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Annual Review of
Labour Relations and Social Dialogue in South East Europe:
Croatia
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1. Summary

In 2013 Croatia became the 28th member of the European Union, concluding the accession process which lasted more than a decade. However, the year was marked by the continuing recession, continuing a period of five consecutive years without GDP growth resulting in a cumulative GDP decrease of around 12 percent since 2009.

Unemployment continued to grow throughout 2013, without any signs of economic recovery in sight. Although the Government planned to restrict budget expenditure, primarily through pay cuts in the public sector, deficit significantly increased in the second part of the year, as the budget was based on too optimistic macroeconomic forecasts, while some unexpected expenses arose, such as paying out debts accumulated in the health care system. With any concrete economic policy still missing, reforms focused on efficiency in tax collection and reforms of labour and social legislation, albeit without being based on proper analysis and evidence, or even clear aims (except the ever-present mantra of 'flexibilisation'), and without consensus with the social partners and wider public.

Industrial relations continued to deteriorate, both in the public and private sector. After linear cuts in public sector wages by 3 percent in February, public sector unions threatened a general strike at the beginning of the tourist season. Autumn saw the longest strike in healthcare since independence (lasting for 58 days), and strikes and cancellation of collective agreements (CA) were recorded in several public companies too. In the private sector there are less and less new or re-negotiated collective agreements. The sectoral CA for commerce, covering around 180,000 workers was cancelled. Tripartite social dialogue deteriorated as well, with both trade unions and employers being dissatisfied with its quality and results. The speed of legislative process often did not allow proper discussion or even analysing of new laws. In December, trade unions left the Economic and Social Council, as they found the new draft of the Labour Act, a newly proposed law on occasional work ("mini-jobs") and rising the retirement age to 67, unacceptable.

2. Socio-economic developments

According to first estimates by the Croatian Bureau of Statistics (DZS), GDP decreased in real terms by 0.6% in the third quarter of 2013 compared to the same period last year, which for the first 3 quarters of 2013 gives a cumulative GDP decrease of 0.9%. The largest contribution to the GDP drop came from decrease in exports of goods (-3.9%) and the Government's final consumption expenditure (-0.9%), while all the other components grew, including household expenditure (+0.2%). In October, industrial production was 3.4% lower than in October 2012. Labour productivity in industry in the same period increased by 3.5%.

According to preliminary data of the Croatian National Bank (HNB), in the first 9 months of 2013 there was 530.5 million EUR of foreign direct investments (-13.8% than in the same period in 2012). According to DSZ, total export of goods in the first 11 months of 2013 was 62 billion HRK (8.13 billion EUR), 7.5% less than in the same period last year, while the import was 110.7 billion HRK (14.5 billion EUR); a decrease of 2.4%. The coverage of imports by exports was 56.1% (compared to 59.1% in the same period last year). In 2012, Croatia for the first time since 1999 recorded a balance of payments current account surplus, amounting to 35.4 million EUR, or 0.08% of GDP. In first 9 months of 2013, the balance of payment recorded a surplus of 1.13 billion EUR, which is 75% more than in the same period in 2012, mostly due to decreased deficit on the income account (dividends, interest rates etc.) and increased income from tourism. At the end of September gross external debt amounted to 45.1 billion EUR (HNB data). According to the Government's projections, the state budget deficit in 2013 will amount to 16.3 billion HRK (2.14 billion EUR), or 4.8% of GDP. Public debt is expected to reach 190.4 billion HRK (24.96 billion EUR), or 56.6% of GDP by the end of 2013.

During 2013, the Government decided to privatise a number of important companies, including Hrvatska postanska banka (HPB, the only commercial bank in public ownership), Croatia osiguranje (CO, the largest insurance company in Croatia), HZ

Cargo (part of Croatian Railways), as well as a 49% share in the national air carrier Croatia Airlines (CA). However, no offers came for CA, and the only offer for HBP was unacceptably low. In October, the Government published the tender for concession on operating 1024 km long network of motorways for a period of up to 50 years, expecting to raise at least 2.9 billion EUR, to be used for reduction of public debt. In October there were 58,985 companies with blocked accounts (-17.6% than a year before), employing 45,355 workers, with total unpaid obligations of 34.2 billion HRK (4.5 billion EUR, +22.3%). The number of blocked citizens reached 290,447 (+20%), with unpaid obligations of 22.6 billion HRK (2.96 billion EUR, +38.6%)¹.

