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**Annual Review  
2011  
on Labour Relations and Social Dialogue in South East Europe:  
Croatia**

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## **1. Summary**

Despite all the warnings by the independent and other experts, in 2011 the Government continued its *Economic Recovery Programme* from the previous year, which however has not yielded the promised results. The GDP growth for 2011, despite the excellent results in tourism, lower than the expected (projection: a little above zero),

growth of insolvency and consequently of non-payment of wages to workers, which threatens to result in a considerable growth of already high unemployment (in case of a wave of bankruptcies of currently insolvent companies), decrease of real wages despite the productivity growth in industry, record-low foreign direct investments in the last seven years, state budget deficit which is expected at the level of the last year, for three years in a row the minimum wage remains the same despite the increase of prices (expected average growth for 2011 is 2.3 per cent) ... all these are indicators which lead a part of the expert public to the conclusion that the year 2011 is for Croatia, in economic terms, a lost year!

With the return of trade unions to the Economic and Social Council/ESC and the signing of a new *Agreement on the Establishment of the ESC*, the work of this tripartite body has been renewed since March. Social partners have realized better access to certain public policies and draft legislative acts for its realization (amendment to the Labour Act, amendments to several acts in the pension system...), and following the trade union initiative, a fight against non-payment of wages has been accepted as a tripartite activity (undergoing).

Further fragmentation of the trade union movement has continued. Half of the conciliation processes carried out due to the announcement of strike was related to non-payment of wages, and the other half due to various interest issues (most often conclusion or amendments to the collective agreement).

The Republic of Croatia concluded its accession negotiations with the EU on 30 June 2011, and it signed the Accession Treaty with 27 EU Member States on 9 December 2011. The Commission will continue to closely monitor Croatia's fulfilment of the commitments undertaken until its accession to the EU - 1 July 2013. On 4 December 2011 parliamentary elections were held in Croatia, with the landslide victory of the *Kukuriku* coalition (coalition of four parties, led by the Social Democratic Party of Croatia/SDP).

## 2. Socio-economic developments

Despite all the warnings by the independent macroeconomists, in 2011 the Government continued its *Economic Recovery Programme* from the previous year, which however has not yielded the promised results. According to the DZS<sup>1</sup> data, GDP growth in the third quarter was only 0.7 per cent as compared to the same period in 2010 (despite the successful tourism), which indicates the economy growth for the whole 2011 will be significantly lower than expected (a little above zero). This is, among others, the consequence of the continuation of a slight drop in the industrial production and the strong drop of the construction industry, especially building. Industrial production dropped by around 0.3 per cent in November as compared to the same month last year, and it has stagnated as compared to October 2011, which is the consequence of the weakness of domestic consumption and foreign demand. In the first 11 months of this year industrial production dropped by 1.4 per cent.

There was the continuation of the growth of labour productivity in industry (in the first 10 months it was 2.8 per cent higher than as compared to the same period last year) but still solely as a result of the drop in the number of employed (in October on an annual level 3.2 per cent less than in 2010). At the same time, the average net wage in industry in the first nine months was really lower by 0.8 per cent as compared to the same period in 2010.

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<sup>1</sup> Central Bureau of Statistics.

Retail is on the increase as compared to 2010, although it is in on the decrease on the monthly level. On an annual level it is expected that the retail will witness nominal growth of 4 per cent, and the real growth of 1-2 per cent as compared to 2010. In the third quarter balance of payments has a surplus of 2.6 billion EUR (increase by 36.9 per cent as compared to the same period in 2010) which, according to the HNB<sup>2</sup> data, is the largest achieved surplus since 1999. The average export-import ratio increased from 59.2 (in 2010) to 59.9 per cent. The biggest growth was present in case of oil derivatives, machines and appliances and metal. The first half-year witnessed the most modest amount of the value of foreign direct investments in the last seven years: there was the total investment of 485.3 million EUR, which is 20 per cent less than in the same period in 2010, and 76 per cent less than in the first half-year of 2008. The consumer price growth in October was 2.6 per cent, which is the biggest level of the annual inflation growth since mid 2009 (yearly on average 1.5 per cent), and the expected average inflation growth for 2011 is around 2.3 per cent.

State budget deficit in the first 11 months was 11.5 billion HRK (around 1.53 billion EUR), and it was planned at the level of 14.8 billion HRK (around 1.97 billion EUR), and is expected to be at the level of the last year. Despite the slight nominal growth of expenditures, in real values the state consumption has been decreased by 0.4 per cent at the annual level. Insolvency is still on the increase – data by FINA<sup>3</sup> show that the debt of legal and physical entities in the Republic of Croatia (68.489 business entities) at the end of October amounted to 40.19 billion HRK (around 5.36 billion EUR), out of which more than 83 per cent relates to the long-term blocked entities. According to the HNB, at the end of August foreign debt of Croatia amounted 46.4 billion EUR, and its annual growth has been slowed down to only 1.1 per cent, while the national currency Kuna to Euro exchange rate during November was standard stable (weakening of Kuna by only 0.2 per cent).

By the end of November there were 302.080 persons (163.193 women) in the HZZ<sup>4</sup> register of the unemployed. In comparison with November 2010, the number of unemployed is lower by 3.3 per cent, and in comparison with October 2011 it is higher by 2.8 per cent. Registered unemployment rate for November 2011 was 17.9 per cent. According to the DZS data for the period VII-IX 2011, activity rate was at 46.0, employment rate at 40.4, unemployment rate 12.2, and unemployment (15-64) 12.6 per cent<sup>5</sup>. In the period January-October, the average net wage was 5.407 HRK (7.744 gross), which if compared to the same period in 2010 is nominally higher by 1.9, and really lower by 0.3 per cent. Gross minimum wage (1 June 2011 – 31 May 2012) is the same as in the last two years and it amounts to 2.814 HRK. At-risk-of-poverty rate is 20.6 per cent (without income in kind, *Eurostat*), and Gini-coefficient is 0.32 (DZS, 2010).

