

2018

CROATIA

By Darko Seperic

Socio-economic developments

Industrial relations

Forecasts

Annual Review

of Labour Relations and Social Dialogue

State policies

Tripartite social dialogue



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- The Croatian economy continued to grow, although the GDP growth, expected to be 2.8 per cent in 2018, remains the lowest among the new EU member states. The public budget situation continued to improve while the debt-to-GDP ratio, at 76.1 per cent at the end of third quarter, reached its lowest level since 2012.
- Labour market trends from the previous two years intensified, with the unemployment rate decreasing to 7.5 per cent in the second quarter of 2018, a record low in 18 years since comparable data has existed. However, this was to a smaller extent the result of job creation and to a larger one of emigration to the older EU member states.
- Pension reform, adopted in December, will accelerate increasing the normal retirement age to 67 (to be achieved by 2033) and increase penalisation for early retirement. A new round of tax reform, set to enter into force in 2019, will create a de-facto flat rate of income tax, with the higher of two tax rates applied to only 0.2 percent of incomes.
- Industrial relations, both in the private and public sector, continued to be dominated by a trend of wage increases. Public sector unions negotiated a 5 per cent increase for 2019, which will follow the wage growth in the private sector but not restore the ground lost for public sector wages during the crisis years.
- The private sector recorded a wave of wage increases caused by the shortage of labour, which is affecting a growing number of sectors. Most notable wage increases were again recorded in the construction industry and tourism, with the new branch collective agreements in both sectors providing for 31 per cent and 10 per cent wage increases, respectively.

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Socio-economic developments

According to first estimates by the Croatian Bureau of Statistics (DZS), GDP increased in real terms by 2.8 per cent in the third quarter of 2018, compared to the same quarter of 2017, with the largest positive contribution in the third quarter coming from an increase in exports of goods and services. The Croatian growth rate remains the lowest among all new member states. Thus, in 2017, Croatian GDP per capita, measured in purchasing power parity, was at 61 percent of the EU average, the same level as it was in 2007, while almost all of the new member states have recorded substantial increases in this indicator over the previous decade. In October, industrial production, working-day adjusted, decreased by 2.4 per cent compared to October 2017. In the period from January to October, as compared to the same period in 2017, total labour productivity in industry increased by 0.8 per cent.

According to preliminary data from the Croatian National Bank (HNB), there was €867.8 million of foreign direct investments in the first six months of 2018, compared to €617 billion for the whole of 2017. According to first estimates by DZS, total export of goods in the first nine months of 2018 was 79 billion HRK (€10.7 billion), 4.4 per cent more than in the same period of 2017, while import of goods was 130.3 billion HRK (€17.6 billion), increasing by 8.1 per cent. The coverage of imports by exports was 60.6 per cent, compared to 61.9 per cent in the same period of 2017. In the first six months of 2018, the current account balance of payments recorded a deficit of €1.8 billion (€1.4 billion in the same period last year). At the end of August gross external debt amounted to €38.6 billion, compared to €39.6 billion a year before (HNB data). According to government projections, the budget deficit in 2018 will amount to 0.5 per cent of GDP. The budget would have even been in the surplus, if there had not been the crisis in Uljanik shipyard, which is expected to trigger at least €350 million of state guarantees for the ships for which production was cancelled due to illiquidity and a strike. At the end of August, public debt amounted to 282.1 billion HRK (€38.2 billion), 0.5 per cent more than

a year before (HNB data). Due to economic growth, the share of public debt continued to decrease, reaching 76.1 percent at the end the third quarter of 2018 (81.0 per cent a year before), which is the lowest level since 2012.

The government's privatisation plans, similarly to 2017, were not fulfilled as planned, with income from privatisation in the first six months reaching only 9 percent of the annual plan. In October 2018, there were 20,121 businesses with blocked accounts (23.3 per cent less than a year before), with total unpaid obligations of 10 billion HRK (€1.35 billion, a decrease of 32 per cent). At the same time, there were 272,402 citizens with blocked accounts (-15.2 per cent), with unpaid obligations of 18.5 billion HRK (€2.5 billion, a decrease of 56.5 per cent). This substantial decrease was mostly the result of the Law on Write-off of Physical Persons' Debts, entering into force in July and writing-off all debts owed to the state or state-owned companies up to 10,000 HRK (€1,352).