While consumer price inflation in January reached 5.2%, its highest level since 2008, it gradually slowed down to only 0.3% in December (compared to December 2012). Such low inflation was mostly the result of decreasing prices of housing, water and energy. The average net wage for the period January to October was 5,499 HRK (721 EUR), which is nominally 0.8% more, and in real terms 1.8% less than in the same period of 2012. The average gross wage for the same period was 7,925 HRK (1,039 EUR), which is nominally +0.9%, and in real terms -1.6%. The gross minimum wage for the second half of 2013 was raised by 6%, to 2,985 HRK (391 EUR)². In November, the registered unemployment rate stood at 21.1% (20.4% in October 2012). According to the labour force survey, the unemployment rate for third quarter of 2013 was 16.5%, the activity rate was 44.5% and the employment rate was 37.1%. According to DZS, the at-risk-of-poverty rate in 2012 was 20.5 percent, comparing to 21.1 percent in 2011. However, this was not the result of actual improvement in the living standard of low-income households, but of decrease of real gross wages. At-risk-of-poverty or social exclusion rate was 32.3 percent in 2012, while the Gini coefficient remained at 0.31 percent.

3. Governmental Policies and legislation

On July the 1st Croatia acceded to the EU, becoming its 28th member state. In November, the European Commission (EC) published its opinion on the existence of excessive deficit, and proposed to the Council to initiate the excessive deficit procedure on Croatia.

On the 1st of January the Fiscalisation Act³ came into force, obliging most legal or natural persons who receive cash payments to connect their fiscal devices with the Tax Administration (PU), which can now register all invoices before they are even printed. From January the 1st, the higher reduced VAT rate of 10%, applying to few basic foodstuffs, was extended to tourism, to make it more competitive. In November this rate was increased to 13%, due to the high budget deficit, showing that earlier tax reductions (including lowering healthcare contributions to 2% in 2012) were based on too optimistic forecasts.

Social welfare reform continued, with focus on establishing a single register of recipients of all cash benefits. A New Act on Social Welfare, adopted in December, introduced workfare, by limiting benefits for those able to work to 2 years, and obliging them to public benefit work. The New Pension Insurance Act adopted in December will raise the retirement age to 67 (transition period 2031-2038), and allow pensioners to re-enter employment and continue receiving pensions.

¹ Financial Agency (FINA) data

² Decree on the Minimum Wage, Official Gazette No 51/2013

³ Cash Transaction Fiscalisation Act (Official Gazette, No 133/2012)

The first phase of amending the Labour Act ended in June⁴ and concerned issues on which social partners were able to reach consensus, such as minor changes in fixed-term contracts, daily breaks, overtime and collective dismissals. More extensive reform, intended to flexibilise the labour market, was planned in the second phase. Although consensus was not reached, with social partners (albeit for opposite reasons) not being satisfied with the final draft, it was put on the Government's agenda in December, only to be withdrawn few days later, on the pretext of the need for further consultations with the EC. The Ministry of Labour and Pension System (MRMS) also drafted a law on occasional work ("mini-jobs"), but due to the dissatisfaction of social partners (again, for opposite reasons) this law was also withdrawn.

A new Act on Minimum Wage was adopted in March⁵. Automatic formula based on the GDP growth was abandoned, and the minimum wage will now be set by the Government (on the proposal of the Minister of Labour and after consultation with the social partners). There are four variables which should be taken into account⁶, and the minimum wage can not be lower than in previous year. The budget for active employment policy measures was increased by 42% compared to 2012, with number of beneficiaries increasing by 15%. In July, 11 new measures targeting unemployed youth were introduced, and more comprehensive Youth Guarantee implementation plan is currently in preparation.

Both trade unions and employers remained dissatisfied with the economic and social reforms. On International Labour Day five trade union confederations organised a demonstration in Zagreb with around 25,000 participants, entitled "Change the course", demanding new economic policy based on job creation and preservation of the welfare state. Cooperation between trade unions and NGOs intensified, starting with 29 NGOs supporting the demonstration, and followed by a number of joint initiatives later in 2013. In October, trade unions left the working group drafting the Labour Act due to proposals regarding flexibilisation of the working time, removal of provisions on severance pay from the Labour Act and the introduction of termination of employment based on financial reasons. Demonstration (500 participants) was held in front of the MRMS. After MRMS accepted their demands, trade unions returned to the working group, only to leave again in November, after MRMS again changed its position regarding flexibilisation of working time and a number of other provisions. In December, a demonstration with around 1,500 participants was held in front of the Government.

4. Industrial relations

Disputes between the Government and public sector unions over wages and other material rights, which started in 2012 (see last year's report), continued and intensified during 2013. While in 2012 different additional benefits were temporarily suspended or lowered, in February 2013 all public sector gross wages were lowered by 3%. This was implemented through a linear decrease of coefficients for all jobs in public administration and public services (which were not set by collective agreements). Besides joining demonstrations against Government policies on Labour Day, public sector unions also announced possible general strike in June (at the time when school year is ending and tourist season beginning). A referendum held among members during May showed a readiness to go on strike of between 60 and 80 percent in different unions, and the strike was announced for 5th June. Only a day before, after three rounds of conciliation procedures, agreement was reached and the strike was called off. While the trade unions eventually accepted a 3% decrease, agreement on wages in the public sector, signed by 12 public sector unions and valid for 5 years,

⁴ Act on Amendments to the Labour Act, Official Gazette No 73/2013

⁵ Official Gazette, No 39/2013

⁶ At-risk-of-poverty threshold, average household size, share of active population and consumer price index

obliged the Government to open negotiations on increasing coefficients when GDP increases for three consecutive quarters and the budget deficit falls below 3%. The Government has also obliged itself to refrain from any additional lowering of wages during 2013. Subsequently, a new collective agreement (CA) for civil servants and employees was signed in August, with the only change to bring jubilee awards and local transport remuneration in line with the aforementioned agreement on wages in the public sector.