### 3. Governmental policies and legislation

The year 2011 in Croatia was especially marked by the signing of the Accession Treaty of Croatia to the EU (9 December 2011), after the conclusion of the accession negotiations on 30 June 2011, and by parliamentary elections held on 4 December 2011. On 12 October the European Commission adopted the *Croatia 2011 Progress Report* as a part of the enlargement package for 2011. The Commission highlighted a good overall progress, especially in the fields of market competition, judiciary and fundamental rights, and justice, freedom and security. It emphasized positive results of the fight against corruption, including cases of corruption at the highest level. The Commission will continue to closely monitor Croatia's fulfilment of the commitments undertaken until

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<sup>2</sup> Croatian National Bank.

<sup>3</sup> Financial Agency.

<sup>4</sup> Croatian Employment Service.

<sup>5</sup> Labour Force Survey.

its accession to the EU (1 July 2013): finalization of the shipyards' restructuring and privatization process, strengthening of administrative capacities as a condition for the implementation of the EU standards and the improvement of the EU funds absorption. During the process of harmonization with the EU standards, a number of new or improved laws have been enforced: on the access to information, on preventing the conflict of interest, on financing political activities and election campaign publicity, on public procurement etc. The *Fiscal Responsibility Act* (Official gazette *Narodne novine* No. 139/10) has been in force since the beginning of the year and it provides the rules for the limitation of the public spending, strengthens the liability for legal and designated use of budgetary means, and strengthens the supervision. In April the *Act on Special Measure of Collection of Tax Debt Caused by Economic Crisis* (Official gazette *Narodne novine* No. 45/11) was adopted, which was to ensure the debtors the possibility of payment of their previous debt (on 31 December 2010) in 30 months instalments, however since the condition for the awarding of this possibility was the regular payment in 2011, this possibility was used by less than 2.000 debtors. The Croatian Privatisation Fund ceased existing at the beginning of the year, and the National Asset Management Agency (AUDIO), established on the basis of the National Asset Management Act (Official gazette *Narodne novine* No. 145/190), started its work.

During 2011, in cooperation with social partners, *Labour Act* (Official gazette *Narodne novine* No 149/09 and 61/11) was amended due to additional harmonization with the Working Time Directive (night work, redistribution of the working time, calculation of the proportional part of the annual leave, etc.), while amendments to the several acts in the pension system enabled the inclusion of the pension supplement in pensions, as well as the choice of a more favourable solution<sup>6</sup> to those "strayed"<sup>7</sup> in the second pillar. Two acts have been amended in the criminal legislation: *Criminal Code* (Official gazette *Narodne novine* No. 57/11, revised text) and the *Criminal Procedure Code* (Official gazette *Narodne novine* No. 121/11) without having reached a full consensus of social partners on the issue of non-payment of wages as a criminal deed<sup>8</sup>. According to the new wording, whether non-payment of wages will be qualified as a criminal deed will depend on the reason being justified, while the trade unions argued there was no justified non-payment of wages! This issue is linked to the campaign launched by the UATUC<sup>9</sup> at the beginning of last year with the demand for the introduction of systemic solutions that will render it impossible for the employers to not pay the wages and contributions pertaining to workers, including also the establishment of a relevant guarantee fund in the social security system in order to prevent that the consequences of the problems of business operations are borne by worker-individual, as the weakest link. The campaign was accepted by other trade union confederations, and since March, with the continuation of the work of the Economic and Social Council, employers and the Government as well. By the end of the year certain improvements were achieved (better supervision etc.) however systemic solutions have not been adopted.

The implementation of the *National Employment Action Plan* (NPZZ) started at the beginning of the year. It was developed on the tripartite level according to the JAP<sup>10</sup> priorities, and is valid for 2011/2012, however the measures themselves are not sufficient

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<sup>6</sup> Those who are already retired had to chance to within three months return only to the I. pillar, if that was more favourable for them.

<sup>7</sup> In 2002 workers aged between 40 and 50 had a choice: to stay in the I. pillar or to save 5 out of 20 per cent of the pension insurance in the II. pillar (obligatory capitalized savings). Due to aggressive campaign by the pension funds and lack of information by the State, many chose the II. pillar which, due to a short period of saving and low wages, proved to be a bad choice (pensions from two pillars are lower than if they had stayed only in the I. pillar).

<sup>8</sup> Criminal deed of non-payment of wages existed also before in the Code, but it was not sufficiently clear.

<sup>9</sup> The trade union confederations with the most members in the real sector; at the time of the launch of the campaign, its around 10.000 members did not receive their wages.

<sup>10</sup> *Joint Memorandum on the Employment Policy Priorities of the Republic of Croatia.*

since for years now there has been a lack of coordination on the part of the Croatian Government and the implementation of the employment policy as an integrated policy. The so-called Kukuriku coalition<sup>11</sup> won the parliamentary elections. Independent public opinion polls soon after the elections showed the growth of optimism among the citizens. The representatives of the new Government have already met with the employers' organization HUP, whereas they have still not responded to the trade union initiative to hold a meeting. Members of the Economic and Social Council on the part of the Government have still not been nominated.

