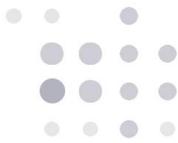


2016

Annual Review of Labour Relations and Social Dialogue Croatia

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February 2017

- GDP growth, recorded in 2015 for the first time after six years of recession, accelerated further in 2016, with the first estimates pointing to 2.6 per cent growth. The public budget deficit is expected to be lower than 3 per cent of GDP for the first time since 2008, while the debt-to-GDP ratio decreased for the first time since 2007. However, these positive fiscal developments were to a large extent driven by positive macroeconomic developments and windfall revenue.
- Due to a dysfunctional ruling coalition, which was preceded and succeeded by periods of a caretaker government, 2016 was mostly lost for reforms, including those outlined in the National Reform Programme, as not much was done on its implementation.
- An increase in the share of flexible forms of employment, visible since the 2014 Labour Act reform, continued with the share of temporary workers reaching 24.2 per cent in the third quarter of 2016 (compared to the EU average of 14.6 per cent)
- Industrial relations in the public sector were marked by negotiations over a 6 per cent wage increase, stipulated in the 2009 agreement, which was triggered by the GDP growth in the second part of 2015. Negotiations with two different governments eventually produced the compromise with the public servants' unions, providing for gradual wage increase during 2017, but no agreement was reached with the public services' unions.

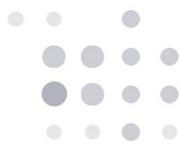


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1. SOCIO-ECONOMIC DEVELOPMENTS

According to first estimates by the Croatian Bureau of Statistics (DZS), GDP increased in real terms by 2.9 per cent in the third quarter of 2016. The largest positive contribution to GDP came from an increase in exports of services (7.4 per cent), particularly in tourism. Domestic demand positively contributed to GDP growth, with final expenditure of households increasing by 3.4 per cent and general government expenditure by 2.1 per cent. Gross fixed capital formation increased by 2.9 per cent. In November, industrial production, working-day adjusted, increased by 7.1 per cent compared to November 2015. Labour productivity in industry increased by 5.1 per cent in the same period.

According to preliminary data from the Croatian National Bank (HNB), there was €1.23 billion of foreign direct investments in the first nine months of 2016, compared to €187.3 million for the whole of 2015¹. According to first estimates by DZS, total export of goods in the first eleven months of 2016 was 83.3 billion HRK (€11.1 billion), 3 per cent more than in the same period of 2015, while import of goods was 133.6 billion HRK (€17.9 billion), increasing by 3.1 per cent. The coverage of imports by exports was 62.3 per cent, equalling the same period last year. In the first nine months of 2016, the current account balance of payments recorded a surplus of €1.9 billion (compared to €2.7 billion in the same period last year). At the end of September gross external debt amounted to €42.4 billion, comparing to €46.8 billion a year before (HNB data). According to the projections of the Ministry of Finance, the state budget deficit in 2016 will be 5.35 billion HRK (€710.1 million), or 1.6 per cent of GDP. The target was 2.2 per cent of GDP, but higher GDP growth than expected increased revenues, especially from the income tax, while spending was slightly lower than planned. At the end of September, public

debt amounted to 289.1 billion HRK (€38.6 billion), 0.4 per cent less than in the same period last year (HNB data). The share of public debt to GDP, after reaching an all-time high of 89.1 per cent in the first quarter of 2015, decreased to 84.5 per cent in the second quarter of 2016.

In May, eight large companies were unlisted as companies of strategic or special interest, thus opening door for their privatisation. However, only the government's share in Končar Electro Industry (20.5 per cent) was privatised in 2016. In October 2016, there were 30,852 businesses with blocked accounts (27.8 per cent less than in October 2015), employing 23,303 workers, with total unpaid obligations of 18.6 billion HRK (€2.5 million, a drop of 27.7 per cent). At the same time, there were 329,222 citizens with blocked accounts (+1.6 per cent), or 7.9 per cent of the population, with unpaid obligations of 40.7 billion HRK (€5.4 billion, an increase of 13.6 per cent).