In June, the County Court in Zagreb upheld a previous ruling of the Municipality Court which annulled the CA for the health sector. The CA, signed by the former Minister of Health just before the 2011 elections, significantly increased additional payments for overtime and on-call time, which came into full application only in 2013. After negotiations during the summer did not bring agreement on a new CA, two out of three representative trade unions went on strike in September⁷. While primary and urgent health care were exempt from the strike, it was gradually intensified in all other areas of the health care system. In November, after 58 days of strike, two unions agreed on the new CA. The Croatian Doctor's Trade Union (HLS) refused to sign the CA, and the Government responded by invoking working obligations for doctors. HLS called its members to return to work, but claimed working obligation was illegal (as it can be invoked only in times of war or other extraordinary circumstances) and announced a legal suit. In December, the Constitutional Court annulled the Government's decision on working obligations as illegal and stated that the Government violated the right to strike. HLS subsequently announced it was considering continuation of the strike.

In December, four representative public sector unions agreed with the Government on the second annex to the Basic Collective Agreement, thus giving up Christmas bonuses for 2013 and the vacation bonus for 2014.

After negotiations on new CAs for the education sector failed, in December the Government decided to initiate a procedure of cancelling CAs for primary education institutions, secondary education institutions and science and higher education institutions. The reason was intention to cut wages in education, as all three CAs contain provisions on additions to the basic wage. These CAs were introduced in 2006 to compensate for wages in education lagging behind wages in the rest of the public sector. Only few days earlier, the Ministry of Education also announced that due to the tight fiscal situation remuneration for local transport and overtime work to be paid in December will be postponed until January 2014. Trade unions responded by announcing legal action for non-payment of wages, as well as a strike in second part of January because of cancellation of the CAs.

The aforementioned disputes in the public sector highlighted some of the problems with the 2012 Representativeness Act⁸, which trade unions warned of at the time of its adoption (as the CA can become valid if signed by any of the unions representative for the level or area to which CA applies, no matter how much workers it represents). In April, only nine months after the law was adopted, the Minister of Labour acknowledged it was imperfect and convened a tripartite working group to draft its amendment. However, the trade unions left the working group and the work was not finished before the end of the year.

In the private sector, in April the HUP-Association of Commerce cancelled the CA for the commerce sector which was in force since 1997 (amended in 2005) and which

⁷ Croatian Doctors' Trade Union and Croatian Trade Union of Nurses and Medical Technicians. Autonomous Trade Union in Health Service and Social Protection Service of Croatia did not join the strike.

⁸ Act on Criteria for Participation in Tripartite Bodies and Representativeness for Collective Bargaining (Official Gazette No 82/12, 88/12); see last year's report.

application was extended to all employers and around 180,000 workers in the sector. Both sides expressed an intention to negotiate a new CA, but no agreement was reached by the end of the year.

The CA for the Construction industry was amended twice. In June, a new tariff system was introduced, cancelling automatic indexation of all wage levels to the legal minimum wage. As the minimum wage was increased by 6 percent in April, employers insisted that the rising of all wages in the sector would be unsustainable. Thus, the new basic wage for the sector was set at a fixed amount. The CA also utilised options provided by the Minimum Wage Act, setting the minimum wage for the sector at the level of 95 percent of the legal minimum wage. Secondary amendments in October stipulated that each side can propose correction of the agreed wages in case of inflation higher than 5 percent. In June, CA for the Wood and Paper industry was also amended, in order to align its provisions with the new legal minimum wage, also allowing for the possibility of company level CAs to set the minimum wage 5 percent lower.

The CA for Humanitarian Demining expired at the end of 2012. As six months of negotiations did not bring any result, around 300 pyrotechnicians from 27 companies went on strike in June. The 13 days-long strike ended after intervention by the Government, which has direct influence on the wages as all the companies are its subcontractors. The new CA is identical to the old one, except for slight improvement in the wage levels.

In May, pilots and cabin crew of Croatia Airlines went on strike, after negotiations on new CA failed. The Government, which owns 98 percent of the company, insisted on cutting both salary and employment levels. The strike ended after eight days, with trade unions accepting most of the management demands. In another publicly owned company, Croatian Forests, the CA was cancelled in August, on the pretext that high level of material rights was preventing the process of restructuring.

The private sector saw the continuation of trends from previous years, with declining numbers of new or renegotiated collective agreements and an increased number of strikes due to non-payment of wages. Strikes due to non-payment of wages were most frequent in the construction, metal and textile industries.