In October 2018, the inflation rate at an annual level amounted to 1.6 per cent. The average net monthly wage for the period January to September 2018 was 6,232 HRK (€843), which is a nominal increase of 4.6 per cent and a real increase of 3 per cent compared to the same period in 2017. The average gross monthly wage for the same period was 8,438 HRK (€1,141), which is nominally a 5.3 per cent increase and in real terms 3.8 per cent. The gross minimum wage for 2018 was set at 3,439.80 HRK (€465), 5 per cent more than in 2017.

In October, the registered unemployment rate was 9.1 per cent (11.6 per cent in October 2017). According to the Labour Force Survey, the unemployment rate in the second quarter of 2018 was 7.5 per cent, the activity rate was 51.2 per cent and the employment rate was 47.3 per cent. According to DZS, the at-risk-of-poverty rate in 2017 was 20.0 per cent (19.5 percent in 2016), while the Gini-coefficient was 29.9 (29.8 in 2016).

State policies

In spite of a tight parliamentary majority, the centre-right governing coalition remained stable. In its Country Report, published in March, the European Commission (EC) criticised Croatia for slow implementation of structural reforms, as well as for not addressing the Specific Country Recommendations. The National Reform Programme (NRP) for 2018, adopted in April, mostly restated measures planned in previous years,

but again many of them were not implemented by the end of 2018. However, the government continued to slowly but systematically erode labour and social rights.

Gradual tax reform, initiated in 2016, continued. With earlier changes already substantially reducing progressiveness of the income tax, a further increase of the higher tax bracket from

€2,360 to €4,047 of the taxable income, set to enter into force in 2019, will create a de facto flat-rate income tax, as only about 0.2 per cent of the wages will fall under the higher of two income tax rates. From 2019, contributions for occupational injuries (0.5 per cent) and for unemployment (1.7 per cent) will be abolished. In theory, this will not affect the unemployment benefit, which will be financed from general taxation, but removing the base in contribution will allow arbitrary decisions on its scope and level.

The new Healthcare Act, in preparation for more than a year amid fierce discussions between various stakeholders, was finally adopted in October. While its effect will probably fall short of substantially improving the functioning and sustainability of the healthcare system, it presented a further step in privatisation of the primary healthcare, as well as in blurring the boundaries between private and public healthcare. Changes in the Pension Insurance Act, adopted in December, will accelerate increasing the retirement age to 67 (to be achieved by 2033, instead of 2038) and increase penalisation of early retirements (which will not anymore depend both on age and years of contribution, but only on age). Admitting that the vast majority of workers insured in both pension pillars will have lower retirement income as a result of introduction of the second pillar, the government has decided to allow all future pensioners to opt for return of their individual savings from the second pillar to the first one at the moment of retirement and to receive a full pension from the first pillar¹.

A new Minimum Wage Act, adopted in December, will phase-out reduction of social security contributions on the minimum

wage introduced last year (50 per cent reduction will decrease to 25 per cent in 2020 and disappear in 2021). The minimum wage for 2019 was increased by 9 per cent, the largest annual increase since its introduction in 2008. The quota for foreign (non-EU) workers, already increased threefold from 2017 to 2018, was further enlarged twice during the year, reaching 38,769. However, only around 77 per cent of the quota was actually used.

The trade unions opposed most of the government's agenda, including reducing the progressiveness of the income tax, abolishment of the contribution for unemployment and the new Healthcare Act. Central International Labour Day demonstration, organised jointly by SSSH and MHS in Zagreb, demanded reforms which would result in improvement of labour and social rights and not their deterioration. SSSH continued to campaign for wage increases but has also expanded its campaign to the broader issue of job quality. The strongest dispute was over the pension reform, as all confederations rejected its main elements. In September, trade unions broke off talks with the Ministry of Labour and Pension System due to the minister's refusal to even discuss their positions on the retirement age and penalisation of early retirements. On 20 October the confederations organised a joint demonstration in Zagreb, which gathered between 7,000 and 10,000 people, with the main demand of returning the retirement age to 65. Subsequently, the trade unions announced a campaign for initiating a popular referendum on the retirement age, set to start in early spring 2019.

Industrial Relations

The basic Collective Agreement for State Civil Servants and Employees in Public Services, signed in December 2017, envisaged annual negotiations on the basic wage before adoption of the Economic and Fiscal policy guidelines for the next year. In April, the public services' unions called on the government to open negotiations, announcing they would otherwise consider a strike. According to their calculations, an increase of 18.9 per cent would be needed to return public sector wages to the same relation with the private sector from 2008. However, the government adopted the Economic and Fiscal Policy Guidelines for 2019-2020 in August without any negotiations with the trade unions.