In November 2016, the inflation rate at an annual level amounted to 0.2 per cent. The average net monthly wage for the period January to October 2016 was 5,658 HRK (€756), which is a nominal increase of 1.4 per cent and a real increase of 2.7 per cent compared to the same period in 2015. The average gross monthly wage for the same period was 7,724 (€1,032), which is nominally a 1.8 per cent increase and in real terms was 3.1 per cent². The gross minimum wage for 2016 was set at 3,120 HRK (€417), 3 per cent more than in 2015. In December, the registered unemployment rate was 14.8 per cent (17.9 per cent in December 2015). According to the Labour Force Survey, the unemployment rate in the third quarter of 2016 was 10.9 per cent, the activity rate was 51.4 per cent and the employment rate was 45.8 per cent. According to DZS, the at-risk-of-poverty rate in 2015 was 20.0 per cent (19.4 percent in 2014), while the Gini-coefficient was 0.31 (0.30 in 2014).

¹ The extremely low level of foreign direct investment (FDI) in 2015 (lowest since 1995), was caused by negative retained earnings of the financial sector (-780.2 million € in 2015), as the banks entered into their books losses resulting from the conversion of loans denominated in Swiss Franc (see 2015 Review).

² Due to change of methodology from January 2016, these data are not comparable to those cited in previous Reviews.

2. STATE POLICIES

Inconclusive parliamentary elections held in November 2015 resulted with a government formed by the centre-right "Patriotic Coalition" and MOST. With MOST insisting on a non-partisan Prime Minister, Tihomir Oreskovic, with managerial background in the pharmaceutical industry, was brought in to lead the government, which took office in January 2016. From the beginning of its term in office, the government was burdened with non-functioning relations between the coalition partners. In May, Deputy Prime Minister Tomislav Karamarko, leader of the Croatian Democratic Union (HDZ) and the "Patriotic Coalition", was forced to resign by MOST due to allegations of conflict of interest. HDZ then initiated vote of no confidence against the government. In June, the government was voted out of office by a majority formed by HDZ and the opposition. Andrej Plenkovic, Member of the European Parliament with a background in diplomacy, succeeded Karamarko as the HDZ party leader. Snap elections, held in September, resulted with a relative victory of HDZ, contesting elections independently and gaining 36.3 per cent of the vote. "People's Coalition", led by the Social Democratic Party (SDP), gained 33.8 per cent of the vote. MOST's share of the votes fell to 9.9 per cent, but was sufficient to retain a pivotal position in Parliament. "The Only Option", a populist coalition denouncing the possibility of cooperation with any of the mainstream parties, took 8 seats with 6.2 per cent of the vote. The new government, formed once again by HDZ and MOST, was confirmed by Parliament in October.

During its short term in office, the Oreskovic government did not manage to initiate any substantial reforms. However, it started to plan a tax reform, which was completed by the Plenkovic government, with amendments to 15 different laws adopted in December. Among other changes, the corporate income tax rate was lowered from 20 per cent to 18 per cent (and 12 per cent for small entrepreneurs), the reduced VAT rate for the catering industry was abolished, and a real estate tax was introduced, to take effect in 2018. Rates and tax brackets for personal income tax were changed substantially. The non-taxable part of income was increased from 2,600

HRK (€344) to 3,800 HRK (€503). Instead of three income tax rates (12, 25 and 40 per cent) only two remain (24 and 36 per cent), while the tax bracket for application of the highest rate was substantially increased. Changes in the income tax will result in an increase of net wages, but mostly for higher income earners. The minimum wage for 2017 was increased by 5 per cent.