In January, HUS cancelled the merger agreement with SSSH signed in April 2012, and soon afterwards announced a merger with URSH. On its congress in June, HUS changed its name to the Croatian Workers Trade Union Association (HURS) and announced completion of merger with URSH by the end of the year. This however did not happen. In March, three public sector unions with around 23,700 members joined the SSSH⁹. Two new branch employers' organisations were established and affiliated to the Croatian Employers' Association (HUP) – the Energy Association and the Transport Association.

5. Tripartite social dialogue

According to the 2012 Representativeness Act, representative status of social partners expired six months after it came into force. As determination of new representative status, initiated at the end of 2012, has not been finalised, the Economic and Social Council (GSV) concluded its work in January. In February, three trade union confederations (SSSH, NHS, and URSH) and HUP concluded a temporary Agreement

⁹ Autonomous Trade Union in Health Service and Social Protection Service of Croatia, Trade Union of Employees in Social Care of Croatia and Trade Union of Healthcare of Croatia

on cooperation with the Government¹⁰ in order to prevent vacuum in the social dialogue. In March, new representative status was determined. Based on the counting of members in December 2012, four trade union confederations remained representative: NHS (116,837 members), SSSH (99,682 members), MHS (61,411 members) and HUS (54,009 members). Comparing to the last count in 2009, NHS increased its membership by 3,239, SSSH lost 65,050 and MHS 18,900 members. Both SSSH and MHS have faced few branch unions leaving each confederation since 2009, while SSSH (which predominantly organises workers in the private sector) was more affected by job losses compared to other confederations¹¹. Nominally, the HUS increased its membership for 12,425, but this was result of "borrowing" two trade unions¹² from URSH for determining representativeness. URSH itself did not apply for representative status¹³. The HUP remained the only representative employers' organisation at national level.

The new GSV was established in July¹⁴, and started to meet more frequently than the old one, but both trade unions and employers remained unsatisfied with the quality of tripartite social dialogue. As the Government was constantly changing its legislative plans, the Work Programme of GSV lost its purpose. Some laws which clearly fell under the competences of the GSV bypassed it completely, or were put on the agenda only after being sent to Parliament. As MRMS started to work on amendments or new versions of almost all important laws in its jurisdiction¹⁵ the speed of the legislative process left little time for substantial discussion or even analyzing of draft laws by the social partners. In November, trade unions withdrew from the working group drafting the Labour Law and from the GSV (see section on Public Policies).

6. Forecasts

According to European Commission's 2013 Autumn Forecast, Croatian GDP in 2013 will decrease by 0.7%. For 2014, the EC is forecasting GDP growth of 0.5%. The unemployment rate in 2014 is expected to stagnate, with slight decrease only in 2015. In January 2014, the Council will decide on the Commission's proposal to initiate the excessive deficit procedure. According to the EC proposal, Croatia would be given three years to bring the deficit below the 3% threshold (until end of 2016). The EC is recommending a thorough budget expenditure review, including rationalisation of public sector wages, social welfare expenditure and state aid, as well as a further strengthening of fiscal discipline. Moreover, the EC is calling for structural reforms, especially in order to address "labour market rigidities" and improve the quality of public administration. The State budget for 2014, adopted in December, will have to be revised, as the planned deficit is higher than that suggested by the EC, while the GDP growth forecast on which the budget is based is too optimistic (1.3%). Until April 2014, Croatia will have to propose a set of concrete measures for fiscal consolidation.

Thus, the pressure for structural reforms, including that of the labour market, will continue, the only question being if the reforms will be substantial, or only nominal. Introduction of new taxes, including property tax, is expected, and even another increase of the VAT rate, already among the highest in Europe (25%), is possible. Privatisation of state owned companies will continue, and outsourcing in health care and education is announced. The New Labour Act will again be on the agenda at the

¹⁰ Agreement on Cooperation between Government of Republic of Croatia and Higher Level Trade Union and Employers' Associations, 19 February 2013

¹¹ However, as three unions joined SSSH at beginning of 2013, its membership now stands at around 123,000 – see section on Industrial relations.

¹² Police Union of Croatia and Croatian Doctors' Trade Union

¹³ See the previous section for announced HUS-URSH merger.

¹⁴ Agreement on Establishing the Economic and Social Council (Official Gazette No 89/13)

¹⁵ Labour Act, Health and Safety Act, four laws regulating the pension system, Act on Job Placement and Unemployment Insurance, etc.

start of 2014. Present negative trends in industrial relations (slowing down of collective bargaining and cancellation of existing CAs) and tripartite social dialogue are likely to continue in 2014.

Annex of data

• Collective bargaining system

The collective bargaining system in Croatia is regulated by the Labour Act and the 2012 Representativeness Act¹⁶, which partly changed some of the Labour Act provisions on collective bargaining. Collective bargaining takes place at national (cross-sectoral and sectoral), local and company level, and depending on the territorial scope of their application, collective agreements (CA) are recorded either with the MRMS (cross-sectoral, sectoral and CAs for companies that operate in the area of two or more counties (these are mostly the public companies), or with county level state administration offices (CAs applicable on the level of one county only).