#### 4. Industrial relations

The report has already for several years highlighted that Croatia does not have official data on the industrial relations system: density of trade union and employers organization, collective bargaining system especially at the county and company level and the level of institutions, exact data on business entities, their size and ownership in the context of collective agreement coverage, workplace representatives, strikes (the Office for Social Partnership of the Republic of Croatia collects the data on conciliation, before strike, but if the strike does arise, there are no data on its duration, number of lost working days, workers who went on strike, how the strike ended, ...). However, the official collection, analysis and publication of data are necessary for objective and independent identification of the situation and implementation of measures for its improvement. Hence, the trade unions will reiterate its request to the new Government to establish the necessary official statistics.

The fragmentation of trade union movement continued in 2011: five branch trade unions (Trade Union of Printing and Publishing Industry of Croatia, Autonomous Trade Union of Workers in Health Service and Social Welfare of Croatia, Trade Union of Workers in the Social Welfare of Croatia, TEHNOS – Vocational Trade Union of Workers Employed in HEP and the Autonomous Trade Union of Workers in HRT) left the Association of Croatian Trade Unions/MHS, with the argument of dissatisfaction with the work of the confederation and especially its president. These five trade unions have not joined any of the other trade union confederations, but there are rumours in public, without official confirmation, that they plan to establish a new, sixth trade union confederation, together with the trade unions which left the UATUC in 2010 (in 2010 Autonomous Trade Union of Workers in Health Service and Social Welfare of Croatia left the UATUC and in 2011 it left the MHS!). So far in their positions towards the Economic and Social Council and some legislative initiatives they occasionally appear as a group of autonomous trade unions. In 2011 two trade union confederations held their highest decision-making bodies: the Independent Trade Unions of Croatia and the Association of Workers' Trade Unions of Croatia. Both trade union confederations re-elected their presidents.

According to the data of the Office for Social Partnership of the Republic of Croatia, to this date 90 conciliation procedures have been started, out of which 39 have been settled successfully, 38 unsuccessfully, for 8 started conciliations requests have been withdrawn and the others are still pending. Exactly half of them – 45 – was linked to legal issues (non-payment of wages), and the other half to the interest issues (mostly to the collective bargaining for CA or CA amendments). The total of 20 cases linked to legal issues have successfully been resolved (payment of wages), and in four cases requests have been withdrawn because the wage was paid immediately after the announcement of conciliation. According to the 2010 agreement between the Croatian Government and the trade unions, in 2011 legislative and other preparations for the beginning of work of the first specialized labour court in Croatia (as of 1 January 2012)

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<sup>11</sup> The Social Democratic Party of Croatia/SDP, Croatian People's Party-Liberal Democrats/HNS, Istrian Democratic Assembly/IDS and Croatian Pensioners' Party/HSU.

were done. The objective of this court is to reduce the number of unsolved labour disputes (according to the trade union data from 2010, there were more than 15.000 labour disputes in all municipal courts in Croatia, half of them in Zagreb). Trade unions demand the establishment of labour courts also in Rijeka, Split and Osijek, as well as the specialized departments for labour disputes in other cities. These trade union demands are the result of a longstanding trade union fight for the establishment of the efficient judiciary, especially when it comes to labour disputes, which last five to six or even more years until the legally valid judgment in regular courts. Trade union legal advisers manage to win positive solutions in around 96 per cent of cases, however due to their long duration, workers are becoming more hesitant to sign the power of attorney for court representation, but they file their complaint, as a rule, only once they are dismissed.

By signing the *Agreement on the Establishment of the Social Council for the Road Transport Sector* in December 2011, HUP – Transport Association on the one hand, and the Trade Union of Transport and Communication of Croatia, the Independent Road Trade Union and the Trade Union of the Croatian Driver on the other hand established the first bipartite social council in Croatia, along the model of similar bodies in EU, recognized as a forum for institutional European social dialogue. To remind, the first two social councils (for textile and footwear and for wood industry and forestry) were established in 2010 as tripartite and not bipartite councils, and the signatories are not sectoral associations but confederations.

New Croatian Parliament adopted a decision on calling a referendum on the accession to the EU on 22 January 2012. In line with the Agreement of five trade union confederations with the former Government (23 November 2010), this referendum should have been called together with the „referendum on referendum”. Namely, after gathering 717.000 signatures in 2010 for calling a referendum on the Labour Act, which had not been called after the decision of the Croatian Constitutional Court, trade unions signed an Agreement with the Government, which stipulated that together with the EU referendum, a “referendum on referendum” would be called, which was supposed to reduce the conditions (the number of necessary signatures) for carrying out a referendum as citizens’ initiative, and which the new Government obviously does not recognize. Because of this, and because of some other unilateral first steps, trade unions have criticized the new Government of leading a monologue and not social dialogue.

## 5. Tripartite social dialogue

In May 2010 trade unions left the Economic and Social Council<sup>12</sup>, to return in March 2011. During the temporary suspension of the work of the ESC, new documents have been developed on the tripartite level (*Agreement on the Establishment of the ESC, Rules on the work of ESC and its working bodies, Decision on the establishment, scope of work and composition of the ESC committees*<sup>13</sup>, and *Decision on the establishment of the Council for the improvement of the tripartite social dialogue in the Republic of Croatia*) which have regulated the conditions for the ESC work in a better manner by removing past most common trade union objections. The best step ahead was done by opening all the joint working groups and committees to all trade union confederations in a way that each trade union confederation which has an interest in an

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<sup>12</sup> Immediate cause: the Croatian Government avoided the ESC and sent the draft amendments to the Labour Act to the Croatian Parliament.