There were no important developments regarding social and labour legislation, but an increase in the share of flexible forms of employment, visible since the 2014 Labour Act reform, continued. The share of temporary employees reached 24.2 per cent in the third quarter of 2016 (16.5 per cent in second quarter of 2014), compared to the EU average of 14.6 per cent. The number of temporary agency workers increased by 22.2 per cent in 2015 compared to 2014.

In February, results of the first comprehensive external evaluation of the active labour market policy (ALMP) measures (for the period 2010-2013) were published³, pointing to a number of shortages and proposing various improvements. In June, the Croatian Employment Service temporarily suspended implementation of a number of ALMP measures, including the one entitled "vocational training without commencing employment relation", which counted for more than 50 per cent of all ALMP participants in recent years. Thorough revision of all ALMP measures was planned but did not materialise in 2016.

Trade unions opposed the announced reform agenda of the Oreskovic government. The International Labour Day demonstration in Zagreb, gathering around 2,000 people, was held under the slogan "People before profit", denouncing the government as serving the interests of capital instead of Croatian citizens. Trade unions also criticised the changes in the income tax, arguing the measures would increase inequality, while demanding an increase of the minimum wage to 50 per

³External Evaluation of Active Labour-Market Policy Measures 2010-2013, Summary evaluation report, February 2016 (available at <http://goo.gl/KqY0K6>)



cent of the average wage as a compensatory measure for low-income earners.

3. INDUSTRIAL RELATIONS

GDP growth in second and third quarter of 2015 triggered a clause in the collective agreement signed between the government and public sector unions in 2009. The agreement was actually an amendment to the 2006 agreement, which stipulated annual 6 per cent increases in years 2007-2009. As the crisis came, the fiscal situation did not allow for the last round of increase. The new agreement postponed the 2009 round of increases till after the crisis, i.e. after average GDP growth in two consecutive quarters exceeded 2 per cent. The increase was to take effect from 1 January of the subsequent year. Besides this, the agreement contained a formula for further gradual increases of public sector wages, with the aim of setting a starting wage for public sector jobs requiring higher qualifications at the level of the average wage in the country. This was to restore the balance between public and private sector wages from the early 2000s, as the average private-sector wage grew substantially in the period 2001-2006, while public sector wages were stagnating.

The agreement was originally negotiated with the trade unions of public services (education, healthcare, culture and social care, which altogether employ around 180,000 workers) but both in 2006 and 2009 a similar agreement was subsequently signed with the public servant unions (covering around 63,000 workers). Rough estimations are that the 6 per cent increase would require at least 1.8 billion HRK annually (€238 million), while the cost of implementing all provisions of the agreement would be significantly higher.

After the Oreskovic government took office in late January, the unions expected opening of talks on the wage increase. However, the first move of the government was to put in front of Parliament a new Act on Withholding the Right on Increased Wage on the Basis of the Years of Service (as the law with the same name, drafted by the previous government, had expired at the end of 2015 – see 2015 Review). However, after the unions and the parliamentary opposition warned on the po-

tential unconstitutionality of the law, the proposal was withdrawn. While in 2015 the Constitutional Court had ruled out that the previous law with the same effect was in line with the Constitution, it also said that such practice could be justified only on temporary basis, as otherwise it would infringe the rule of law and legal certainty (as the Act suspended the rights set by collective agreements). The Constitutional Court explicitly stated that prolongation of the law into 2016 would be constitutionally unacceptable.

In February, initial talks between public sector unions and the new government were finally held. In March, the government initiated negotiations on amendments to the collective agreements for public administration and public services. The state budget, adopted in the meantime, did include financial resources for wage increases based on years of service but not for the 6 per cent increase of the basic wage, thus clearly stating the government's position in the upcoming negotiations. Negotiations proceeded at a slow pace and failed to produce any concrete results. As expiration of the Collective Agreement for Civil Servants and Employees, due in early August, was approaching, it was agreed to prolong its validity for one year, leaving negotiations on the new agreement for after the elections. It was also agreed that the wage increases for the years of service were to be paid in 2016, as well as the vacation allowance, while the Christmas bonus was to be renegotiated by the end of the year.