If there is more than one trade union in the area, or on a level on which the bargaining should occur, an employer/employers' association may negotiate with the bargaining committee established through the written agreement of all the trade unions. In that case all the trade unions signatories of the agreement are considered representative and it is not necessary to determine their representativeness. However, if trade unions fail to agree, each trade union or employer/employers' association may, before the Committee for Determining Representativeness, initiate the procedure of determining the representativeness of trade unions¹⁷. In order to be recognised as representative through this procedure, a trade union needs to have at least 20 percent of all trade union members in the company or area for which the bargaining takes place. Occupational trade unions¹⁸ need to have 40 percent of the total number of workers of the same profession employed with the employer, or in the area. If there is only one trade union, it is automatically considered representative. The CA becomes valid if it is signed by any of the trade unions considered representative, regardless of how many workers or trade union members it represents.

Collective agreements can be signed on a fixed-term basis (up to five years) or on full-term basis. The Minister in charge of labour may extend the sectoral/branch CA to include a greater part of that industry. Sectoral/branch and company CAs are not mutually exclusive – company CAs can also be concluded in the companies to which branch CAs apply. However, there is a growing trend of concluding more and more company CAs, and a reluctance to conclude sectoral/branch CAs. If a worker's rights are regulated differently by labour contract, company by-laws, agreement between the works council and the employer, collective agreement or law, the most favourable one to the worker applies¹⁹.

• System of tripartite social dialogue

The legal framework for the 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 bodies²⁰. In order to be representative on the

¹⁶ Act on Criteria for Participation in Tripartite Bodies and Representativeness for Collective Bargaining (Official Gazette No 82/12 and 88/12)

¹⁷ *Representativeness Act*, Article 8(1)

¹⁸ Trade unions in which at least 75 percent of members are of the same profession or occupation

¹⁹ *Labour Act*, Article 7(3)

²⁰ Beside the Economic and Social Council, this includes all other bodies where tripartite social dialogue takes place or participation of social partners' representatives is foreseen, tripartite delegation of the Government of Republic of Croatia at the International Labour Conference and social partners' representatives in other international bodies and organisations.

national level, a trade union association needs to have at least 50,000 members, at least five branch trade unions, local offices in at least four counties and at least five workers employed on the basis of labour contracts. Employers' associations need to affiliate at least 3,000 employers with at least 100,000 workers, and fulfil the same requirements regarding branch associations, local offices and staff as trade unions. As a rule, representativeness is determined for the period of three years.

Composition, competences, scope and organisation of work of the Economic and Social Council are defined by the Agreement on the Establishment of the Economic and Social Council and its Rules of Procedure. The current agreement was concluded in July 2013 between the Government, the Croatian Employers' Federation (HUP) and four representative trade union confederations. In its work the GSV is assisted by its five thematic expert committees. Logistical support is provided by the Ministry of Labour's Independent Service for Social Partnership, which also serves as the focal point for communication between other ministries and social partners. Based on the Government's legislative programme and interest for specific laws and strategic documents expressed by the social partners, each year the annual work programme of GSV and its working bodies is compiled. However, the purpose of this document is limited, as the Government is often changing its legislative plans during the year, and occasionally laws are sent to Parliament bypassing the GSV (although they are included in its work programme).

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

- **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 (13 percent), the state budget and the budget of the local administrative units. For certain categories of citizens and permanent residents, including the unemployed, pensioners, pupils and students, health care contribution is financed from the state budget.

Pension insurance covers all employees and a part of the unemployed whose pension insurance (special regulations) is paid from the budget for the period of up to one year. The pension system is mixed – obligatory insurance in the public pay-as-you-go system (the 1st pillar, 15 percent), obligatory individual capitalized savings in private funds (2nd pillar, 5 percent), and voluntary in the 3rd pillar. Self-employed, including craftsmen, independent artists and persons working in agriculture are also covered by pension insurance. There is a problem of workers in insolvent companies whose employers are not paying their contributions, which will in particular affect pensions from the 2nd pillar, which depend solely on actual payments. A similar situation also exists with those workers declared on the minimum wage whose part of the wage is paid in cash. In December 2013, the average pension was 2,486 HRK²¹ (326 EUR), which is 45 percent of the average wage, but the majority of pensioners receive pensions lower than average.

Employment promotion measures and **unemployment benefits** are financed by the contributions of wages at 1.7% and the State budget, and are paid by the Croatian Employment Service (HZZ). 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 can receive it from 90 to 450 days (the first 90 days at 70 percent, and until 450 days 35 percent of the wage, but not more than 70/35 percent of

²¹ Croatian Pension Insurance Institute data

the average wage). A worker with more than 32 years of service and less than 5 years to retirement 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 (19 percent in December 2013²²), due to the high percentage of long-term unemployed and unemployed young persons without work experience.