<sup>13</sup> Committee for the wage policy, tax system and living standards; C. for social policy; C. for employment, education and harmonization with the labour market; C. for legislation, collective bargaining and protection of rights; C. for sustainable development, stimulation of economy, energy and climate change.

issue, but also a capacity for participation, can give its representative<sup>14</sup>. Each confederation thus takes over the responsibility for its functioning and its own capacity building. Decision making has been changed – the tendency now is to reach decisions through consensus (so far by (out)voting), and if consensus is not possible, each signatory party to the Agreement is entitled to the dissenting opinion. The number of committees (standing expert working bodies of the ESC) has been reduced from nine to five, and their titles and scopes of work changed. Apart from the discussion on documents which the Government sent to the procedure, now the committees may discuss certain issues on its own initiative. The committees have now become the last level of decision-making on legislative proposals (the aim is to achieve that they had been previously agreed, before reaching the level of the committee), which disburdens the ESC for the benefit of discussions on strategic and other issues. Another novelty is that the Government obliged itself with the Agreement on the establishment of the ESC to inform the members of the Croatian parliament, while presenting legislative drafts, of the fact whether that proposal was discussed by the ESC and what its position was. During the temporary suspension of work of the ESC on the national level, county level ESCs continued with their work.

## 6. Forecasts

At the moment forecasts are a thankless task since the real transposition of power has still not been done. The budget for 2012 is expected to be adopted in February, and the announcements of the first moves of the new government (*trail balloons* are floated on the tax system and privatization) are out of tune with the election promises. However, it is without doubt that the Croatian economy in 2012 will significantly depend of the EU economic recovery. Announced fiscal consolidation of Croatia will result in domestic demand stagnation. The absence of recovery of the real sector might result in the continuation of unfavourable trends at the labour market, unemployment growth and drop in living standards of citizens. Furthermore, it may be expected that the pre-existing problem of insolvency might be solved by a wave of bankruptcies, the consequence of which would be the inflow of new unemployed persons in the Croatian Employment Service. According to the current data, in 2012 Croatia will face real decrease in GDP (around 1 per cent) and new recession. In this regard it is important to keep the Budget under control and to lay good foundations which will enable positive trends in 2013. Conclusion of negotiations and real prospects for EU membership in mid 2013 will definitely contribute to this.

### Annex of data

- **Collective bargaining system**

In Croatia collective bargaining is done on the national, local (preschool education, utility companies ...), and the company level. Records of CAs are kept differently considering the territorial scope of their application: CAs which are applied in the area of two or more counties are recorded with the Ministry of Economy, Labour and Entrepreneurship/MELE, and those applied only in one county with the offices of state administration for work in counties. Company CAs can be recorded with MELE if they are applied in two and more counties (as a rule these are company CAs for public and other companies operating on the territory of whole Croatia: Croatian Railways, Croatian Electrical Company, Croatian Forests...) and the county level (companies which do not have organizational parts outside their county of origin). According to the Labour Act,

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<sup>14</sup> Before: only in the ESC all five trade union confederations were present, in ESC committees per three representatives, and in joint working groups most often one trade union expert represented all trade union confederations!

CAs can be signed on fixed-term basis (up to the maximum of five years) or full-term basis. CA for an activity/branch/sector can be extended to whole activity by a labour minister's decree. Branch and company CAs are not mutually exclusive – company CAs can be concluded also in the companies to which branch CAs apply. If a worker's right is regulated through several legal acts, the most favourable one applies to the worker<sup>15</sup>.

The Republic of Croatia does not have a system of gathering, analysis and publication of overall statistical data in the field of collective bargaining. According to the last available data, on 31 December 2010 there was the total of 153 valid CAs in the MELE register, and until 22 November 2011 48 new concluded CAs have been recorded, out of which four branch. The total data for 2011 will be published only in 2012. There are no official data for the county level – it is estimated that there is between 650 and 700 valid CAs (around 80 per cent of all CAs) at that level.

In the last few years there is a noticeable trend of increase of company CAs, especially in the private sector. The number of branch CAs has been stagnating (around 15), although in some activities the attempts have been made for years to conclude CA for the whole activities (for example metal industry).

- **System of tripartite social dialogue**

The Economic and Social Council/ESC has been established for the protection and promotion of economic and social rights and interests of workers and employers, managing harmonized economic, social and development policy, and promotion of conclusion and application of collective agreements. It has its legislative basis in the Labour Act of 1996, however the continuity of its work starts with the *Agreement on the Establishment of ESC* between the Government and social partners of 2000. Furthermore, the *Annex to the Agreement on the Establishment of ESC* of 2001 enables the establishment of ESC at the county level, and in March 2011 the Government and social partners signed a new *Agreement on the Establishment of the ESC* which should contribute to further development of the tripartite social dialogue.

In 2001 the Office for Social Partnership of the Republic of Croatia (OSP) was established as a logistic support to the ESC. The Office has for 10 years serviced the work of the ESC and its permanent and ad hoc working bodies, on its sessions as well as between the sessions (linking ministries and social partners) and has significantly helped the functioning of the ESC after the institutionalization of tripartite social dialogue in Croatia. The OSP had the complete archives of the ESC, as well as some other documents which, in the absence of official statistics in the field of industrial relations in Croatia, was extremely important. The OSP was not in charge of the county ESCs, but it tried to gather certain data from them (especially in the field of conciliation) and occasionally invited them to coordination working meetings. The OSP also functioned as a Croatian secretariat for the Joint Consultative Committee EU – Croatia/JCC. However, at its constituting session, the 7<sup>th</sup> constitution of the Croatian Parliament adopted, among others, a new *Act on the Organization and Scope of the Ministries and other Central Bodies of the State Administration*, which has not foreseen the OSP. This draft act, drafted without consultation with social partners, causes a lot of doubts and is not a good indicator of the commitment of the new government to social dialogue.

- **Social security systems**

The Constitution of the Republic of Croatia guarantees **health care** to all citizens, based on citizenship - it is financed by contributions on workers' wages (15 per cent), and is calculated and paid by the employer, and from the State budget.

