.

In August, a one-year EU-funded project started, bringing as partners the Ministry of Labour, all four representative trade union confederations, HUP and the University of Zagreb, with the aim of establishing a Centre for Industrial Relations and the Labour Market. The lack of a specialised research institution in the field of industrial and labour relations, including the resulting setbacks for both social dialogue and policy-making, was a long-term concern of the social partners. However, the Ministry of Labour decided to terminate the project already in November, unsatisfied with the fact that most of the social partners' organisations rejected the Ministry's proposal for the legal basis of establishing the institution and

not being ready to consider alternative options.

5. FORECASTS

According to the European Commission's 2016 Winter Forecast, Croatia is expected to record GDP growth of 2.1 percent in 2016, while the unemployment rate will fall slightly to 15.1 per cent. The budget deficit is expected to continue slightly decreasing, but not below the Maastricht criteria of 3 per cent (3.9 per cent of GDP in 2016), while the overall public debt will grow to 87 per cent of GDP.

After prolonged negotiations with both the centre-left and centre-right coalitions, MOST, which holds the pivotal position in the Parliament, eventually opted for forming the Government with the HDZ-led centre-right coalition. However, the new Government was not presented to the Parliament by the end of the year. The new parliamentary majority consisting of MOST, HDZ and seven smaller parties is likely to be fragile; snap elections remaining an option. It is expected that the EC, which was so far rather benevolent to Croatia, will tighten its demands for more substantial reforms after the new Government assumes office. At the same time, as GDP growth triggered the agreement signed between the Government and public sector unions in 2009, stipulating 6 per cent wage increase after two consecutive quarters of average GDP growth exceeding 2 per cent, new Government will face unions' demands for wage increases, or even law suits, in the event no agreement is reached.



ANNEX OF DATA

• **Collective bargaining system**

The collective bargaining system in Croatia is regulated by the Labour Act and the 2014 Act on Representativeness of Employers' Associations and Trade Unions⁵. Collective bargaining takes place at national (cross-sectoral and sectoral), local and company level, and depending on the territorial scope of their application, collective agreements (CA) are registered either with the Ministry of Labour and Pension System (cross-sectoral, sectoral and CAs for companies that operate in the area of two or more counties), or with county level state administration offices (CAs applicable on the level of one county only).

If there is only one trade union operating on the level⁶ on which the bargaining should take place it is automatically considered representative. If there is more than one trade union, an employer/employers' association may negotiate with the bargaining committee established through the written agreement of all trade unions. In that case all trade unions signatories to the agreement are considered representative and it is not necessary to determine their representativeness. However, if trade unions fail to agree, each trade union may, before the Committee for Determining Representativeness, initiate a procedure to determine the representativeness of trade unions⁷. In order to be recognised as representative through this procedure, a trade union needs to have at least 20 percent of all trade union members on the level for which the bargaining takes place. The CA becomes valid if it is signed by trade union(s) which have more than 50 percent of members of all representative trade unions on the level on which bargaining occurs.

Collective agreements can be signed on a fixed-term basis (up to five years) or on an open-ended basis. On the proposal of all signatories, the Minister of Labour may extend the sectoral/branch CA to include a greater

part of that industry if such decision is in the public interest. Sectoral/branch and company CAs are not mutually exclusive – company CAs can also be concluded in companies to which branch CAs apply. However, there is a growing trend of concluding more and more company CAs, and a reluctance to conclude sectoral/branch CAs. If workers' rights are regulated differently by a labour contract, company by-laws, agreement between the works council and the employer, a collective agreement or law, the most favourable one to the workers applies⁸.

• **System of tripartite social dialogue**

The legal framework for tripartite social dialogue is set by a) the Labour Act, which provides the legal basis for establishment of the Economic and Social Council (GSV) and defines its scope of work, and b) the Representativeness Act, which sets the criteria for participation in tripartite bodies⁹. In order to be representative on the national level, a trade union association needs to have at least 50,000 members, at least five branch trade unions, local offices in at least four counties and at least five staff members employed on the basis of open-ended full-time labour contracts. Employers' associations need to affiliate at least 3,000 employers, or employers employing at least 100,000 workers, and fulfil the same requirements regarding branch associations, local offices and staff as trade unions. As a rule, representativeness is determined for the period of five years.