- **Education and vocational training**

According to the results of the 2011 Census, 16.4 percent of the Croatian population older than 15 has completed tertiary education, 52.6 percent secondary education and 30.8 percent only elementary education. Improving the overall quality of education programmes, harmonising the education system with labour market needs and increasing the share of population participating in life-long learning remain the main challenges in the field of education. The Croatian education system operates in accordance with the EU standards (Copenhagen and Bologna processes are in application). Nevertheless, obligatory education is still among the shortest in the EU, although the legislation changes in 2012 made the last year of the pre-school education obligatory, which in the opinion of the MZOS²³ extended obligatory education in Croatia from eight to nine years (primary school still lasts eight years). However, the share of GDP allocated for education and science in Croatia is decreasing – in 2012 for education at around 3.5% (2013: 3.21%, 2014: 3.05%, 2015: 2.95%), and for science and research 0.75%. Although more and more young people graduate from universities, Croatia is still at the rear in EU when it comes to the share of the highly educated among the employed. On the other hand, in October 2013 there were 23,710 highly educated (6.6%) people among the unemployed²⁴.

The adult education and training is the most neglected and underdeveloped element of the education system (in 2012 about 2.4% of the adults were involved in some form of education). Croatia still lacks a consistent framework for the development of the life-long learning system and clearly defined financial framework, including incentives. The New Strategy for Education, Science and Technology was drafted in 2013, and is currently waiting to be adopted.

- **Employment rate**

Age (years)	2010	2011	2012	IV – VI 2013
15 +	41.1	39.5	38.1	37.1
15 – 64	54.0	52.4	50.7	49.8

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

- **Unemployment rate**

Age (years)	2010	2011	2012	IV - VI 2013
15 +	11.8	13.5	15.8	16.5
15 – 64	12.1	13.9	16.3	17.0

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

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

2010	2011	2012	I – IX 2013
7,679/1,019 €	7,796/1,035 €	7,875/1,048 €	7,925/1,039 €

Source: Central Bureau of Statistics, *First releases*

²² Croatian Employment Service data

²³ Ministry of Science, Education and Sports (Cro. *Ministarstvo znanosti, obrazovanja i sporta*)

²⁴ Croatian Employment Service monthly bulletin, November 2013

- **Gender pay gap**

Data here refers to 2011 since gender related statistics are published with two years' delay.²⁵ There is not even more precise labour market statistics segregated by gender, or sectors (differences between the public and the private sector), etc. The striking segregation of women in the labour market continues, especially towards lower paid jobs. Among the employed in 2011, there were 26% of women and 18.3% of men with a college or university degree, and 19.2% of women and 14.8% of men with primary school education or less. The average gross wage of women in 2011 was 90% of that of men. The biggest pay gaps are precisely in those activities where women are the majority of those employed: in the finance and insurance activity (73.2% of men's wage), health care and social welfare (74.6%), education (82.1). In the activities where women are prominent minority, their wages are higher than men's: in construction 118.4% and in mining and extraction 106.6%. In the processing industry, the average gross wage of women was 78.1% of that of men.

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

1.6.2010 – 31.5.2011	1.6.2011 – 31.5.2012	1.6.2012 – 31.5.2013	1.6.2013 – 31.12.2013
2,814/374 €	2,814/374 €	2,814/372 €	2,985/391 €

Source: *Minimum Wage Act* (Official Gazette No. 67/08), Publication of the amount for 2012/2013 (Official Gazette No. 60/12, 51/13)

- **Actual weekly working time**

According to the DZS data for the period VII-IX 2013 (*Statistical Reports, Results of the Labour Force Survey*) the average normal weekly hours of work on the main job for workers are 39.1 hours (men 39.9, women 38.2 hours). Weekly working time is legally limited to 40 hours (plus 8 hours of overtime work a week, and 180 a year²⁶). Collective agreements, as a rule, do not stipulate neither shorter nor longer working hours than those determined by law, but workers of 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 rest²⁷; a right the employer is obliged to ensure).

- **Normal/atypical work**

Forms of atypical work	X- XII 2010	X- XII 2011	X- XII 2012
Temporary employees	11.0	11.0	10.7
Part-time employees	9.9	10.3	8.0

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

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

- **Migration**

INTERNATIONAL MIGRATION OF POPULATION

Year	Immigrants	Emigrants	Net migration	Net migration rate
2006	14.978	7.692	7.286	1.6
2007	14.622	9.002	5.620	1.3

²⁵ Croatian Bureau of Statistics, *Women and Men in Croatia 2013*

²⁶ *Labour Act* (Official Gazette No. 149/09, 61/11, 82/12, 73/13), Article 45

²⁷ *Ibid.*, Article 3(5)

2008	14.541	7.488	7.053	1.6
2009	8.468	9.940	- 1.472	- 0.3
2010	4.985	9.860	- 4.875	- 1.1
2011²⁸	8.534	12.699	- 4.165	-1.0

