

2017

CROATIA

By Darko Seperic

Socio-economic developments

Industrial relations

Forecasts

Annual Review

of Labour Relations and Social Dialogue

State policies

Tripartite social dialogue



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- Positive macroeconomic trends continued, with the average GDP growth above 3 per cent for the first three quarters of 2017. The state budget deficit is expected to be 0.6 per cent of GDP, the lowest since comparable data exists, while the debt-to-GDP ratio continued to decrease. Positive fiscal developments were mostly result of the GDP growth and low international interest rates
- The Council of the EU closed the excessive deficit procedure for Croatia but its Country Specific Recommendations pointed to slow implementation of reforms. For a second year in a row, most of the measures envisaged by the National Reform Programme were not implemented.
- The largest private company in Croatia and the region, Agrokor, was hit by a debt crisis and threatened by a possible bankruptcy. Fearing a systemic impact on the economy, the government introduced an emergency law temporarily freezing the company's debts and appointing crisis management. The Agrokor crisis split the governing coalition but the conservative Croatian Democratic Union managed to form a new tight parliamentary majority and remain in power.
- Industrial relations in the public sector were once again dominated by negotiations over wage increases and interpretation of the 2009 agreement. Agreement was finally reached with both the state civil servants and public services, with wages being gradually increased by 6 per cent during the year. However, branch collective agreements for public services, which expired during late 2017, remain to be renegotiated in 2018.
- In the private sector, especially in the tourism and construction industries, which are experiencing a lack of qualified workers, there was a trend of wage increases through both branch and company-level collective agreements.

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- [Collective bargaining](#), social dialogue, social security, education & vocational training, employment, wages
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Socio-economic developments

According to first estimates by the Croatian Bureau of Statistics (DZS), GDP increased in real terms by 3.3 per cent in the third quarter of 2017 compared to the same quarter of 2016. The largest positive contribution came from an increase in exports of goods and services (5.7 per cent). Domestic demand positively contributed to GDP, final expenditure of households increasing by 3.7 per cent and general government expenditure by 2.3 per cent. Gross fixed capital formation increased by 3.4 per cent. In November, industrial production, working-day adjusted, decreased by 1.7 per cent compared to November 2016. In the period from January to November, as compared to the same period in 2016, total labour productivity in industry increased by 1.4 per cent.

According to preliminary data from the Croatian National Bank (HNB), there was €617 million of foreign direct investments in the first six months of 2017, compared to €1.69 billion for the whole of 2016. According to first estimates by DZS, total export of goods in the first ten months of 2017 was 85.1 billion HRK (€11.5 billion), 13.6 per cent more than in the same period of 2016, while import of goods was 135.4 billion HRK (€18.2 billion), increasing by 11 per cent. The coverage of imports by exports was 62.9 per cent, compared to 61.4 per cent in the same period of 2016. In the first nine months of 2017, the current account balance of payments recorded a surplus of €2.5 billion (€1.9 billion in the same period last year). At the end of September gross external debt amounted to €46.5 billion, compared to €47.6 billion a year before (HNB data). According to government projections, the deficit in 2017 will amount to 0.6 per cent of GDP, the lowest since comparable data exists. For a second year in a row, higher revenues than expected resulted in a lower deficit than was originally targeted. At the end of September, public debt amounted to 291.6 billion HRK (€39.3 billion), 0.8 per cent more than a year before (HNB data). However, due to economic growth, the share of public debt to GDP continued to decrease, declining to 81 per cent in the third quarter of 2017 (84.4 per cent a year before).

State policies

Political events were dominated by the debt crisis of Agrokor Group, the largest company in Croatia and the region, consisting of 61 subsidiaries, mostly in retail and food processing, and employing around 60,000 workers in Croatia and four neighbouring countries. Agrokor, almost completely owned by Ivica Todoric, paid a price for its aggressive expansion financed by expensive loans,

In January, the Restructuring and Sale Center (CERP), a government agency for managing state property of non-strategic importance, announced a plan to initiate the sale of shares in 100 companies. However, although the government decided to continue with its ambitious privatisation agenda, the only large project initiated in 2017 was privatisation of three tourist companies (Hoteli Maestral, Hoteli Makarska and Jadran), expected to be finalised in the first part of 2018. In November 2017 there were 25,556 businesses with blocked accounts (18.2 per cent less than in November 2016), employing 18,678 workers, with total unpaid obligations of 14.4 billion HRK (€1.9 million, a drop of 20.9 per cent). At the same time, there were 322,783 citizens with blocked accounts (-2.3 per cent), or 7.8 per cent of the population, with unpaid obligations of 40.8 billion HRK (€5.5 billion, a decrease of 0.7 per cent).