Composition, competences, scope and organisation of work of the Economic and Social Council are defined by the Agreement on the Establishment of the Economic and Social Council and its Rules of Procedure. The current agreement was concluded in July 2013 between the Government, the Croatian Employers' Federation (HUP) and four representative trade union confederations. In

⁵ Official Gazette No 93/14, 26/15

⁶ Trade union representativeness can be determined on the level of individual employer, or on the level of the employers' association (Representativeness Act, Article 12(1)).

⁷ Representativeness Act, Article 7(4)

⁸ Labour Act, Article 9(3)

⁹ Beside the Economic and Social Council, this includes all other bodies where tripartite social dialogue takes place or participation of social partners' representatives is foreseen, tripartite delegation of the Government of Republic of Croatia at the International Labour Conference and social partners' representatives in other international and European bodies and organisations.

its work the GSV is assisted by its five thematic expert committees. Logistical support is provided by the Ministry of Labour's Service for Social Partnership, which also serves as the focal point for communication between other ministries and social partners. Based on the Government's legislative programme and interest for specific laws and strategic documents expressed by the social partners, each year the annual work programme of GSV and its working bodies is compiled. However, the purpose of this document is limited, as the Government is often changing its legislative plans during the year, and occasionally laws are sent to Parliament bypassing the GSV (even when they were included in its work programme).

On the local level, tripartite social dialogue is conducted through county level Economic and Social Councils. There is no available systematic information on their work but there are considerable differences in their level of activity and effectiveness.

- **Social security systems**

Health insurance is obligatory for all residents of the Republic of Croatia, including foreigners with permanent residence and citizens of other EU member states with temporary residence in Croatia. Health care is financed by contributions on workers' wages (15 percent), the State budget and the budget of the local administrative units. For certain categories of citizens and permanent residents, including the unemployed, pensioners, pupils and students, the health care contribution is financed from the State budget.

Pension insurance covers all employees and a part of the unemployed whose pension insurance (special regulations) is paid from the State budget for the period of up to one year. The pension system is mixed – obligatory insurance in the public pay-as-you-go system (the 1st pillar, 15 percent), obligatory individual capitalized savings in private funds (2nd pillar, 5 percent), and voluntary in the 3rd pillar. Self-employed, including craftsmen, independent

artists and persons working in agriculture are also covered by pension insurance. There is a problem of workers in insolvent companies whose employers are not paying their contributions, which will in particular affect pensions from the 2nd pillar, which depend solely on actual payments. A similar situation also exists for those workers declared on the minimum wage, whose part of the wage is paid in cash. In December 2015, the average pension acquired on the basis of the Law on Pension Insurance was 2,238 HRK¹⁰ (293 €), which is 38.8 percent of the average net wage, but the majority of pensioners receive pensions lower than the average.

Employment promotion measures and **unemployment benefits** are financed by contributions on wages at 1.7 per cent and the State budget, and are paid by the Croatian Employment Service (HZZ). A worker is entitled to unemployment benefits after at least nine months of work in the last 24 months, and depending on the duration of work/years of service can receive it from 90 to 450 days (the first 90 days at 70 percent, and until 450 days at 35 percent of the wage, but not more than 70/35 percent of the average wage). A worker with more than 32 years of service and less than 5 years to retirement is entitled to unemployment benefits until new employment or until entitlement to pension¹¹. Since 1 January 2014, the same rights also apply to the self-employed. Unemployment benefits are received by a relatively small number of the unemployed (17.9 per cent in December 2015¹²) due to the high percentage of long-term unemployed and unemployed young persons without the necessary work experience.

- **Education and vocational training**

According to the results of the 2011 Census, 16.4 per cent of the Croatian population older than 15 has completed tertiary education, 52.6 per cent secondary education and 30.8 per cent only elementary education. Improving the overall quality of education programmes, harmonising the education system with labour market needs and increasing the share of

¹⁰ Croatian Pension Insurance Institute data

¹¹ Act on Employment Mediation and Rights During Unemployment, Official Gazette No 80/08, 64/09, 121/10, 25/15, 118/12, 12/13, 153/13