Source: Central Bureau of Statistics *Statistical information 2013*

- **HDI**

	2009	2010	2011	2012²⁹
Index	0.793	0.794	0.796	0.805
World-Rank	45	51	46	47

Source: UNDP (Human Development Report, 2013)

- **Gini-coefficient**

2008	2009	2010	2011	2012
0.30	0.29	0.32	0.31	0.31

Source: Central Bureau of Statistics, *First releases*

- **Collective agreement coverage**

In the public administration and public services (education, health care, etc.) collective agreement coverage is 100 percent, due to the Basic Collective Agreement for Public Service Employees. As most of the state owned companies also have a collective agreement, coverage in the wider public sector is estimated to more than 70 percent. In the private sector, until recently estimations of coverage were at around 40 percent³⁰. However, taking into account considerable loss of jobs in recent years in sectors covered by sectoral/branch CAs with extended application (such as construction industry), and cancellation of the CA for the Commerce sector in 2013, the coverage in private sector has now dropped below that level (estimate by the author of the report).

- **Ongoing important collective bargaining agreements**

There is no official data available, but it is estimated that there are between 800 and 850 collective agreements in force in Croatia (around 80 percent of them applicable to the area of one county only).

At the moment in Croatia the following branch collective agreements are **in force**: Basic CA for Civil Servants and Employees (Official Gazette No. 141/12), CA for the activity of Health Care and Health Insurance (143/13), CA for Social Welfare activity (133/11), CA for State Civil Servants and Employees (Official Gazette 104/13), CA for those 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 Wood and Paper Industry (Official Gazette No. 123/08, 55/09, 96/13), CA for the Construction Industry (consolidated text Official Gazette No.142/13), 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), and CA for Humanitarian Demining (Official Gazette No 91/13).

The last five CAs: for the Wood and Paper Industry, for Construction, for Catering, for Travel Agencies and for Humanitarian Demining, have been extended by labour

²⁸ In order to harmonize international migration statistics with the international standards and EU legislation data for 2011 have been processed according to a new methodology.

²⁹ New component indicators and new methodology

³⁰ Minimum Wage Systems and Changing Industrial Relations – National Report Croatia, Danijel Nestić and Ivana Rašić Bakarić, 2010

minister's decision; they oblige all employers and are applied to all workers in the activity. The minister takes a decision on the extension of the CA on the proposal of a party to the CA, and can extend its application (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 employers' association with the largest number of workers, in the area to which the CA is extended. Impact assessment is carried out by the Economic and Social Council.

CA for those employed in Primary Education Institutions (Official Gazette No. 66/11), CA for the employed in the Secondary Education Institutions (Official Gazette No. 7/11) and CA for science and higher education (Official Gazette No. 142/10) have been cancelled by Government's decision of the 27th December 2013.

Most of the public companies have signed collective agreements, for example: ACI d.d., Janaf d.d., Odašiljači i veze d.o.o. (Official Gazette No. 13/13), CA for *Autocesta Rijeka-Zagreb d.d.* (Motorway Rijeka-Zagreb; Official Gazette No. 148/11), CA for Hrvatske autoceste d.o.o. (Croatian Motorways; Official Gazette No. 7/13), CA for *Hrvatska lutrija d.o.o.* (Croatian Lottery; Official Gazette No. 97/13), CA for Water Management (Official Gazette No. 88/03, 118/06 and 10/11), CA for HEP group (national electricity company, Official Gazette No. 60/13). Companies linked to the Croatian Railways have several CAs: Passenger transport, Cargo, Infrastructure, Train Traction, and CAs have also been put in place for the Croatian Post, Croatia Airlines, etc.

In the activities of the 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 which have branch CAs, a number of company CAs have also been concluded (e.g. in the field of the construction industry, beside the extended branch CA there are more than 30 company CAs in force).

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

In Croatia official data on the rate of organization of trade unions is not being collected nor published. The data gathered at the end of 2012 to determine representativeness of trade union confederations is not reliable enough to determine the total rate of organization of trade unions. Specifically, the data was 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 was not collected at all. It is estimated that the general trade union density rate is around 30%, with decreasing trend. The 2010 research³¹ assesses considerable differences in trade union density rates according to three criteria: a) difference between the public sector in wider terms (around 68%) and private sector (around 17%), b) in the private sector between the old but privatized companies (31%) and newly-established private companies (9%), and c) big companies (around 40%) and small companies (around 3%).