In November 2017, the inflation rate at an annual level amounted to 1.4 per cent. The average net monthly wage for the period January to October 2017 was 5,966 HRK (€804), which is a nominal increase of 5.4 per cent and a real increase of 4.3 per cent compared to the same period in 2016. The average gross monthly wage for the same period was 8,023 HRK (€1,081), which is nominally a 3.9 per cent increase and in real terms 2.8 per cent. The gross minimum wage for 2017 was set at 3,276 HRK (€441), 5 per cent more than in 2016. In November, the registered unemployment rate was 12.1 per cent (14.4 per cent in November 2016). According to the Labour Force Survey, the unemployment rate in the third quarter of 2017 was 9.0 per cent, the activity rate was 52.2 per cent and the employment rate was 47.5 per cent. According to DZS, the at-risk-of-poverty rate in 2016 was 19.5 per cent (20.0 per cent in 2015), while the Gini-coefficient was 29.8 (30.4 in 2015).

reaching the point where debts surpassed its market value. Fearing that Agrokor's bankruptcy could destabilise the whole economy (its income amounted to 15 per cent of Croatia's GDP), the government intervened. In April, an emergency law¹ was adopted, allowing the government to appoint crisis management with the task to restructure the company. Possible legal actions by the debtors were

¹ Act on Extraordinary Management Procedure in Companies of Systemic Importance for the Republic of Croatia, Official Gazette No. 32/17 (also known as Lex Agrokor).

frozen for 12 months. Agrokor was temporarily stabilised but its crisis split the governing coalition, with the junior partner MOST switching to opposition in late April. The parliamentary crisis was resolved only in June, when both the governing coalition and the cabinet were reshuffled. Seven new ministers were confirmed with a parliamentary majority of only one, consisting of the conservative Croatian Democratic Union (HDZ), the liberal Croatian People's Party (HNS, previous junior partner to the Social-Democrats), and MPs from five minor parties and two independent ones.

In June, the Council of the EU closed the excessive deficit procedure for Croatia, as the general government deficit fell to 0.8 per cent of GDP in 2016 and the gross government debt has been slowly but continuously decreasing since 2015. However, the Country Specific Recommendations, adopted in July, pointed to slow implementation of reforms and restated many recommendations from previous years, such as reinforcing budgetary planning, continuing pension reform, and reforming public administration. Still, most of the measures from the National Reform Programme for 2017 were not implemented, but instead postponed for 2018. In January, the government adopted the Action Plan for Administrative Relief of the Economy, aiming to save €200 million of administrative costs to the economy. The plan was drafted in consultation with the employers (but not the trade unions). Around 85 per cent of the savings were envisaged in the field of occupational health and safety.

In December, amendments to the Minimum Wage Act were adopted, specifying the definition of the minimum wage by excluding additions due to overtime work, night work and work on Sundays and public holidays from the amount of the minimum wage. The minimum wage for 2018 was increased by 5 per cent but compensatory measures for employers were introduced. Contributions for health

insurance, unemployment and health and safety on the minimum wage were reduced by 50 per cent. In effect, the net minimum wage in 2018 will be higher but the cost for the employer will be around 3.5 per cent lower than in 2017.

Active labour market policy measures were redesigned in March, and again in December. The main change in 2018 will be introduction of a subsidised traineeship, based on an employment relationship, unlike the "vocational training without commencing employment", which was the most widely-used measure in previous years. However, recommendations of external evaluation were mostly not taken into account while the "vocational training" measure was retained, although in reduced scope. The quota for foreign (non-EU) workers for 2018 was set at 31,000, three times more than for 2017, with the largest number of licenses for construction, tourism and the metal industry.