¹² Croatian Employment Service data

population participating in life-long learning remain the main challenges in the field of education. The Croatian education system operates in accordance with the EU standards (the Copenhagen and Bologna processes are applied). Nevertheless, obligatory education is still among the shortest in the EU, although the legislation changes in 2012 made the last year of the pre-school education obligatory, which in the opinion of the Ministry of Science, Education and Sport (MZOS) extended obligatory education in Croatia from eight years to nine (primary school still lasts eight years). However, the share of GDP allocated for education in Croatia is decreasing – after slightly but steadily increasing for over a decade, it reached the peak of 4.41 per cent of GDP in 2009, falling to 4.21 per cent in 2011. In subsequent years the budget allocation of the Ministry of Science, Education and Sport has been further downsized and the budget projections for 2016-2018 envisage further cuts. Spending on scientific research and innovations is among the lowest in the EU (constantly below 1 percent of GDP). Although

more and more young people graduate from universities, Croatia is still at the rear in the EU when it comes to the share of the highly educated among the employed. On the other hand, in October 2015 there were 19,617 highly educated people (7.7 per cent) among the unemployed¹³.

Adult education and training is the most neglected and underdeveloped element of the education system (in 2014 only 2.5 per cent of adults were involved in some form of education, compared to 10.7 per cent in the EU28). Croatia still lacks a consistent framework for the development of the life-long learning system and a clearly defined financial framework, including incentives.

The new Strategy for Education, Science and Technology was adopted in October 2014. On the basis of the strategy, comprehensive curricular reform was initiated in the beginning of 2015, involving more than 50 working groups with more than 430 experts.

• Employment rate (%)

| Age (years) | 2012 ¹⁴ | 2013 | 2014 | VII-IX 2015 |
|-------------|--------------------|------|------|-------------|
| 15 + | 43.21 | 42.1 | 43.3 | 45.3 |
| 15 – 64 | 53.5 | 52.5 | 54.6 | 57.5 |

Source: Central Bureau of Statistics, Labour Force Survey

• Unemployment rate (%)

| Age (years) | 2012 ¹⁵ | 2013 | 2014 | VII-IX 2015 |
|-------------|--------------------|------|------|-------------|
| 15 + | 15.9 | 17.3 | 17.3 | 15.4 |
| 15 – 64 | 16.3 | 17.5 | 17.5 | 15.6 |
| 15 – 24 | 42.1 | 50.0 | 45.5 | 41.8 |

Source: Central Bureau of Statistics, Labour Force Survey

• Average monthly salaries (HRK/EUR)

| 2012 | 2013 | 2014 | 2015 |
|---------------|---------------|---------------|---------------|
| 7,875/1,048 € | 7,939/1,049 € | 7,953/1,036 € | 8,055/1,062 € |

Source: Central Bureau of Statistics

¹³ Croatian Employment Service monthly bulletin, November 2014

¹⁴ Data for 2012 and 2013 differ from those in previous Reviews due to the fact that in 2015 the Central Bureau for Statistics (DZS) published new data for 2012 and 2013 harmonized with

the 2011 Census, which showed that previously used projections of the total working-age population were overestimated.

¹⁵ Data for 2012 and 2013 differ from those in previous Reviews (see the previous note).

- **Gender pay gap**

Data here refer to 2013 since gender-related statistics are published with a two years' delay.¹⁶ There is not even more precise labour market statistics segregated by gender, or sectors (differences between the public and the private sector), etc. The striking segregation of women in the labour market continues, especially towards lower paid jobs. Among the employed in 2013, there were 29.3 per cent of women and 20.9 per cent of men with a college or university degree, and 13.1 per cent of women and 12.1 per cent of men with primary

school education or less. The average gross wage of women in 2013 was 89.8 per cent of that of men. The biggest pay gaps are precisely in those activities where women are the majority of those employed: in health care and social work (73.6 per cent), finance and insurance activity (75.9 per cent of men's wage), wholesale and retail trade (80.5 per cent), and education (82.3 per cent). In the activities where women are the prominent minority, their wages are higher than men's: in construction 114.4 per cent and in mining and extraction 107.3 per cent. In the processing industry, the average gross wage of women was 79.7 per cent of that of men.