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

³¹ Dr.sc. Dragan Bagić: *Industrial relations in Croatia*, 2010

- **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 the tripartite social dialogue. The same above mentioned research states that the level of employers' organization has significant oscillations with regard to activities and the size of company (large employers are more often members of employers' associations than the small ones). The branch associations of HUP do not "follow" the structure of activities or the organization of trade unions but are very often in place as a result of 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 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 employees, except in the State administration bodies) and 3) one workers' representative in the body which supervises work administration (supervisory or governing body and similar). The *Occupational Safety and Health Act*³² determines the election/appointment and work of safety reps (condition 20 and more employed). 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 10% of the employed. The workers' representative in the Supervisory committee is appointed by the WC, and if the latter has not been elected, he/she is elected at direct elections. Safety reps are elected by all workers or are appointed by the trade union if there is only one trade union operating in a company/institution. Members of the WC have a three-year mandate (since 1996 six elections have been held). 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. WC's mostly have an advisory role in relation to the employer, while the area of co-determination is very narrow. It is possible to expand the rights of works' councils and safety reps through special agreements between the WC and employer as well as through the CA.

There is no official statistical data on WCs because there is no legal obligation to submit the minutes on the elections to any institution in Croatia. There is little research on the work of workers' representatives. A recent research³³ estimates that the WCs have been established in around 45% of companies that meet the criteria for WCs. The trade union's research was carried out only by the SSSH: independently in 1997, in 2010/2011 and in 2011/2012 within the framework of the international trade union project INFORMIA and INFORMIA 2. The findings are as follows: behind the election list of workers for the WC (at least 10 per cent of the employed) is more often than not the employer, elections for the WC are becoming less frequent and there is a trend among trade unions of returning to appoint a shop-steward in the function of a WC, trade unions frequently organize trainings at their own cost and not at the employer's cost³⁴, the employer's obligation to inform the WC on a quarterly basis on business plans and employment is most often not respected, etc.

³² Official Gazette No. 86/08, 75/09 and 143/12

³³ Dr.sc. Dragan Bagić, 2011, at the sample of 530 companies with 20 and more employed in the sectors of industry, services and construction

³⁴ 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.

Since July the 1st 2013, the European Works Council Directive (implemented through the Labour Act) has come into force in Croatia, but there is no available data on EWC members from Croatia.

- **Trade unions**

- **National trade union confederations**

TU Confederation (Croatian)	TU Confederation (English)	Number of individual members ³⁵	ITUC Affiliation	ETUC Affiliation
Savez samostalnih sindikata Hrvatske (SSSH)	Union of Autonomous Trade Unions of Croatia	123,465	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 ³⁶	-	-
Udruga radničkih sindikata Hrvatske ³⁷ (URSH)	Workers' Trade Union Association of Croatia	N/A ³⁸	-	-

- **Trade union federations by branches**

Trade unions (Croatian)	TU Federation (English)	No of individual members ³⁹	Affiliation to national confederations	International affiliations
Sindikata metalaca Hrvatske - Industrijski sindikat (SMH-IS)	Metal Workers' Trade Union of Croatia – Industrial Union		UATUC	IndustrAll-Global Union/ETU
Samostalni sindikat radnika u djelatnostima energetike, kemije i nemetala Hrvatske (EKN)	Autonomous Trade Union of Workers in Power Industry, Chemistry and Non-Metal Industry of Croatia		UATUC	IndustrAll-Global Union/ETU and EPSU/PSI
Sindikata graditeljstva Hrvatske (SGH)	Trade Union of Construction Industry of Croatia		UATUC	BWI/EFBWW
Sindikata trgovine Hrvatske (STH)	Commercial Trade Union of Croatia		UATUC	UNI- Global and UNI-Europe
Sindikata turizma i usluga Hrvatske (STUH)	Trade Union of Tourism and Services of Croatia		UATUC	IndustrAll-Global Union/ETU
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	IndustrAll-Global Union/ETU

³⁵ Official data are from March 2013, at the time of the last determination of representativeness. Data have been partly amended for the SSSH (three trade unions, with 23,783 members joined SSSH after counting was finished)

³⁶ For the purpose of determining representativeness, HURS "borrowed" two unions from URSH (see section on Tripartite social dialogue).

³⁷ 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 EUROFEDOP/European Federation of Public Service Employees).

³⁸ As URSH did not participate in counting of members for purpose of determining representativeness, there is no data available.

³⁹ No official data on the number of trade union members

Sindikata umirovljenika Hrvatske (SUH)	Retired Persons' Trade Union of Croatia		UATUC	FERPA
Sindikata tekstila, obuće, kože, gume Hrvatske (TOKG)	Trade Union of Textile, Footwear, Leather, Rubber Industry of Croatia		NHS	IndustrAll-Global Union/ETU
Sindikata državnih i lokalnih službenika i namještenika RH (SDLSN)	TU 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	affiliated to ETUCE/EI
Nezavisni sindikat znanosti i visokog obrazovanja	Independent Union of Research and Higher Education of Croatia		MHS	ETUCE/EI

• **Employers' organizations**

Employer's Confederation (Croatian)	Employer's Confederation (English)	Number of Affiliates (branches)	BusinessEurope Affiliation	IOE Affiliation
Hrvatska udruga poslodavaca (HUP)	Croatian Employers' Association	29	Yes	Yes