In November, talks on the 6 per cent increase were reopened with the Plenkovic government. The government offered to increase wages by 3 per cent in April and a further 3 percent in December 2017, which was a compromise the unions were ready to accept. However, they were not ready to give up on increased compensation for 2016 (in which, according to the 2009 agreement, an increase was supposed to take place), on which government was insisting. No agreement was reached with the unions representing workers in the public services (i.e. education, healthcare etc.), but in late December a compromise was struck with the public servants' unions, according to which the wages would be gradually increased during 2017 (for 2 per cent in January, August and No-



vember each). Christmas bonus for 2016 was to be paid as well. While the government announced further talks with public services' unions in early 2017, the same increases are expected to be applied to their wages.

In April, an Annex to the Collective Agreement for Catering was signed, providing for a 1.3 per cent increase in wages for all categories of jobs. Although the 2015 Collective Agreement for Construction Industry similarly envisaged annual bargaining rounds on wages, neither side initiated bargaining before completion of this report.

In June, workers of Mungos razminiranje, the only state-owned de-mining company, employing around 60 pyro technicians (compared to around 550 employed in 47 private de-mining companies), went on strike after collective negotiations lasting for a year and a half failed to result with an agreement. The strike was terminated after eight days as the management agreed to sign the collective agreement. The wage for pyro technicians was raised by 15.4 per cent, to be increased by further 0.5 per cent for every year of service. However, in October workers held a demonstration, claiming that the wages were not being paid properly or timely. At the same time, the sector remains without a generally applicable sectoral level agreement, which would also cover private de-mining companies (see 2015 Review).

In November, there was a strike at the Student Centre of the University of Zagreb, a public institution running, among other facilities, dormitories, student restaurants and the student employment office. Negotiating teams finally agreed on the draft of the collective agreement in July 2016, after negotiations that took more than a year, including 14 conciliation procedures; but the temporary management of the institution, which has been in process of financial recovery since 2013, refused to sign the draft. The strike was put on hold after 13 days as, after intervention by the Minister of Education and Science, the management stated its readiness to re-open negotiations with the aim of signing the agreement.

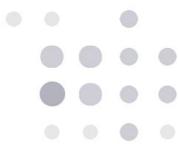
New company level collective agreements were signed for Croatian Radio Television

(HRT), national electricity company Hrvatska elektroprivreda (consisting of 13 companies) and INA Industrija nafte (national oil company, partially state-owned). The Trade Union of Banking and Financial Employees of Croatia signed collective agreements with a number of foreign-owned banks and financial institutions, such as Zagrebačka banka (UniCredit), Splitska banka (Societe Generale), Erste Bank and Intesa Sanpaolo Card.

In April, Zagrebački Holding, a mega-company comprising all utility, energy, transport and other communal services of Croatia's capital and employing around 12,000 workers, cancelled its Basic Collective Agreement, which had been in force since 2002. Trade unions active in the company have subsequently initiated court proceedings in front of the County Court of Zagreb, claiming the cancellation was illegal and citing a provision of the agreement stipulating that it remains in force until signing of a new one.

A new collective agreement was signed for HŽ Infrastruktura (Croatian Railways Infrastructure) in November. As the management had proposed a substantial decrease in material rights, collective negotiations broke down and the trade unions started to prepare for a strike. However, the conciliation procedure, obligatory before a strike can be called, resulted in an agreement. Most of the material rights remain untouched in the new collective agreement, which was signed for the duration of three years.

In HŽ Cargo, another state-owned subsidiary of Croatian Railways, the elections for a works council held in November 2015 were annulled by the Supreme Court, which is the first such case recorded since works councils were introduced in 1997. Due to disagreement among the trade unions active in HŽ Cargo on the election procedure, two separate elections were held in 2015, one in May and one in November. The employer recognised as valid the elections held in December, which were then annulled by the court. This decision has also made null and void all consultations the employer has held with the illegal works council, including the one on collective dismissal of more than 200 workers.