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<sup>15</sup> Labour Act, article 7(3).

**Pension insurance** covers all employees in the Republic of Croatia. From 2002 for workers at that time older than 40 years of age the total pension contribution (20 per cent) from the wage goes to the I. pillar (pay-as-you-go), and for those younger than that age 15 per cent in the I. and five per cent in the II. pillar (obligatory capitalized savings). The contribution is calculated and paid by the employer, however economic crisis, general insolvency and the “culture of non-payment” developed as a consequence of inefficient Tax Administration are the cause of the ever more frequent avoiding of payment of contributions, which however does not decrease the entitlement to health care but will have negative consequences for future pension income of workers (especially those insured in the II. pillar). Additionally, obligatory insurance covers also, based on the *Social Welfare Act*, those persons recognized the status of a parent caregiver, parents in the first year of a child’s life (if not insured under some other basis), agricultural workers (if this is their primary profession), priests and clergymen, top sportsmen and chess players etc as well as some categories of the unemployed (during training or professional rehabilitation ...).

**Active and passive employment measures** are financed by the contributions on workers’ wages (1.7 per cent) and the contribution is calculated and paid by the employer, and from the State budget. A worker is entitled to unemployment benefit after at least nine months of work in the last 24 months, and depending on the duration of work/years of service receives it from 90 to 450 days (first 90 days 70 per cent, and until 450 days 35 per cent of the wage). Worker with more than 32 years of service is entitled to benefit until a new employment or until entitlement to pension. Unemployment benefit is received by a relatively small number of the unemployed (in the last three crisis years on average 25-26 per cent, before that 20-21 per cent). The most affected are young people who worked on fixed-term basis and those registering with the Croatian Employment Service after school hence they have no financial assistance. The lowest unemployment benefit is below the standard set by the ILO Convention No 102.

- **Education and vocational training**

Allocations of the Republic of Croatia for education (4 per cent of GDP) are among the lowest in Europe. Croatia is among the four European countries with the shortest duration of education. In the school year 2010/2011 of the total of around 700.000 students in primary, secondary and higher education, 180.158 were enrolled in secondary schools – 28.97 per cent grammar schools, 49 per cent technical, artistic and kindred and 21.83 per cent industrial and craft schools, and this number has been stagnating in the last three years. Drop-out from secondary schools is relatively low (3.9 per cent). In the school year 2009/2010 around 150.000 students (33.83 per 1.000 inhabitants<sup>16</sup>) enrolled non-university colleges and faculties, and around 30.000 of them graduated.

One of the main causes of high youth unemployment rate, besides the lack of work experience, is the mismatch of the education system and the needs of the labour market which brings into question the enrolment policy (quota system). There are attempts to improve the links between the education and the labour market through the IPA<sup>17</sup> programme projects. Some IPA projects finished by the end of 2011 are the following: *Strengthening of the institutional framework for development of VET occupational standards, qualifications and curricula* (methodology has been developed for the development of qualifications and curricula for new professions, which should facilitate the work of educational sectoral councils established at the ASOO<sup>18</sup>), *Vocational Education and Training (VET) Quality Assurance Development, Implementation of new curricula*, and *Comprehensive strengthening of the capacities of the Agency for Vocational Education and Training*.

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<sup>16</sup> Central Bureau of Statistics according to the estimated number of inhabitants in mid 2009.

<sup>17</sup> Instrument of Pre-Accession Assistance.

<sup>18</sup> Agency for Vocational Education and Training and Adult Education.

Croatia has not got a systematic, statistical monitoring of the adult education and training. According to the available data of the Central Bureau of Statistics (*Results of the Labour Force Survey 1450/2011*) only 2 per cent of the adults at the age from 25 to 64 years participated in education and training in 2010.

**Dynamics of the education structure of the Croatian population at the of 15 and older according to education level in %<sup>19</sup>**

	1961	1971	1981	1991	2001
<b>Total</b>	100.0	100.0	100.0	100.0	100.0
<b>No schooling and up to 3 basic school grades</b>	23.5	17.0	13.5	8.6	7.4
<b>4-7 basic school grades</b>	53.3	43.6	31.9	21.2	11.2
<b>Basic school</b>	8.6	14.8	19.2	23.4	21.8
<b>Secondary school</b>	12.6	20.4	28.3	36.0	47.1
<b>Non-university colleges</b>	0.6	1.4	2.7	4.0	4.1
<b>Higher education</b>	1.2	2.2	3.6	5.3	7.8
<b>Unknown</b>	0.2	0.6	0.7	1.5	0.7

Source: Central Bureau of Statistics, *2001 Census*

- **Employment rate**

Age (years)	2008	2009	2010	IV-VI 2011
<b>15 +</b>	44.4	43.3	41.1	39.3
<b>15 – 64</b>	57.8	56.6	54.0	52.3

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

- **Unemployment rate**

Age (years)	2008	2009	2010	IV-VI 2011
<b>15 +</b>	8.4	9.1	11.8	13.5
<b>15 – 64</b>	8.6	9.3	12.1	13.8

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

- **Average monthly salaries<sup>20</sup>**

2008	2009	2010	VII- IX 2011
7.544/1001€	7.711/1024€	7.679/1019€	7.743/1029€

Source: Central Bureau of Statistics, *First releases*

- **Gender pay gap**

Statistical data on the gender pay gap are published with two years' delay (currently data available from 2009). Then the average monthly gross wage for women amounted to 88.4 per cent of men's (in 2008 88.9). In only two activities (where women are a significant minority in the total number of employed) are women better paid than men: in construction and in mining and extraction, (average wage for women is 103.6 per cent of men's), and in construction (114.6 per cent). The biggest pay gaps are precisely in those activities where women are the majority of the employed, for instance in health care and social welfare (women make up 79.2 per cent of the total employed, and the average monthly gross salary amounted to 73.2 per cent of the salary of men), in the

<sup>19</sup> Data from the last census held in April 2011 are still not available.