Throughout the year the trade unions, especially the ETUC affiliates, SSSH and NHS, actively campaigned for wage increases. The International Labour Day demonstration organised jointly by the three largest confederations was held in Slavonski Brod under the slogan "Croatia needs higher wages – It's time for OUR recovery", and gathered more than 8,000 trade union members and citizens. An increase of the minimum wage, and a change in its definition were welcomed by the trade unions², which however criticised the accompanying compensation measure for the employers, pointing to its negative effect on the already under-funded public health system. SSSH and MHS, together with the Croatian Youth Network, actively campaigned for abolishment of the "vocational training without commencing employment" measure, contributing to the public pressure for reinstating a paid traineeship based on an employment relation.

Industrial Relations

In January, wages in the public sector were increased by 2 per cent, on the basis of an agreement signed with state civil servants' unions at the end of 2016. Although no agreement was reached with public services, the same increase was applied to them as well. The Basic Collective Agreement (CA) for Civil Servants and Employees in Public Services expired in December 2016 but its legal provisions remained in force for a further three months until March 2017. As a new agreement was not negotiated by that time, a temporary Basic CA was signed in March, prolonging the existing one until August. The same principle was applied to the branch agreements for primary and secondary education, social care and cultural institutions, with temporary CAs valid until September, signed during March and April. In April, the government withdrew from the plan to adopt

a uniform law on wages in the public sector, which had been in preparation since 2015. The 2017 National Reform Programme (NRP) instead envisaged separate laws for public administration and public services. A new payroll system for state civil servants was planned to be established by the end of 2017 and subsequently expanded to public services in 2018. The 2017 NRP also refrained from a previous more ambitious plan of harmonising the timeframe of collective negotiations in public sector, as well as the general structure of public sector CAs, but has retained the idea of establishing a central coordination body for collective bargaining in the public sector. However, similarly as in previous years, concrete progress in revising the wage-setting system (which has been repeatedly mentioned in Specific Country Recommendations for Croatia since

²The initiative to change the definition of the minimum wage was initiated by the SSSH already in 2016, and then repeated in 2017.

2014) was limited and the new payroll system was not even presented until the end of 2017.

In August, the government raised wages for both state civil servants and public services by a further 2 per cent (as stipulated by the agreement signed in late 2016 with state civil servants). Parallel negotiations with state civil servants' and public services unions eventually started in October. A new CA for State Civil Servants and Employees was signed in November, and a new Basic CA for Civil Servants and Employees in Public Services in December. Both agreements were signed for a period of four years and the agreed changes in material rights were the same. The basic wage was increased for an additional 2 per cent starting from November, thus in practice implementing a compromise struck with the public servants at the end of 2016 (three 2 per cent increases during 2017). The novelty, previously not present in public sector CAs, was annual renegotiation of the basic wage before adoption of the Economic and Fiscal Policy Guidelines for the next year. The Christmas and holiday allowance are also to be renegotiated every year with the government's obligation to pay them at least on the level from the previous year. Public services' unions were not satisfied with the agreed wage increase as they had entered negotiations demanding a 15.2 per cent increase which would, according to their calculations, restore parity of public and private sector wages from 2008 (as the public sector wages were frozen since then while the private sector wages grew). However, they accepted the agreement due to its provision on renegotiation of the basic wage every year.

In October and November, negotiations for new branch CAs were opened for primary and secondary education, social care and cultural institutions, as well as for science and higher education, which has been without a branch CA since 2013³. By the end of the year, there was no concrete progress in the negotiations although even the extended application of the legal provision of the branch CAs expired in December. The only branch of public services in which negotiations were not formally opened was healthcare, where the branch collective agreement expired in December 2017.

Although no reliable statistic is available, it seems that the second consecutive year of GDP growth has been reflected in the dynamics of collective bargaining, affecting both the number of concluded CAs and agreed wage increases, especially in tourism and the construction industry, two sectors which since the end of the recession have been experiencing shortages of qualified workers. In May, an Annex to the Collective Agreement for Catering was signed, providing for a 1.7 per cent increase in the minimum basic wage for all three categories of jobs. More substantial increases were agreed in new CAs in a number of large companies in the tourism and catering sector, such as in Valamar (3.5 per cent in April), Plava Laguna and Istraturist (3 per cent in April) and Cresanka (10 per cent in October).