There were a number of strikes due to non-payment of wages in the private sector, although in a smaller scale than in previous years.

In November, a bipartite Social Council for Food Industry and Agriculture was established, through an agreement signed between the Trade Union of the Employed in Agriculture, Food, Tobacco and Water Industries of Croatia (PPDIV) and Croatian Employers Association – Food Industry and Agriculture Association. This is the 7th sectoral social council established in Croatia, out of which five are bipartite and two are tripartite.

The Trade Union of Education, Media and Culture (SOMK), affiliated to SSSH, joined the European Public Service Union (EPSU) in December, becoming the 7th Croatian affiliate of EPSU.

4. TRIPARTITE SOCIAL DIALOGUE

Initial meetings by Prime Minister Oreskovic with trade unions and employers raised hopes of both social partners for more substantial tripartite social dialogue than with the previous government. However, during the five months that the government was in office before losing a vote of confidence, only four meetings of the Economic and Social Council (GSV) were held. As the government did not manage to initiate many reforms, or draft a substantial amount of legislation, there was not much substance in the social dialogue.

Similarly as in 2015, there was a slight improvement in the social partners' involvement in the European Semester process. Besides the discussion in the GSV, this year there were an additional four thematic meetings to discuss the National Reform Programme with the social partners. However, this remained more of a formal exercise than a real dialogue on the reform agenda. In April, GSV established a tripartite working group for development of industrial relations in Croatia, with the task to develop proposals for "enhancement and modernisation of industrial relations". Due to subsequent developments with the government, the working group never started to function.

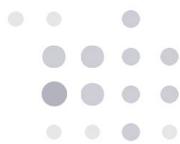
Soon after the new government took office in October, the first meeting of the GSV was held with participation of new Prime Minister Plenkovic. In spite of this promising start for social dialogue, a month later comprehensive tax reform was sent to the Parliament without proper consultations with the social partners, who were asked to provide their opinions on 15 laws in only three days.

5. FORECASTS

According to the European Commission's 2016 Autumn Forecast, GDP growth in 2016 will amount to 2.6 per cent, while projection for 2017 is 2.5 per cent. Unemployment rate should continue decreasing, from 13.4 per cent in 2016, to 11.7 per cent in 2017, due to employment growth, but also shrinking labour force. The budget deficit is expected to continue decreasing, from 2.1 per cent in 2016, to 1.8 per cent in 2017, as well as the overall public debt (85 per cent in 2016 and 84.3 per cent in 2017).

Government coalition is expected to remain stable, although its reform potential and overall direction of its socio-economic policies remain to be seen. Although reform of the labour law was not mentioned in HDZ's election programme, reference to it was made in Government's four year programme. However, as it was not included in the Government's legislative plan for 2017, the issue could be opened in 2018.

Notwithstanding the outcome of Government's negotiations with public sector unions on the application of the 2009 agreement and increase in public sector salaries, 2017 should see intensive collective negotiations in the public sector, as almost all of the public sector collective agreements are expiring at the end of 2016 or during 2017.



ANNEX OF DATA

• **Collective bargaining system**

The collective bargaining system in Croatia is regulated by the Labour Act⁴ 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 levels, 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 or an employer's association may negotiate with a bargaining committee established through a 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 the trade unions fail to agree, each trade union may, before the Committee for Determining Representativeness, initiate a procedure to determine the actual representativeness of the trade unions⁷. In order to be recognised as representative through this procedure, a trade union needs to have at least 20 per cent of all trade union members on the level for which the bargaining takes place. The CA becomes valid if it is signed by a trade union trade unions that have more than 50 per cent of the members of all representative trade unions on the level at 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 a 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-level CAs and a reluctance to conclude sectoral/branch CAs in the private sector. 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 one most favourable 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 federation 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. Representativeness is determined for the period of five years.