<sup>20</sup> Croatian National Bank, middle exchange rate, 31 December 2011 (7.533).

finance and insurance activity (69.9 per cent of the employed are women and their average monthly gross wage is 71.6 per cent of men's salary). Such striking segregation of women at the labour market contributes also to the "segregation" in wages, and feminization of an activity influences the price of work in the activity. We lack more precise data by sectors (e.g. differences between the private and public sector, etc.). 26 per cent of women and 17.7 per cent of men have graduated from non-university colleges and from faculties.

- **Monthly minimum gross wage<sup>21</sup>**

1.7.2008- 31.5.2009	1.6.2009 – 31.5.2010	1.6.2010 – 31.5.2011
2.814/374€	2.814/374€	2.814/374€

Source: *Minimum Wage Act*, Official gazette *Narodne novine* No. 67/2008, No. 58/2011 and No. 60/2011.

- **Actual weekly working time**

According to the data of the Central Bureau of Statistics (*Statistical Reports, Results of the Labour Force Survey 1450/2011*), average normal weekly hours of work on the main job for workers are 40.9 hours (men 41.3, women 40.4 hours). Full-time employed work weekly on an average 41.1 hours, and those employed part-time 21.9 hours. Data relate to the period X–XII 2010. Weekly working time is legally limited to 40 hours. Collective agreements, as a rule, do not stipulate neither shorter nor longer working hours than those determined by law.

- **Normal / atypical work**

Forms of atypical work	X – XII 2008	X - XII 2009	X- XII 2010
Temporary employees	9.8	10.2	11.0
Part-time employees	9.6	8.7	9.9

Source: Central Bureau of Statistics, *Statistical Reports, Results of the Labour Force Survey, 1450/2011*

If, according to the data, we exclude temporary and part-time workers, we will get workers who work on the basis of full-term employment contract, on full time (around 80 per cent of the employed).

- **Migration**

#### INTERNATIONAL MIGRATION OF POPULATION

YEAR	Immigrants	Emigrants	Net migration	Net migration rate
2004	18.383	6.812	11.571	2.6
2005	14.230	6.012	8.218	1.9
2006	14.978	7.692	7.286	1.6
2007	14.622	9.002	5.620	1.3

<sup>21</sup> Croatian National Bank, middle exchange rate, 31 December 2011 (7.533).

<b>2008</b>	14.541	7.488	7.053	1.6
<b>2009</b>	8.468	9.940	- 1.472	- 0.3
<b>2010</b>	4.985	9.860	- 4.875	

Source: Central Bureau of Statistics, *Statistical information 2011; First releases 2011*.

- **HDI**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011<sup>22</sup></b>
<b>Index</b>	0.766	0.765	0.767	0.796
<b>World-Rank</b>			51	45

Source: UNDP Croatia (Human Development Report)

- **Gini-coefficient**

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
0.30	0.29	0.32	-

Source: Central Bureau of Statistics, *First releases, November 2011*

- **Collective agreement coverage** (estimate by the author of the report)

<b>SECTOR</b>	<b>Collective agreements</b>	<b>Estimated number of employed<sup>23</sup></b>	<b>Coverage</b>
<b>PUBLIC SECTOR:</b>		<b>426.420</b> (36.5 per cent of the total employed)	100 per cent
- <b>public administration</b> (national and local level)	- CA for state and local governmental employees (on national and local level)		
- <b>public services</b> (health care, education, social welfare, culture...)	- Basic Collective Agreement for public services (+ per activities)		
- <b>public companies</b> (national and local level)	- each public company has a CA		
<b>PRIVATE SECTOR:</b>		<b>650.920</b> (55.8 per cent of the total employed)	
Activity/branch/sector	Five CAs extended by	<b>338.680</b>	100 per

<sup>22</sup> New component indicators and new methodology

<sup>23</sup> This is the division of the number of employed according to the type of ownership. Apart from this, there are another 111.957 employed in the mixed ownership (9.2 per cent), and in cooperatives 3.243 (0.3 per cent), data: 2009

	the decision of minister in charge of labour		cent
Activity/branch/sector	CAs which relate to the employed with employers-members of the association which concluded the CA		
Companies (company CAs)	Concluded: either together with the branch CA or instead of the branch CA		

- **Ongoing important collective bargaining agreements**

According to the MELE data until 22 November, 48 new CAs have been registered, out of which 4 branch: for security activity (personal security), for institutions of primary education, for health care and health insurance, and for social welfare. 32 amendments to the CAs have been registered. On 31 December 2010 in the MELE register there were 153 collective agreements in force. The overall data for 2011 will be available only in 2012. For the county level there are no official data, however the estimates show that there are between 650 and 700 CAs in force at this level (around 80 per cent of all CAs).

At the moment in Croatia the following branch collective agreements are in force: Basic CA for civil servants (Official gazette No. 115/10), CA for the employed in primary education institutions (Official gazette No. 66/11), CA for the employed in the secondary education institutions (Official gazette No. 7/11), CA for science and high education (Official gazette No. 142/10), CA for the activity of health care and health insurance (126/11), CA for social welfare activity (133/11), CA for state and local governmental employees (93/08), CA for the employed in the institutions of culture whose wages are ensured from the State budget (Official gazette No. 146/11), CA for the activity of health care in private practice (amendments Official gazette No. 127/11), CA for the security activity (Official gazette No. 34/11), CA for wood and paper industry (Official gazette No. 123/08), CA for the construction (revised text 12/08), CA for commerce (Official gazette No. 41/98 and 79/05), CA for catering (Official gazette No. 69/02, 139/04 and 95/10), CA for travel agencies (Official gazette No. 94/02, 126/10 and 108/11).