With negotiations finally opened, in October the government gave its offer, proposing a two per cent increase in 2019 for both state servants and public services. As the unions refused, the offer was increased to 3 per cent. The trade unions refused this as well, stating that the private sector wages will grow around 5.8 per cent only in 2018, and that any lower increase

of public sector wages would only increase their lagging behind. The public services' unions announced the strike for 28 November, set to continue as a one-day strike in each of the following weeks. They also initiated a public campaign aiming to connect improvement in the working conditions in public services with the quality of services delivered to citizens. The conciliation procedure eventually resulted in an agreement on a 5 per cent increase, in two steps (3 per cent in January and a further 2 per cent in September). Only the unions representing teachers in primary and secondary education opposed the proposal, with one of them holding a one day strike.

As all branch CAs in public services expired in 2017 and the new ones were not signed by the end of the year, negotiations on this level continued in 2018. In February, secondary school teachers considered a strike, due to the delay in negotiations, for which they blamed the government. For the same reason, primary school teachers organised demonstrations in front of the Ministry of Science and Education during three consecutive

¹ Insurance in the second pillar, which consists of individual capitalised savings in pension funds operated by the private banks, was introduced in 2002, and was obligatory for workers younger than 40 years at the time (i.e. those born in 1962 and later). For more details see the Statistical Annex.

weeks of March. New CAs for both branches were eventually signed in May. In science and tertiary education, the only branch that has been without a CA since 2013, negotiations opened in late 2017 and continued for a full year. By November, the new branch CA was almost agreed and signing was expected soon. New branch CAs were also signed for healthcare (in March), cultural institutions funded from the state budget (in April) and for social care (in June). All CAs were signed for a period of four years, except for the one in healthcare, which was signed for a period of one year.

The trend of wage increases in the private sector, visible already in 2017, continued and even intensified, with the shortage of qualified workers affecting an increasing number of sectors. In February, an Annex to the Collective Agreement for Construction Industry was signed, increasing the lowest basic wage for each of 10 categories of jobs by 31 per cent.² In April, a new CA for Catering was signed as well, increasing the basic wage for all categories of jobs by 10 per cent. In June, by the decision of the Minister of Labour the application of both CAs was extended to all employers and workers in the respective sectors. Both sectors also recorded a number of new company-level CAs, regularly resulting in significant wage increases as well. New CAs were also signed in a number of large private companies in other sectors, often with significant increases in wages or other material rights, such as in the food-processing multinational Podravka, the detergent and personal hygiene producer Saponia and others. New CAs were signed in a number of state-owned companies, including Hrvatska radiotelevizija (Croatian Radiotelevision), Hrvatske šume (Croatian Forests), Hrvatske autoceste (Croatian Motorways), Hrvatske ceste (Croatian Roads), Hrvatske vode (Croatian Waters).

While their number still remained limited, it seems there was slight increase in the number of interest strikes (i.e. strikes due to a dispute in collective negotiations). Workers in Leistriz turbinske komponente, a manufacturer of air and spacecraft machinery and part of the German multinational, went on 10-day strike in September. While the employer claimed the strike to be illegal, trying to get a judicial ban and exerting pressure on the workers, in the end the company agreed to the strike demands, signing the new CA which increased wages and other rights. In Dalekovod Production, workers went on strike in March, due to management's plan to cut the level of wages and other rights during negotiations on the new CA. After nine days of strike, the management agreed to extend the existing CA and retain the same level of wages and material rights.

The longest and most prominent industrial dispute of the year took place at the shipyards Uljanik in Pula and 3. maj in Rijeka, both part of the Uljanik Group, employing around 4,500 workers.³ In January 2018, Uljanik Group was unable to pay wages and the strike was considered. The wages were

eventually paid and the strike was called off. The workers in both shipyards, however, went on strike in August, as the wages for July were not paid on time. The strike lasted for 11 days and included a number of demonstrations in Pula and Rijeka, as well as in Zagreb, where around a thousand workers, who travelled to the capital, were joined by trade union members from other sectors and citizens. The strike received wide media coverage due to the long tradition of the shipbuilding industry, the importance of both shipyards for their local communities and strong unionisation of the sector. In early September, intervention of the government (in line with the EU competition rules) allowed payment of wages and the workers went back to work. However, the solution was only a temporary one and in late October they again went on strike, as once again wages were not paid on time. In mid-November, with the company's accounts blocked, minimum wages were paid through the Agency for Insurance of Workers Claims, which provides up to three minimum wages in cases of insolvency or bankruptcy of an employer. Workers in Uljanik decided to temporarily suspend the strike and return to work in order to prevent cancellation of a few remaining ship orders, but workers in 3. maj remained on strike. Only two weeks later, Uljanik resumed its strike, as now there was another unpaid wage (for October). New management, appointed in November, continued the search for a strategic partner ready to participate in a restructuring plan, which would yet need to be approved by the EC, but with no progress made until mid-December the chances of bankruptcy were larger than ever. By that time, some 1,250 workers had already left the company, seeking employment elsewhere.