Composition, competences, scope and organisation of work of the Economic and

⁴ Official Gazette No 93/14, English version available at <http://www.mrms.hr/wp-content/uploads/2015/03/labour-act.pdf>

⁵ Official Gazette No 93/14, 26/15, English version available at <http://www.mrms.hr/wp-content/uploads/2015/11/Act-on-representativeness.pdf>

⁶ Trade union representativeness can be determined on the level of an 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, the tripartite delegation of the Government of Republic of Croatia at the International Labour Organization conference and social partners' representatives in other international and European bodies and organisations.



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 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 in 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 are considerable differences in their level of activity and effectiveness. According to the report compiled by the Ministry of Labour, the number of meetings held by the county level GSVs in 2015 varied between 0 and 5.

- **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 per cent), the State budget and the budgets of 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.

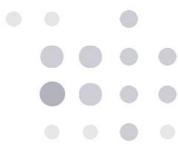
The pension system is mixed – obligatory insurance in the public pay-as-you-go system (the 1st pillar, 15 per cent), obligatory individual capitalized savings in private funds (2nd pillar, 5 per cent), and voluntary savings in the 3rd pillar. The self-employed, including craftsmen, independent artists and persons working in agriculture, are also covered by pension insurance. The statutory retirement age for men is 65, and for women it is increasing by three months every year (transitional period 2014-2029), and is at age 61.5 in 2016. In the period 2031-2037 the statutory retirement age for both men and women will be increasing by three months annually, reaching age 67 in 2038. The value of pensions is adjusted every six months depending on inflation and average wages. In December 2016, the average pension paid on the basis of the Law on Pension Insurance was 2,255 HRK¹⁰ (€301), which is 38.8 per cent 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 per cent of previous wage, and until 450 days at 35 per cent, but not more than 70/35 per cent of the national average wage). A worker with more than 32 years of service and less than five years to retirement is entitled to unemployment benefits until finding new employment or until entitlement to pension¹¹. Since 2014, the same rights also apply to the self-employed. Unemployment benefits are received by a relatively small number of the unemployed (19.4 per cent in December 2016¹²) due to the high percentage of long-term unemployed and unemployed young

¹⁰ Croatian Pension Insurance Institute data

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

¹² Croatian Employment Service monthly bulletin, November 2016



persons without the required months of 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 population participating in lifelong learning remain the main challenges in the field of education. The Croatian education system operates in accordance with EU standards (the Copenhagen and Bologna processes are applied). Nevertheless, compulsory education is still among the shortest in the EU (last year of pre-school education and eight years of primary school). General government expenditure on education is slightly below the EU average (4.7 per cent of GDP in 2014, compared to 4.9 per cent for the EU28), but as a share of total government spending it

decreased from 10.9 per cent in 2010 to 9.8 per cent in 2014¹³. Total spending on scientific research and innovations is among the lowest in the EU (0.85 per cent of GDP, compared to 2.03 per cent for the EU 28¹⁴).

Adult education and training is the most neglected and underdeveloped element of the education system, with the participation rate in adult education and training (lasting four weeks) being only 3.1 per cent in 2015, compared to the EU average of 10.7 per cent (Eurostat). Croatia still lacks a consistent framework for the development of a lifelong 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, but has been put on hold after the change of the government in early 2016.

¹³ Eurostat, General government expenditure by function

¹⁴ Eurostat, Total intramutual R&D expenditure



- **Employment rate (%)**

Age (years)	2013 ¹⁵	2014	2015	VII-IX 2016
15 +	42.1	43.3	44.1	45.8
15 – 64	52.5	54.6	55.8	58.4

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

- **Unemployment rate (%)**

Age (years)	2013 ¹⁶	2014	2015	VII-IX 2016
15 +	17.3	17.3	16.3	10.9
15 – 64	17.5	17.5	16.5	11.1
15 – 24	50.0	45.5	43.0	28.0

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

- **Average monthly salaries (HRK/EUR)**

2013	2014	2015	I-X 2016 ¹⁷
7,939/€1,049	7,953/€1,036	8,055/€1,062	7,724/€1032

Source: Central Bureau of Statistics

¹⁵ Data for 2013 differ from those in previous Reviews due to the fact that in 2015 the Central Bureau for Statistics (DZS) published new data for 2013 harmonized with the 2011 Census, which showed that previously used projections of the total working-age population were overestimated.