In the construction industry, a new CA was signed in Eko-Međimurje in February, stipulating a 2.5 per cent wage increase. In December, new CAs were signed in Našicecement (a 3.7 per cent increase), Holcim (an average increase of 6 per cent) and Monting (a 24 per cent increase). However, in some cases, such as Monting, agreed wage increases did not affect all the workers as in recent years newly-employed workers in scarce professions were already receiving wages above the amounts stipulated by the collective agreements.

New collective agreements were signed in the Viktor Lenac shipyard, in Hrvatski Telekom, Hrvatska Pošta (Croatian Post), Odašiljači i veze (the national provider of radio and television broadcasting services) and the national electricity company Hrvatska elektroprivreda (HEP) while the first CA was signed in Petrol, a subsidiary of the Slovenian national oil company. In spite of the Agrokor crisis, its restructuring management admitted that wages in Konzum, the largest retail chain in Croatia and the most important of Agrokor's companies, were too low and the management agreed to increase wages for half of its lowest paid workers by around 8 per cent starting from August. The CA for Konzum, expiring in August, was at the same time extended until the end of the year.

The number of strikes due to unpaid wages continued to decrease, following the trend from 2016. A one-day strike was held in the Zvečevo chocolates and sweets factory in May, whose business operations were strongly affected by the Agrokor crisis. A rare case of an interest strike in the private sector was recorded in the wood processing company Lipovljani Lignum in June. After the collective negotiations broke down, as the employer was not ready to accept any wage increase, a strike was called. The strike ended one week later with the employer agreeing to sign a new CA, stipulating a substantial wage increase and limiting the use of fixed-term contracts.

The Croatian Association of Workers' Unions (HURS) held its 11th Congress in June. Ozren Matijasevic, President since 2005, was succeeded by Miroslav Hrascanec, President of the branch union of Employees in Insurance. Hrascanec won the election with 88 votes against Dubravko Jagic, President of the Police Trade Union of Croatia, who received 52 votes. The Workers' Trade Union Association of Croatia (URSH) held its 5th Electoral Assembly in April. Damir Jakus, President since 2007, was succeeded by Tomislav Rajkovic, President of the Autonomous Croatian Trade Union of Aviation (SHSZUZ), who was elected unanimously.

The Croatian Employers' Association (HUP) established three new coordinations, for commercial radio stations (in February), large consumers of electrical energy (in March) and pharmaceutical wholesalers (in September).

³In 2013, the Government cancelled all three CAs in the education and science system in an effort to cut down some additions to the wages in education. New CAs for primary and secondary education were concluded in 2014 but not for science and higher education, as the Independent Union of Research and Higher Education Employees of Croatia refused to give up the additions to their wages.

Tripartite social dialogue

After the Plenkovic government took office in October 2016, the Economic and Social Council (GSV) started to meet more regularly compared to the time of the previous government. During 2017, the GSV met ten times compared to only six in 2016. Its thematic expert committees also held substantially more meetings than last year, due to larger number of legislative acts which the government managed to send into parliamentary procedure. Although there was slight improvement in the consultations on the European Semester and the National Reform Programme, with five thematic meetings held during March and April, dialogue was again more formal than substantial.

Altogether, trade unions remained dissatisfied with the quality of the tripartite social dialogue. In November, the Prime Minister met with members of the GSV, finally accepting the initiative of the social partners, which had called for a meeting a year ago (i.e. after Plenkovic took office). Both social partners complained that

many ministries do not respect the Agreement on the Establishment of the Economic and Social Council and its Rules of Procedure, failing to include social partners in the early phase of drafting legislation⁴. Besides joint meeting with the social partners, the Prime Minister met only once with the trade union leaders, on the occasion of a visit to Zagreb of the ETUC General Secretary Luca Visentini in April. Although the Prime Minister gave more attention to the employers, meeting with their delegation or participating at their events four times during 2017, the employers continued to criticize the government for slow progress in implementing reforms and creating a stimulating business environment.