The last five CAs: for wood and paper industry, for construction, for commerce, for catering and for travel agencies; they have been extended by labour minister's decision, they oblige all employers and are applied to all employees in the activity. Last year another CA was extended – for security activity. With its expiry the extension also expired, and the new one, signed this year, has not yet been extended. The minister takes a decision on the extension on the proposal of a party to the CA, and it extends it (to persons who did not participate in its conclusion and have not joined it afterwards) if the impact assessment shows public interest for its extension and if it is determined that the CA was concluded by trade unions with the largest number of members as well as the employer's association with the largest number of workers, in the area to which the CA is extended.

All public companies have signed collective agreements, for example: CA for *Autoceste Rijeka-Zagreb d.d.* (Motorway Rijeka-Zagreb; Official gazette No. 148/11), CA for the workers in *Hrvatske šume d.o.o.* (Croatian Forests; Official gazette No. br. 130/11), CA for *HEP grupa* (Croatian Electrical Company group; Official gazette No. 11/11), CA for *Hrvatske autoceste d.o.o.* (Croatian Motorways; Official gazette No. 30/09), CA for *Hrvatska lutrija d.o.o.* (Croatian lottery; Official gazette No. 80/04 and 118/06), CA for water management (Official gazette No. 88/03 and 10/11), CA for *Croatia osiguranje*

d.d. (Insurance company; Official gazette No. 133/06), CA for *Hrvatske ceste d.o.o.* (Croatian roads; Official gazette No. 75/07 and 11/10). Croatian railways have several collective agreements: for the Holding, Passenger Transport, Cargo, Infrastructure and Train Traction. CA has also been concluded for the Croatian posts (*Hrvatska pošta d.d.*), Croatia Airlines etc.

In the activities of agriculture, fisheries, food industry, energy, chemical and pharmaceutical industry, information and communication, finance and insurance, as well as in a number of others there are no branch CAs but only company level CAs. At the same time, in the fields which have branch CAs, a number of company CAs have been concluded as well (e.g. in the field of construction industry, beside the branch CA there are 38 company CAs in force).

As has already been mentioned, if a right arising from the employment relationship has been differently stipulated through employment contract, company rules, agreement signed between the works council and the employer, collective agreement or the law, the most favourable right for the worker is applied.

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

There are no official data on the rate of organization of trade unions. The data gathered through the calculation of membership with a view of determining representativity of trade union confederations (the last calculation was carried out in 2009) are not reliable enough to determine trade union density. Namely, the data are not gathered in a way to get at the same time the data on the number of members of trade unions affiliated to those trade union confederations (data are collected only collectively, per each confederation), and data on the trade unions which are not affiliated to any confederation are not collected at all. It is estimated that the general trade union density rate is around 30 per cent, with the trend of continuous decrease.

We also remind of the interesting data from the last year's research<sup>24</sup> which assesses considerable differences in the trade union density rates according to three criteria: difference between the public sector in wider terms (around 68 per cent, although we consider this estimation as exaggerated, *author's note*) and private sector (around 17 per cent), in the private sector between the old but privatized companies (31 per cent) and newly-established private companies (9 per cent), and big companies (around 40 per cent) and small companies (around 3 per cent).

- **Employers' organizations density**

There are no official data. HUP is still the only voluntary association of employers in Croatia which participates in the work of the ESC and other tripartite bodies (criteria of representativity of an employers' association of a higher level were determined by the conclusion of the ESC of 2007, and not by law as is the case for trade unions). Here we would also like to remind of the same research by D. Bagić which says that the level of employers' organization has significant oscillations with regard to activities and the size of company (big employers are more often members of employers' associations than the small ones). The branch structure of HUP does not "follow" the structure of activities or the organization of trade unions but is very often a result of lobbyist 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 trade unions but also to the Government. It is estimated that HUP could gather employers who employ around a half of the workers employed in the private sector.

The Republic of Croatia does not have a confederation i.e. association of employers which affiliates public companies.

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<sup>24</sup> Dr.sc. Dragan Bagić: „Industrial Relations in Croatia“, 2010.

- **Workplace representation**

Croatian legal framework for participation of workers in decision-making (information, consultation and co-determination) has a higher level of rights than is requested by the EU standards. The laws envisage four types of workplace representation. According to the Labour Act: **trade union, works' council**<sup>25</sup> (hereinafter: WC) (condition: 20 or more employees, all workers elect. Initiative is given by (a) trade union(s) and/or at least 10 per cent of the employed) and **one member of a body which supervises work administration** (supervisory or steering committee or similar) in a company or cooperative or in a public institution, as a **workers' representative** (appointed and revoked by WC, and if WC has not been elected, then by direct elections). The Occupational Safety and Health Act<sup>26</sup> defines the election/nomination and the work of **safety reps** (condition: 20 and more employees, all workers elect or nominated by trade union if there is only one in a company/institution). Members of the WC have a three-year mandate. So far six elections for WC have been held, the last ones in March 2011. The primary function of a WC is informing the workers and supervision of the implementation and respect of the Labour Act, collective agreement and other documents adopted for the benefit of workers. WC mostly has an advisory role in relation to employer, and very little co-determination. It is possible to expand the rights of works' councils and OSH representatives through special agreements between the WC and employer as well as through CA. With a view of ensuring quality work of workers' representatives, the assistance and cooperation of trade unions is crucial (trade union experts, education and training for the work in those bodies...).