Another important industrial dispute took place in national flag carrier, Croatia Airlines. With the company's collective agreement expired a year and half ago, and as collective negotiations brought no result, a strike was announced for July. The unions demanded wage increases, as well as improvement in working conditions and in planning of work. Negotiations eventually broke down due to management's refusal to discuss signing a CA valid for more than a year. After intervention of the Prime Minister, the strike was temporarily put on hold, only to be called again in August. The management went to court, asking for the strike to be proclaimed illegal. The County Court in Zagreb proclaimed the strike illegal due to the fact that the trade unions "did not negotiate in good faith". The decision was heavily criticised by the concerned unions and other trade unions, which claimed such an interpretation would open the door for serious restriction of the right to strike, allowing the employers to invoke the breach of negotiating in good faith principle on any occasion. The strike was called off, but the trade unions pursued a legal remedy. The Supreme Court subsequently restated that the strike would be illegal, but overruled the County Court's justification. According to the Supreme Court, the principle of negotiating in good faith was not breached but that there was a procedural problem. As the

² In practice, the effect on real wages was not so drastic, as many employers in the sector, through company level CAs or otherwise, had already substantially raised wages since 2015, when they were the last time set by the branch CA.

³ Uljanik Group bought 3. maj in 2013, when all remaining state-owned shipyards were privatised. While at the time Uljanik was the only large shipyard with positive business results, it started to experience problems already in 2016.

trade unions put the strike on hold, without simultaneously announcing a new date, the Supreme Court held they should have went through a new conciliation procedure before calling the strike again. The trade unions were critical of this verdict as well, claiming it also limits the right to strike, and announced initiating procedures before the Croatian Constitutional Court and the European Court of Justice.

In July, MHS and HURS signed the agreement on initiating the process of merger, planned to be finalised in a year. The agreement was signed two weeks after HURS lost its

representative status on the national level. In November, SSSH held its Eighth Congress, which re-elected Mladen Novosel for a third consecutive term as president and adopted the programme for the period 2018-2022. Entitled "For Work Fit for People", the SSSH programme focuses on increasing the quality of jobs but also on continuation of reform and strengthening of the trade union movement. Earlier in the year most of largest unions affiliated to SSSH held their congresses, including the metalworkers, construction workers, commerce, communal workers and the energy, chemistry and non-metal industry. In November, the Police Union of Croatia joined SSSH.

Tripartite social dialogue

The level of tripartite social dialogue deteriorated, especially during the second part of the year. The Economic and Social Council (GSV) held five sessions, all of them in the first half of the year. In early spring, the usual five thematic meetings on main reform areas were held during the process of preparation of the National Reform Programme. Similarly to previous years, they were more of a formal than a substantial exercise.

In June, new representativeness of trade union and employers' associations for participation in tripartite bodies on the national level was finally established (the previous one had expired in March). The number of representative trade union confederations decreased from four to three, with NHS, SSSH and MHS remaining representative. HUP remained the only representative employers' association.

In late June, the GSV met in its old composition for the last time, with the social partners deciding to start talks on the

new Agreement on the Establishment of the Economic and Social Council. However, in September the trade unions left the talks with the Ministry of Labour and Pension System over the proposed pension reform. As a result, communication between these two sides deteriorated, with the talks on the new Agreement also being affected. Until mid-December a new Agreement had not been signed, with the effect that both the GSV and its expert committees had not been operating for the last six months. The level of confidence between the trade unions and the government was also worsened by a few decisions the government made during the summer, including the abolishment of the social contribution for unemployment, on which the trade unions were not properly consulted. However, the dialogue did not break completely and ad hoc tripartite consultations continued to be held on some important topics such as the minimum wage.