As the representativeness of the social partners for participation in tripartite bodies on the national level is expiring in March 2018, the Commission for Determining Representativeness published in November the public call for trade union and employers' organisations of a higher level to submit the data on their membership by late February 2018.

Forecasts

According to the European Commission's 2017 Autumn Forecast, GDP growth in 2017 will amount to 3.2 per cent, slowing down to 2.8 percent in 2018. The unemployment rate is expected to decrease to 9.2 per cent in 2018 due to employment growth and emigration. The state budget deficit is expected to remain below 1 per cent while the debt-to-GDP ratio should continue to decrease, falling to 77.4 per cent in 2018. However, it remains to be seen how the restructuring of Agrokor, which according to the law needs to be concluded in the first half of 2018, will affect the economy and the fiscal situation.

In its second year in office the government will probably try to implement a more ambitious reform agenda than was the case in 2017. Its legislative plan for 2018 envisages changes in the pension and health systems, but not in the labour legislation, although both the Prime Minister and the Minister of Labour have in recent months announced its reform.

Industrial relations in the public sector will be marked by an attempt to renegotiate all six branch collective agreements in public services, as well as a number of company level agreements in public companies that expired in 2017. The trend of wage increases in the private sector, mostly negotiated through company level agreements, could continue in 2018, especially in sectors experiencing shortages of qualified workers.

⁴In February, laws on unemployment rights and employment promotion were drafted and adopted without consultation with the social partners. Equally problematic was the fact that the employers were included in drafting the Action Plan for Administrative Relief of the Economy in January but the trade unions were not, in spite of the importance of changes in the occupational health and safety legislation for the Action Plan.

Annex - Information About:

• Collective Bargaining System

The collective bargaining system in Croatia is regulated by the Labour Act⁵ and the 2014 Act on Representativeness of Employers' Associations and Trade Unions⁶. 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 level⁷ on which the bargaining takes place it is automatically considered representative. If there is more than one trade union, an employer or an employers' 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 Commission for Determining Representativeness, initiate a procedure

to determine the actual representativeness of the trade unions⁸. 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 trade union(s) 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 a 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 applies⁹.

• 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 bodies¹⁰. 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.

The composition, competences, scope and organisation of the 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 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 the 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.

⁵ Official Gazette No 93/14, 127/17 English version available at <http://www.mrms.hr/wp-content/uploads/2015/03/labour-act.pdf>

⁶ Official Gazette No 93/14, 26/15, English version available at <http://www.mrms.hr/wp-content/uploads/2015/11/Act-on-representativeness.pdf>

⁷ Trade union representativeness can be determined on the level of an individual employer, or on the level of the em-ployers' association (Representativeness Act, Article 12(1)).

⁸ Representativeness Act, Article 7(4)

⁹ Labour Act, Article 9(3)

¹⁰ 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 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 those 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 years and nine months in 2017. 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 November 2017, the average pension paid on the basis of the Law on Pension Insurance was 2,319 HRK¹¹ (€312), which was 39.9 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 benefits from 90 to 450 days (the first 90 days at 70 per cent of the 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 pension¹². Since 2014, the same rights also apply to the self-employed. Unemployment benefits are received by a relatively small number of the unemployed (18.5 per cent in November 2017¹³) due to the high percentage of long-term unemployed and unemployed young 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 the 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 (the 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 2015, compared to 4.8 per cent for the EU-28) but as a share of total government spending it decreased from 10.9 per cent in 2010 to 10.1 per cent in 2015¹⁴. Total spending on scientific research and innovations is among the lowest in the EU (0.84 per cent of GDP in 2016, compared to 2.03 per cent for the EU-28¹⁵).

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 3.0 per cent in 2016, compared to the EU-28 average of 10.8 per cent¹⁶. 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 it has been put on hold after the change of the government in early 2016. The work on reform was again re-initiated in 2017, but concrete results are still awaited.