- **Monthly minimum gross wage (Kuna/Euro)**

| 1.6.2012 – 1.5.2013 | 1.6.2013 - 1.12.2013 | 1.1.2014 – 31.12.2014 | 1.1.2015 – 31.12.2015 |
|---------------------|----------------------|-----------------------|-----------------------|
| 2,814/372 € | 2,985/391 € | 3,014/393 € | 3,030/396 € |

Source: *Minimum Wage Act (Official Gazette No. 67/08, 39/13), Publication of the amount for 2012-2015 (Official Gazette No. 60/12, 51/13, 153/13, 151/14)*

- **Actual weekly working time**

According to the DZS data for the period VII-IX 2015 (*Statistical Reports, Results of the Labour Force Survey*) the average normal weekly hours of work on the worker's main job are 39.3 hours (men 40.3, women 38.0 hours). Weekly working time is legally limited to 40 hours (plus 10 hours of overtime work a week,

and 180 a year, or 250 a year if so agreed by a collective agreement¹⁷). Collective agreements, as a rule, do not stipulate shorter working hours than those determined by law, but workers of a certain age may be exempted from the application of provisions on the duration of work of a night worker and daily and weekly rest (provided the CA ensures this worker a replacement rest¹⁸; a right the employer is obliged to ensure).

- **Normal/atypical work**

| Forms of atypical work | X-XII 2011 | X-XII 2012 | X-XII 2013 | X-XII 2014 |
|------------------------|------------|------------|------------|------------|
| Temporary employees | 11.0 | 10.7 | 13.6 | 17.8 |
| Part-time employees | 10.3 | 8.0 | 6.8 | 5.8 |

Source: *Central Bureau of Statistics, Labour Force Survey*

If, according to data, we exclude temporary and part-time workers, around 80 per cent of the employed are workers who work on the basis of employment contracts on a full-term basis.

¹⁶ Croatian Bureau of Statistics, *Women and Men in Croatia 2015*

¹⁷ Labour Act (Official Gazette No. 93/14), Article 65

¹⁸ Ibid., Article 89(1)



• **Migration**

INTERNATIONAL MIGRATION OF POPULATION

| Year | Immigrants | Emigrants | Net migration | Net migration rate |
|--------------------|------------|-----------|---------------|--------------------|
| 2008 | 14,541 | 7,488 | 7,053 | 1.6 |
| 2009 | 8,468 | 9,940 | - 1,472 | - 0.3 |
| 2010 | 4,985 | 9,860 | - 4,875 | - 1.1 |
| 2011 ¹⁹ | 8,534 | 12,699 | - 4,165 | -1.0 |
| 2012 | 8,959 | 12,877 | -3,918 | -0.9 |
| 2013 | 10,378 | 15,262 | -4,884 | -1.1 |

Source: Central Bureau of Statistics *Statistical information 2014*

• **Human Development Index**

| | 2011 | 2012 ²⁰ | 2013 | 2014 |
|-------------------|-------|--------------------|-------|-------|
| Index | 0.796 | 0.805 | 0.812 | 0.818 |
| World-Rank | 46 | 47 | 47 | 47 |

Source: UNDP (Human Development Report, 2015)

• **Gini-coefficient**

| 2010 | 2011 | 2012 | 2013 | 2014 |
|------|------|------|------|------|
| 0.32 | 0.31 | 0.31 | 0.31 | 0.30 |

Source: Central Bureau of Statistics, *First releases*

• **Collective agreement coverage**

Coverage of collective agreements in 2014 was around 53 per cent (compared to around 61 per cent in 2009, i.e. before the start of the economic crisis)²¹. In public administration and public services (education, health care, etc.) collective agreement coverage is 100 per cent, due to the Basic Collective Agreement for Civil Servants and Employees in Public Services. As most of the state-owned companies also have a collective agreement, coverage in the wider public sector is estimated to be more than 70 per cent. In the private sector, the most recent estimates are around 36 per cent²².

• **Ongoing important collective bargaining agreements**

Health Insurance (Official Gazette No. 143/13, 96/15), CA for Employees in Primary

There are no official data available, but according to a recent analysis²³, in 2014 there were around 570 collective agreements in force in Croatia (around 76 percent of them applicable to the area of one county only). The Ministry of Labour's report on the monitoring of application of the new Labour Act states that a total of 104 CAs were concluded in the first half of 2015, but it is reasonable to assume that the vast majority of them were renewed or renegotiated CAs, thus leaving the total number of CAs at approximately the same level.