There are no official statistical data on WC because there is no legal obligation to submit the minutes on the held elections to any institution in Croatia (e.g. to MELE). There is a negligibly small number of academic and/or expert texts on works' councils and they mostly deal with the legislative framework, and not with the practice. Recently carried out research on a limited sample<sup>27</sup> leads to an estimate that WCs have been established in around 45 per cent of companies which employ 20 and more employees. Trade union research was done only by the UATUC, autonomously as early as in 1997, and in 2010/2011 within the framework of an international trade union project INFOR-MIA. The findings are the following: the list of 10 per cent of the employed for the WC is more frequently becoming employers' *Trojan horse*, there is a trend of return from the elected WCs to a shop steward in the function of a WC, trade unions frequently organize training of workers' representatives at their own cost and not at the employer's cost<sup>28</sup>, the employer's obligation to inform the WC on quarterly basis on business plans and employment is most often not respected, etc.

### Trade unions

- **National trade union confederations**

Trade Union Confederations (Croatian)	T.U. Confederation (English)	Number of individual members <sup>29</sup>	ITUC Affiliation	ETUC Affiliation
Savez samostalnih sindikata Hrvatske	Union of Autonomous Trade Unions of Croatia	103.000	+	+

<sup>25</sup> Except in the bodies of state administration.

<sup>26</sup> Official gazette *Narodne novine* No. 86/08 and 75/09.

<sup>27</sup> Dr.sc. Dragan Bagić, 2011, at the sample of 530 companies with 20 and more employed in the sectors of industry, services and construction.

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

<sup>29</sup> Official data are from March 2009, at the time of the last calculation. Data have been partly amended for the UATUC (in 2010 four trade unions left it) and MHS (in 2011 five trade unions left it).

Nezavisni hrvatski sindikati	Independent Trade Unions of Croatia	113.598	+	+
Matica hrvatskih sindikata	Association of Croatian Trade Unions	around 65.000	-	-
Hrvatska udruga sindikata	Croatian Trade Union Association	41.584	-	-
Udruga radničkih sindikata Hrvatske <sup>30</sup>	Workers' Trade Union Association of Croatia	23.739	-	-

o **Trade union federations by branches**

Trade unions (Croatian)	T.U. Federation (English)	No of individual members <sup>31</sup>	Affiliation to national confederations	International affiliations
SINDIKAT METALACA HRVATSKE-INDUSTRIJSKI SINDIKAT / SMH-IS	Metal Workers' Trade Union of Croatia-Industrial Trade Union		UATUC	affiliated to IMF and EMF
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	affiliated to ICEM, EMCF and PSI
SINDIKAT GRADITELJSTVA HRVATSKE/SGH	Trade Union of Construction Industry of Croatia		UATUC	affiliated to IFBWW and BWI
SINDIKAT TRGOVINE HRVATSKE/STH	Commercial Trade Union of Croatia		UATUC	affiliated to UNI and UNI-Europe
SINDIKAT TURIZMA I USLUGA HRVATSKE/STUH	Trade Union of Tourism and Services of Croatia		UATUC	affiliated to IUF and EF-FAT
SAMOSTALNI SINDIKAT RADNIKA U KOMUNALNIM I SRODNIM DJELATNOSTIMA HRVATSKE/SSKH	Autonomous Trade Union of Workers in Public Utilities and Related Services of Croatia		UATUC	affiliated to PSI and EPSU
SINDIKAT UMIROVLJENIKA HRVATSKE/SUH	Retired Persons' Trade Union of Croatia		UATUC	affiliated to FERPA
SINDIKAT TEKSTILA, OBUĆE, KOŽE, GUME HRVATSKE/TOKG	Trade Union of Textile, Footwear, Leather, Rubber Industry of Croatia		NHS	affiliated to IFTC

<sup>30</sup> Although URSH is one of the five Croatian trade union confederations, it is not affiliated neither to ITUC nor to ETUC but to a European trade union federation (Source: URSH web page – affiliated to EUROFE-DOP/European Federation of Public Service Employees).

<sup>31</sup> Croatia hasn't got the *Act on Representativity of Trade Unions* and there are no official and available data on the number of trade union members.

SINDIKAT DRŽAVNIH I LOKALNIH SLUŽBANIKA I NAMJEŠTENIKA RH/SDLSN	TU of State and Local Government Employees of Croatia		NHS	affiliated to PSI and EPSU
HRVATSKI STRUKOVNI SINDIKAT MEDICINSKIH SESTARA - MEDICINSKIH TEHNIČARA	Croatian Trade Union of Nurses and Medical Technicians		MHS	affiliated to PSI and EPSU
NEZAVISNI SINDIKAT ZAPOSLENIH U SREDNJIM ŠKOLAMA HRVATSKE	Independent Trade Union of Workers in Secondary Education of Croatia		MHS	affiliated to EI
NEZAVISNI SINDIKAT ZNANOSTI I VISOKOG OBRAZOVANJA	Independent Union of Research and Higher Education of Croatia		MHS	affiliated to EI
SAMOSTALNI SINDIKAT ZDRAVSTVA I SOCIJALNE SKRBI HRVATSKE/SSZSSH	Autonomous Trade Union of Workers in Health Service, Pension-Disability Insurance and Social Protection Service of Croatia		(in 2010 left the UATUC, in 2011 left MHS, currently not affiliated to any TU confederation)	affiliated to 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 the Water Industry of Croatia		(in 2010 left the UATUC, currently not affiliated to any TU confederation)	affiliated to IUF and EF-FAT

#### Employers' organizations

Employers' Organization (Croatian)	Employer's Confederation (English)	Number of Affiliates (branches)	BusinessEurope Affiliation	IOE Affiliation
Hrvatska udruga poslodavaca	Croatian Employers' Association	25	+	+