¹¹ Croatian Pension Insurance Institute data

¹² Act on Employment Mediation and Rights During Unemployment, Official Gazette No 16/17

¹³ Croatian Employment Service monthly bulletin, November 2017

¹⁴ Eurostat, General government expenditure by function

¹⁵ Eurostat, Total intramutual R&D expenditure

¹⁶ Eurostat, Participation rate in education and training, population aged 24-64

- Employment rate (%)

Age (years)	2014	2015	2016	VII-IX 2017
15 +	43.3	44.2	44.6	47.5
15 – 64	54.6	56.0	56.9	61.0

Source: Central Bureau of Statistics, Labour Force Survey

- Unemployment rate (%)

Age (years)	2014	2015	2016	VII-IX 2017
15 +	17.3	16.2	13.1	9.0
15 – 64	17.5	16.4	13.3	9.1
15 – 24	45.5	42.3	31.3	22.8

Source: Central Bureau of Statistics, Labour Force Survey

- Average monthly salaries (HRK/EUR)

2014	2015	2016	I-X 2017
7,953/€1,042	8,055/€1,058	7,752/€1,029	8023/€1,066

Source: Central Bureau of Statistics

- Gender pay gap

Data here refer to 2014 since gender-related statistics are published with a two years' delay¹⁷. There are 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 2015, there were 33.5 per cent of women and 21.5 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 2018 was 88.7

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 (71.8 per cent of men's wages), finance and insurance activity (75.9 per cent), wholesale and retail trade (81.2 per cent) and education (82.2 per cent). In the activities where women are the prominent minority, their wages are higher than men's, such as in construction 111.7 per cent. In the processing industry, the average gross wage of women was 80.1 per cent of that of men.

- Monthly minimum gross wage (HRK/EUR)

1.1.2014 – 31.12.2014	1.1.2015 – 31.12.2015	1.1.2016 – 31.1.2016	1.1.2017 – 31.1.2017
3,014/€395	3,030/€398	3120/€414	3276/€439

Source: Minimum Wage Act (Official Gazette No. 39/13, 130/17),
Publication of the amount for 2014-2017 (Official Gazette No. 153/13, 151/14, 140/15, 115/16)

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

¹⁸ Croatian Bureau of Statistics, Women and Men in Croatia 2017

- Actual weekly working time

According to the DZS data for the period IV-VI 2017 (Statistical Reports, Results of the Labour Force Survey) the average normal weekly hours of work on the worker's main job are 38.5 hours (men 39.3, women 37.5 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).

- Normal/atypical work

Forms of atypical work	2013	2014	2015	2016
Temporary employees	14.5	16.9	20.2	22.2
Part-time employees	5.4	5.3	6.0	5.6

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 open-ended employment contracts on a full-term basis.

- Migration

INTERNATIONAL MIGRATION OF POPULATION

Year	Immigrants	Emigrants	Net migration	Net migration rate
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	-4.3
2016	13,985	36,436	-22,451	n/a

Source: Central Bureau of Statistics Statistical information 2017 and Migration of population 2016

- Human Development Index

	2012	2013	2014	2015
Index	0.805	0.812	0.818	0.827
World-Rank	47	47	47	45

Source: UNDP (Human Development Report, 2016)

- Gini-coefficient

	2012	2013	2014	2015	2016
	31.0	30.9	30.2	30.4	29.8

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

¹⁹ Labour Act (Official Gazette No. 93/14, 127/17), Article 65

²⁰ Ibid., Article 89(1)

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)

• 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)²². 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 cent²³.

• Ongoing important collective bargaining agreements

According to the Ministry of Labour and Pension System, in October 2016 there were 751 effective collective agreements in the country²⁴. However, as pointed in another analysis²⁵, the official registers, kept by 22 different state administration offices, are often out of date and not harmonised. Thus, the actual number of valid CAs could easily be not more than 600²⁶.

In the public sector, central state administration is covered by the CA for State Civil Servants and Employees (Official Gazette No. 112/17) and the public services (health care, education, social welfare, culture etc.) are covered by the Basic CA for Civil Servants and Employees in Public Services (Official Gazette No. 128/17). Employment and working conditions specific for each of the main sectors of public services are regulated through agreements on the branch level, including the 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. 39/17), CA for Employees in Secondary Education Institutions (Official Gazette No. 39/17), CA for Social Welfare Services (Official Gazette No. 32/17) and CA for Employees in Cultural Institutions Financed from the State Budget (Official Gazette No. 46/17). All five agreements expired in late 2017 and have not been renegotiated by the end of the year due to prolonged negotiations for the Basic CA (which is always signed before branch agreements). However, negotiations for all mentioned agreements started before the end of the year, and new agreements will probably be signed in early 2018. A special case is the CA for Science and Higher Education, which has not been renegotiated since the Government cancelled all branch agreements in 2013, but a new round of negotiations in this sector also started in late 2017.