At the moment in Croatia the following branch collective agreements are in force: Basic CA for Civil Servants and Employees in Public Services (Official Gazette No. 141/12 and 150/13), CA for State Civil Servants and Employees (Official Gazette No. 104/13 and 150/13), CA for the Activity of Health Care and Education Institutions (Official Gazette No. 63/14), CA for Employees in Secondary

¹⁹ In order to harmonize international migration statistics with the international standards and EU legislation, data for 2011 and 2012 have been processed according to a new methodology.

²⁰ New component indicators and new methodology

²¹ Characteristics of the system of collective bargaining in Croatia – What do we know, and what do we need to find out, Dražan Bačić, 2014 (in Croatian only, available at www.sssh.hr)

²² Bačić, 2014.

²³ Bačić, 2014.

Education Institutions (Official Gazette No. 72/14), CA for Social Welfare Services (Official Gazette No. 42/14), CA for Employees in Cultural Institutions Financed from the State Budget (Official Gazette No. 70/14), CA for the Wood and Paper Industry (Official Gazette No. 123/08, 55/09 and 96/13), CA for the Construction Industry (Official Gazette No. 115/15), CA for Catering (Official Gazette No. 44/15 and 121/15), CA for Travel Agencies (Official Gazette No. 94/02, 126/10 and 108/11, consolidated text 65/14), CA for Private Health Care (Official Gazette No. 150/14), CA for Croatian Seafarers on Ships in International Navigation (Official Gazette No. 94/14) and CA for Humanitarian De-Mining (not published in the Official Gazette).

Two branch CAs, for the construction industry and for catering, have been extended by the labour minister's decision; they cover all employers and are applied to all workers in the activity. The minister takes a decision on the extension of a CA on the proposal of all parties to the CA and can extend its application (to persons who did not participate in its conclusion and have not joined it afterwards) if extension is in the public interest and if it is determined that the CA was concluded by trade unions with the largest number of members as well as the employers' association with the largest number of workers in the field to which the CA is extended. Impact assessment is carried out by the Economic and Social Council.

Most of the public companies have signed collective agreements, for example: ACI d.d., Janaf d.d., Odašiljači i veze d.o.o. (Official Gazette No. 13/13), CA for Hrvatske autoceste d.o.o. (Croatian Motorways; Official Gazette No. 60/14), CA Hrvatske autoceste održavanje i naplata cestarine d.o.o. (Croatian Motorways Maintenance and Tolling, Official Gazette 85/14), CA for *Hrvatska lutrija d.o.o.* (Croatian Lottery; Official Gazette No. 133/14), CA for Water Management (Official Gazette No. 88/03, 118/06, 89/09 10/11 and 6/14), CA for HEP group (national electricity company, Official Gazette No. 132/14). Companies linked to the Croatian Railways have several CAs: Passenger Transport, Cargo, Infrastructure, Train Traction, and CAs

have also been negotiated for Croatian Post, Croatia Airlines, and others.

In the activities of agriculture, fisheries, the food industry, energy, the chemical and pharmaceutical industries, in information and communication, finance and insurance, as well as in a number of others there are no branch CAs, only company level CAs. At the same time, in the fields which have branch CAs, a number of company CAs have also been concluded (e.g. in the field of the construction industry, beside the extended branch CA there are more than 30 company CAs in force).

- **Trade union density
(rate of organization of trade unions)**

In Croatia, official data on the rate of organization of trade unions are not being collected or published. The data gathered at the end of 2012 to determine representativeness of trade union confederations is not reliable enough to determine the total rate of organization of trade unions. Specifically, the data were not gathered individually, per trade union, but collectively per each confederation, while data on the trade unions which are not affiliated to any confederation or which are active at the level of the employer were not collected at all. It is estimated that the general trade union density rate is slightly below 30 per cent, with decreasing trend. The 2010 research²⁴ assesses considerable differences in trade union density rates according to three criteria: a) difference between the public sector in wider terms (around 68 per cent) and private sector (around 17 per cent), b) in the private sector between the old but privatized companies (31 per cent) and newly-established private companies (9 per cent), and c) big companies (around 40 per cent) and small companies (around 3 per cent).

According to the data gathered at the end of 2012, total membership of the four representative confederations was 331,939. However, these data are not comparable to that from the last count of members in 2009, as there were five representative confederations at the time (with 423,964 members). It is difficult to even estimate the

²⁴ Dr.sc. Dragan Bagić: *Industrial relations in Croatia*, 2010

number of members of trade unions not affiliated to any confederation.