Forecasts

According to the Autumn Forecast 2018 by the European Commission, GDP growth in 2018 will amount to 2.8 per cent and remain on the same level in 2019, when the Croatian GDP will finally exceed its pre-crisis level. The unemployment rate is expected to continue decreasing, resulting in further pressure on wage growth in the private sector. The state budget is expected to record a surplus of 0.4 per cent of GDP in 2019, while the public debt should continue its sharp decrease, reaching 70.1 per cent in 2019 and 68.2 per cent in 2020.

While 2018 was the first year without any elections in almost a decade, Croatian voters will go to polls three times during 18 months starting from May 2019, including elections for the European Parliament, President of the Republic and Croatian Parliament. Thus it can hardly be expected that the government will initiate any far-reaching or controversial reforms during this period, although the possibility of another reform of labour legislation cannot be completely dismissed. Industrial relations are likely to continue on the trajectory

set during the previous two years. Collective bargaining in the private sector will probably continue to deliver wage increases while the public sector unions will probably demand new wage increases as well, in order to follow those of the private sector, but also to restore the ground lost by public sector wages during the crisis. However, it remains crucial, and still an open question if the trade unions will be able to seize the chance offered by the drastic change in the labour market in order to make a significant breakthrough in organising and increasing their bargaining power. But with the record low unemployment and chronic shortage of labour could easily lead to significant wage increases even without pressure by the organised labour movement, as has already happened in many private companies.

Annex - Information About:

• Collective Bargaining System

The collective bargaining system in Croatia is regulated by the Labour Act⁴ and the 2014 Act on Representativeness of Employers' Associations and Trade Unions⁵. Collective bargaining takes place at national (cross-sectoral and sectoral), local and company levels, and depending on the territorial scope of their application, collective agreements (CA) are registered either with the Ministry of Labour and Pension System (cross-sectoral, sectoral and CAs for companies that operate in the area of two or more counties), or with county-level state administration offices (CAs applicable on the level of one county only).

If there is only one trade union operating on the level⁶ on which the bargaining should take place it is automatically considered representative. If there is more than one trade union, an employer or an employers' association may negotiate with a bargaining committee established through a written agreement of all trade unions. In that case all trade unions signatory to the agreement are considered representative and it is not necessary to determine their representativeness. However, if the trade unions fail to agree, each trade union may, before the Commission for Determining Representativeness, initiate a procedure to

determine the actual representativeness of the trade unions.⁷ In order to be recognised as representative through this procedure, a trade union needs to have at least 20 per cent of all trade union members on the level at which the bargaining takes place. The CA becomes valid if it is signed by trade union(s) that have more than 50 per cent of the members of all representative trade unions on the level at which bargaining occurs.

Collective agreements can be signed on a fixed-term basis (up to five years) or on an open-ended basis. On the proposal of all signatories, the Minister of Labour may extend a sectoral/branch CA to include a greater part of that industry if such decision is in the public interest. Sectoral/branch and company CAs are not mutually exclusive – company CAs can also be concluded in companies to which branch CAs apply. However, there is a growing trend of concluding more and more company-level CAs and a reluctance to conclude sectoral/branch CAs in the private sector. If workers' rights are regulated differently by a labour contract, company by-laws, agreement between the works council and the employer, a collective agreement or law the one most favourable to the workers applies.⁸

• System of tripartite social dialogue

The legal framework for tripartite social dialogue is set by a) the Labour Act, which provides the legal basis for establishment of the Economic and Social Council (GSV) and defines its scope of work, and b) the Representativeness Act, which sets the criteria for participation in tripartite bodies.⁹ In order to be representative on the national level, a trade union confederation needs to have at least 50,000 members, at least five branch trade unions, local offices in at least four counties and at least five staff members employed on the basis of open-ended full-time labour contracts. Employers' associations need to affiliate at least 3,000 employers, or employers employing at least 100,000 workers, and fulfil the same requirements regarding branch associations, local offices and staff as trade unions. Representativeness is determined for the period of five years.

Composition, competences, scope and organisation of work of the Economic and Social Council (GSV) are defined by the Agreement on the Establishment of the Economic and Social Council and its Rules of Procedure. The latest agreement was concluded in July 2013 between the government, the Croatian Employers' Federation (HUP) and then four

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

On the local level, tripartite social dialogue is conducted through county level Economic and Social Councils. At the end of 2017 such councils existed formally in all but two counties, although more than half of them did not hold any meetings in that year. Overall level of activity of county level councils has been decreasing in recent years, with only few of them meeting four or more times per year.