There are a limited number of branch-level agreements in the private sector, including the CA for the Wood and Paper Industry (Official Gazette No. 123/08 and 96/13), CA for the Construction Industry (Official Gazette No. 115/15), CA for Catering (Official Gazette No. 44/15, 121/15, 53/16 and 57/17), CA for Travel Agencies (Official Gazette No. 94/02, 126/10 and 108/11, consolidated text 65/14) and CA for Private Health Care (Official Gazette No. 150/14).

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 are traditionally covered by collective agreements. However, many of them, signed in 2014, expired in 2017 such as in Hrvatske autoceste d.o.o. (Croatian Motorways), Hrvatske autoceste održavanje i naplata cestarine d.o.o. (Croatian Motorways Maintenance and Tolling), Hrvatska lutrija (Croatian Lottery), Hrvatske vode (national water-management company) and Croatian Airlines. Negotiations for new CAs started in most of these companies but have not been concluded by the end of 2017. During 2017, new CAs have been signed in HEP group (national electricity company), Hrvatska pošta (Croatian Post) Odašiljači i veze d.o.o. (Transmitters and Communications) and Plinacro. Companies linked to the Croatian Railways have several CAs: Passenger Transport, Cargo, Infrastructure, and Train Traction. CAs have also been negotiated for Croatian Post, Croatian Forests and other public companies.

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).

²² Characteristics of the system of collective bargaining in Croatia – What do we know, and what do we need to find out, Dragan Bagić, 2014 (in Croatian only, available at www.sssh.hr)

²³ Bagić, 2014

²⁴ Višnja Samardžija, Hrvoje Butković and Ivana Skazić, Industrial Relations in Croatia and Impact of the Digitalisation on the Labour Market, Institute for Development and Industrial Relations, 2017 (available at <http://bit.ly/2EuLSaO>)

²⁵ Bagić, 201

²⁶ Ibid.

• 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 around 26 per cent, with a decreasing trend²⁷. Research from 2010²⁸ 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. However, these data are not comparable to that from the last count of members in 2009, as there were five representative confederations at that 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 Health and Safety Act²⁹ governs the election and work of occupational health and 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 are 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 Croatia³⁰. There is little research on the activities of Works Council representatives. A recent research³¹ estimates that WCs have been established in around 45 per cent of companies that meet the criteria for WCs. The trade union's research

²⁷ Estimation by Dragan Bagić, quoted in Višnja Samardžija, Hrvoje Butković and Ivana Skazlić, 2017

²⁸ Dr.sc. Dragan Bagić: Industrial relations in Croatia, 2010

²⁹ Official Gazette No. 71/14, 118/14 and 154/14

³⁰ Obligation to inform the Ministry of Labour on the election results was introduced in 2016. Most companies with established Works Councils held elections between March and May 2017, but official data are still unavailable.

³¹ 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.

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 cost³²; 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 Councils³³) has come into force in Croatia but 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 ³⁴	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	-	-
Udruga radničkih sindikata Hrvatske (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	IndustriAll-Global Union/ETUC
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	IndustriAll-Global Union/ETUC 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	IndustriAll-Global Union/ETUC
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

³² According to the Labour Act and the Occupational Health and Safety Act, financing the training of WC members and safety representatives is the employer's obligation

³³ Official Gazette No. 93/14

³⁴ 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). New data is expected to be published in first half of 2018.

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

URSH is currently participating in tripartite social dialogue through agreement with the Association of Croatian Trade Unions (MHS) signed in 2016.

³⁶ No official data on the number of trade union members.

Sindikata 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	IndustriAll-Global Union/ETUC
Samostalni sindikat zdravstva i socijalne skrbi Hrvatske (SSZSSH)	Autonomous Trade Union in Health Service and Social Protection Service of Croatia		UATUC	PSI and EPSU
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	IndustriAll-Global Union/ETUC
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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