- **Employers' organizations density**

As in the case of the trade unions, there is no official data. HUP is still the only voluntary association of employers in Croatia which participates in the bodies of tripartite social dialogue. The same above-mentioned research states that the level of employers' organization has significant oscillations with regard to activities and the size of company (large employers are more often members of employers' associations than the small ones). The branch associations of HUP do not "follow" the structure of activities or the organization of trade unions but are very often in place as a result of lobbying influences by certain groups of employers. Lesser fragmentation of employers' associations as compared to the trade unions puts employers in a more favourable position with regard to not only the trade unions but also the Government. It is estimated that HUP gathers employers who employ around a half of the workers employed in the private sector. Croatia does not have a confederation, i.e. association, of employers which affiliates public companies.

- **Workplace representation**

The *Labour Act* stipulates the work of three types of workers' representatives: 1) trade unions, 2) Works' Council (WC) (condition: 20 or more workers, except in the State administration bodies) and 3) one workers' representative in the body which supervises work administration (supervisory or governing body and similar). The Occupational Safety and Health Act²⁵ determines the election and the work of safety representatives. The election and the work of trade union representatives are determined by trade union documents. Works' Council members are elected by all those employed with active voting rights and the initiative is launched by the trade union and/or at least 20 per cent of those employed. If no WC has been

established, a shop steward takes over its rights and obligations. The workers' representative in the Supervisory committee is appointed by the WC, and if the latter has not been established, he/she is elected through direct elections. Safety reps are elected by all workers. Members of the WC have a four-year mandate (in the period 1996-2014 the mandate was three years). The main function of a WC is to inform the workers and supervise the implementation and respect of the Labour Act, the collective agreement and other documents adopted for the benefit of workers. WCs mostly have an advisory role in relation to the employer, while the area of co-determination is very narrow. It is possible to expand the rights of Works' Councils and safety reps through special agreements between the WC and employer as well as through the CA.

There is no official statistical data on WCs because there is no legal obligation to submit the minutes of the elections to any institution in Croatia²⁶. There is little research on the activities of Works Council representatives. A recent research²⁷ estimates that WCs have been established in around 45 per cent of companies that meet the criteria for WCs. The trade union's research was carried out only by the SSSH: independently in 1997, in 2010/2011 and in 2011/2012 within the framework of the international trade union project INFORMIA and INFORMIA 2. The findings are as follows: behind the election list of workers for the WC (at least 10 per cent of the employed) is more often than not the employer; elections for the WC are becoming less frequent and there is a trend among trade unions of returning to appoint a shop steward in the function of a WC representative; trade unions frequently organize trainings at their own cost and not at the employer's cost²⁸; the employer's obligation to inform the WC on a quarterly basis on business plans and employment is most often not respected.

Since 1 July 2013, the European Works Council Directive (implemented through the

²⁵ Official Gazette No. 71/14 and 118/14

²⁶ The 2014 Labour Act foresaw introduction of such an obligation, but the by-law through which this should be implemented was not adopted by the time of writing.

²⁷ Dr.sc. Dragan Bagić, 2011, based on a sample of 530 companies with 20 and more employed in the sectors of industry, services and construction.

²⁸ According to the Labour Act and the Occupational Safety and Health Act, financing the training of WC members and safety representatives is the employer's obligation.

Act on European Works Councils²⁹⁾ has come into force in Croatia but there no information on EWC members from Croatia is available.

- **Trade unions**

- **National trade union confederations**

| TU Confederation (Croatian) | TU Confederation (English) | Number of individual members ³⁰ | ITUC Affiliation | ETUC Affiliation |
|--|---|--|------------------|------------------|
| Savez samostalnih sindikata Hrvatske (SSSH) | Union of Autonomous Trade Unions of Croatia | 133,155 | Yes | Yes |
| Nezavisni hrvatski sindikati (NHS) | Independent Trade Unions of Croatia | 116,837 | Yes | Yes |
| Matica hrvatskih sindikata (MHS) | Association of Croatian Trade Unions | 61,411 | - | - |
| Hrvatska udruga radničkih sindikata (HURS) | Croatian Workers Trade Union Association | 54,009 ³¹ | - | - |
| Udruga radničkih sindikata Hrvatske ³² (URSH) | Workers' Trade Union Association of Croatia | N/A ³³ | - | - |