¹⁶ Data for 2013 differ from those in previous Reviews (see the previous note).

¹⁷ Due to change of methodology from January 2016, data are not comparable with data from the previous years.



- **Gender pay gap**

Data here refer to 2014 since gender-related statistics are published with a two years' delay.¹⁸ 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 2014, there were 31.9 per cent of women and 21.9 per cent of men with a college or university degree, and 11.3 per cent of women and 9.3 per cent of men with

primary school education or less. The average gross wage of women in 2014 was 89.1 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 (76.9 per cent of men's wages), finance and insurance activity (79.6 per cent), wholesale and retail trade (82.0 per cent), and education (86.3 per cent). In the activities where women are the prominent minority, their wages are higher than men's, such as in construction 110.0 per cent. In the processing industry, the average gross wage of women was 80.5 per cent of that of men.

¹⁸ Croatian Bureau of Statistics, Women and Men in Croatia 2016



- **Monthly minimum gross wage (HRK/EUR)**

1.6.2013 - 1.12.2013	1.1.2014 – 31.12.2014	1.1.2015 – 31.12.2015	1.1.2016 – 31.1.2016
2,985/€391	3,014/€393	3,030/€396	3120/€414

Source: *Minimum Wage Act* (Official Gazette No. 67/08, 39/13), Publication of the amount for 2013-2016 (Official Gazette No. 51/13, 153/13, 151/14, 140/15)

- **Actual weekly working time**

According to the DZS data for the period VII-IX 2016 (*Statistical Reports, Results of the Labour Force Survey*) the average normal weekly hours of work on the worker's main job are 39.7 hours (men 40.5, women 38.6 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 agreement¹⁹). 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 rest²⁰; a right the employer is obliged to ensure).

¹⁹ Labour Act (Official Gazette No. 93/14), Article 65

²⁰ Ibid., Article 89(1)



- **Normal/atypical work**

Forms of atypical work	2012	2013	2014	2015
Temporary employees	13.3	14.5	16.9	20.3
Part-time employees	5.6	5.4	5.3	5.9

Source: Eurostat, *Labour Force Survey*

If, according to data, we exclude temporary and part-time workers, around 74 per cent of the employed are workers who work on the basis of employment contracts on a full-term basis.

- **Migration**

INTERNATIONAL MIGRATION OF POPULATION

Year	Immigrants	Emigrants	Net migration	Net migration rate
2010	4,985	9,860	- 4,875	- 1.1
2011 ²¹	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
2014	10,638	20,858	-10,220	-2.4
2015	11,706	29,651	-17,945	N/A

Source: Central Bureau of Statistics *Statistical information 2016* and *Migration of population 2015*

- **Human Development Index**

	2011	2012 ²²	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	2012	2013	2014	2015
0.32	0.31	0.31	0.30	0.31

Source: Central Bureau of Statistics, *Indicators of Poverty and Social Exclusion*

²¹ In order to harmonize international migration statistics with the international standards and EU legislation, data for 2011 and subsequent years have been processed according to a new methodology.

²² New component indicators and new methodology

- **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)²³. 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 cent²⁴.

- **Ongoing important collective bargaining agreements**

There are no official data available, but according to a recent analysis²⁵, 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 205 CAs were concluded in 2015. As around 60 per cent of CAs are signed for a period from one to three years, it can be assumed that the majority of around 200 CAs signed each year are renewed or renegotiated CAs in companies with a tradition of regular collective bargaining. Thus, the total number of CAs in effect in 2016 was probably around the same level as in 2014.