- **Trade union federations by branches**

| Trade unions (Croatian) | TU Federation (English) | No of individual members ³⁴ | Affiliation to national confederations | International affiliations |
|--|---|--|--|--|
| Sindikat metalaca Hrvatske - Industrijski sindikat (SMH-IS) | Metal Workers' Trade Union of Croatia – Industrial Union | | UATUC | IndustrAll-Global Union/ETU |
| Samostalni sindikat radnika u djelatnostima energetike, kemije i nemetala Hrvatske (EKN) | Autonomous Trade Union of Workers in Power Industry, Chemistry and Non-Metal Industry of Croatia | | UATUC | IndustrAll-Global Union/ETU and EPSU/PSI |
| Sindikat graditeljstva Hrvatske (SGH) | Trade Union of Construction Industry of Croatia | | UATUC | BWI/EFBWW |
| Sindikat trgovine Hrvatske (STH) | Commercial Trade Union of Croatia | | UATUC | UNI- Global/UNI-Europe |
| Sindikat turizma i usluga Hrvatske (STUH) | Trade Union of Tourism and Services of Croatia | | UATUC | IndustrAll-Global Union/ETU |
| Samostalni sindikat radnika u komunalnim i srodnim djelatnostima Hrvatske (SSKH) | Autonomous Trade Union of Workers in Public Utilities and Related Services of Croatia | | UATUC | PSI and EPSU |
| Sindikat zaposlenih u poljoprivredi, prehrambenoj i duhanskoj industriji i vodoprivredi Hrvatske (PPDIV) | Trade Union of the Employed in Agriculture, Food and Tobacco Industry and Water Resources Management of Croatia | | UATUC | IndustrAll-Global Union/ETU |

²⁹ Official Gazette No. 93/14

³⁰ Official data are from March 2013, at the time of the last determination of representativeness. Data have been partly amended for the SSSH (four trade unions, with 33,473 members joined SSSH since March 2013)

³¹ For the purpose of determining representativeness, HURS "borrowed" two unions from URSH (see the section on Tripartite social dialogue).

³² Although URSH is one of the five Croatian trade union confederations, it is not affiliated to ITUC or to ETUC but to EUROFEDOP (the European Federation of Public Service Employees) (source: www.ursh.hr).

³³ As URSH did not participate in counting of members for purpose of determining representativeness, there are no data available.

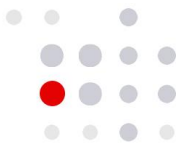
³⁴ No official data on the number of trade union members



| | | | | |
|---|---|--|-------|-----------------------------|
| Samostalni sindikat zdravstva i socijalne skrbi Hrvatske (SSZSSH) | Autonomous Trade Union in Health Service and Social Protection Service of Croatia | | UATUC | PSI and EPSU |
| Sindikat umirovljenika Hrvatske (SUH) | Retired Persons' Trade Union of Croatia | | UATUC | FERPA |
| Sindikat tekstila, obuće, kože, gume Hrvatske (TOKG) | Trade Union of Textile, Footwear, Leather, Rubber Industry of Croatia | | NHS | IndustrAll-Global Union/ETU |
| Sindikat državnih i lokalnih službenika i namještenika RH (SDLSN) | Trade Union of State and Local Government Employees of Croatia | | NHS | PSI and EPSU |
| Hrvatski strukovni sindikat medicinskih sestara - medicinskih tehničara | Croatian Trade Union of Nurses and Medical Technicians | | MHS | PSI and EPSU |
| Nezavisni sindikat zaposlenih u srednjim školama Hrvatske | Independent Trade Union of Workers in Secondary Education of Croatia | | MHS | ETUCE/EI |
| Nezavisni sindikat znanosti i visokog obrazovanja | Independent Union of Research and Higher Education of Croatia | | MHS | ETUCE/EI |
| Sindikat hrvatskih učitelja (SHU) | Croatian Teachers' Union | | MHS | ETUCE/EI |

• **Employers' organizations**

| Employer's Confederation (Croatian) | Employer's Confederation (English) | Number of Affiliates (branches) | Business Europe Affiliation | IOE Affiliation |
|--|---|--|------------------------------------|------------------------|
| Hrvatska udruga poslodavaca (HUP) | Croatian Employers' Association | 30 | Yes | Yes |



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