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, 150/13 and 153/13), CA for State Civil Servants and Employees (Official Gazette No. 104/13, 150/13, 153/13 and 71/16), CA for the Activity of Health Care and Health Insurance (Official Gazette No. 143/13 and 96/15), CA for Employees in Primary Education Institutions

(Official Gazette No. 63/14), CA for Employees in Secondary 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 and 51/15), 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, 121/15 and 53/16), 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. 94/15) and CA for Humanitarian De-Mining (not published in the Official Gazette).

Two branch-level 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 these activities. 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: HEP group (national electricity company, Official Gazette No. 69/16), Hrvatske autoceste d.o.o. (Croatian Motorways; Official Gazette No. 60/14), Hrvatske autoceste održavanje i naplata cestarine d.o.o. (Croatian Motorways Maintenance and Tolling, Official Gazette 85/14), 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), ACI d.d., Janaf d.d., Odašiljači i veze d.o.o. (Official Gazette No. 13/13), companies linked to the Croatian Railways have several CAs: Passenger Transport, Cargo,

²³ Characteristics of the system of collective bargaining in Croatia – What do we know, and what do we need to find out, Dragan Bačić, 2014 (in Croatian only, available at www.sssh.hr)

²⁴ Bačić, 2014

²⁵ Bačić, 2014



Infrastructure, Train Traction, and CAs have also been negotiated for Croatian Post, Croatian Forests, Croatia Airlines, and others.

In the sectors of agriculture, fisheries, food industry, energy, 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 that 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 are 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 a decreasing trend. Research from 2010²⁶ 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 state-owned 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.

²⁶ Dr.sc. Dragan Bagić: *Industrial relations in Croatia*, 2010

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 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 sector 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 Act²⁷ governs the election and 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

²⁷ Official Gazette No. 71/14 and 118/14



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 until recently there was no legal obligation to submit the minutes of the elections to any institution in Croatia²⁸. There is little research on the activities of Works Council representatives. A recent research²⁹ 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 cost³⁰; 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 Act on European Works Councils³¹) has come into force in Croatia but no information on EWC members from Croatia is available.

²⁸ Obligation to inform the Ministry of Labour on the election results was introduced in 2016. Most companies with established Works Councils will hold elections in March 2017, after which some statistical data should become available.

²⁹ 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.

³⁰ 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.

³¹ Official Gazette No. 93/14

- **Trade unions**

- **National trade union confederations**

TU Confederation (Croatian)	TU Confederation (English)	Number of individual members ³²	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 ³³	-	-
Udruga radničkih sindikata Hrvatske ³⁴ (URSH)	Workers' Trade Union Association of Croatia	N/A ³⁵	-	-

- **Trade union federations by branches**

Trade unions (Croatian)	TU Federation (English)	No of individual members ³⁶	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
Samostalni sindikat zdravstva i socijalne skrbi Hrvatske (SSZSSH)	Autonomous Trade Union in Health Service and Social Protection Service of		UATUC	PSI and EPSU

³² 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)

³³ For the purpose of determining representativeness, HURS "borrowed" two unions from URSH (see the section on Tripartite social dialogue).

³⁴ 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).

³⁵ As URSH did not participate in counting of members for purpose of determining representativeness, there are no data available.

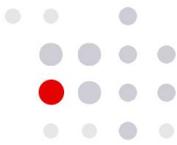
³⁶ No official data on the number of trade union members



	Croatia			
Sindikata umirovljenika Hrvatske (SUH)	Retired Persons' Trade Union of Croatia		UATUC	FERPA
Sindikata tekstila, obuće, kože, gume Hrvatske (TOKG)	Trade Union of Textile, Footwear, Leather, Rubber Industry of Croatia		NHS	IndustrAll-Global Union/ETU
Sindikata 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
Sindikata 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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