⁴ Official Gazette No 93/14, 127/17 English version available at <http://www.mrms.hr/wp-content/uploads/2015/03/labour-act.pdf>

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

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

⁷ Representativeness Act, Article 7(4)

⁸ Labour Act, Article 9(3)

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

• Social security systems

Health insurance is obligatory for all residents of the Republic of Croatia, including foreigners with permanent residence and citizens of other EU member states with temporary residence in Croatia. Health care is financed by contributions on workers' wages (15 per cent, which will increase to 16.5 percent as of January 2019), the state budget and the budgets of local administrative units. For certain categories of citizens and permanent residents, including the unemployed, pensioners, pupils and students, the health care contribution is financed from the state budget.

Pension insurance covers all employees and a part of the unemployed whose pension insurance (special regulations) is paid from the state budget for the period of up to one year. The pension system is mixed – obligatory insurance in the public pay-as-you-go system (the 1st pillar, 15 per cent), obligatory individual capitalized savings in private funds (2nd pillar, 5 per cent), and voluntary savings in the 3rd pillar. The self-employed, including craftsmen, independent artists and persons working in agriculture, are also covered by pension insurance. The statutory retirement age for men is 65, and for women it is increasing by three months every year (transitional period 2014–2029) and is at age 62 years in 2018. Amendments to the Pension Insurance Act, adopted in December 2018, will accelerate increasing the retirement age to 67 (to be achieved by 2033, instead of 2038). As a consequence, the retirement age for women will start to increase by four months per year as of 2019, reaching 65 in

2027 and then increasing for both men and women by four months per year until 2033. The value of pensions is adjusted every six months depending on inflation and average wages. In October 2018, the average pension paid on the basis of the Pension Insurance Act was 2,405 HRK¹⁰ (€326), which was 38.8 per cent of the average net wage, but the majority of pensioners receive pensions lower than the average.

Employment promotion measures and unemployment benefits are financed by contributions on wages at 1.7 per cent and the state budget, and are paid by the Croatian Employment Service (HZZ). However, as of January 2019 this contribution will be abolished and the unemployment benefit will be completely financed from the state budget.¹¹ A worker is entitled to unemployment benefits after at least nine months of work in the last 24 months, and depending on the duration of work/years of service, can receive it from 90 to 450 days (the first 90 days at 60 per cent of previous wage, and until 450 days at 30 per cent, but not more than 70/35 per cent of the national average wage). A worker with more than 32 years of service and less than five years to retirement is entitled to unemployment benefits until finding new employment or until entitlement to pension.¹² Since 2014, the same rights also apply to the self-employed. Unemployment benefits are received by a relatively small number of the unemployed (17.3 per cent in October 2018¹³) due to the high percentage of long-term unemployed and unemployed young persons without the required months of work experience.

• Education and vocational training

According to the results of the 2011 Census, 16.4 per cent of the Croatian population older than 15 has completed tertiary education, 52.6 per cent secondary education and 30.8 per cent only elementary education. Improving the overall quality of education programmes, harmonising the education system with labour market needs and increasing the share of population participating in lifelong learning remain the main challenges in the field of education. The Croatian education system operates in accordance with EU standards (the Copenhagen and Bologna processes are applied). Nevertheless, compulsory education is still among the shortest in the EU (last year of pre-school education and eight years of primary school). General government expenditure on education is slightly above the EU average (4.8 per cent of GDP in 2016, compared to 4.7 per cent for the EU-28), but as a share of total government spending it decreased from 11.6 per cent in 2010 to 10.2 per cent in 2016.¹⁴ Total spending on scientific research and innovations is among the lowest in the EU (0.86 per cent of GDP in 2017, compared to 2.07 per cent for the EU-28¹⁵).

Adult education and training is the most neglected and underdeveloped element of the education system, with the participation rate in adult education and training (lasting four weeks) being only 2.4 per cent in 2017, compared to the EU-28 average of 10.9 per cent.¹⁶ Croatia still lacks a consistent framework for the development of a lifelong learning system and a clearly defined financial framework, including incentives.

A new Strategy for Education, Science and Technology was adopted in October 2014. On the basis of the strategy, comprehensive curricular reform was initiated in the beginning of 2015, but it has been put on hold after the change of the government in early 2016. The work on reform was again re-initiated in 2017 and the new curriculum was experimentally introduced in 72 schools in the school year 2018–2019.

¹⁰ Croatian Pension Insurance Institute data

¹¹ Active labour market policy measures are already to a significant extent financed from the European Social Fund.

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

¹³ Croatian Employment Service monthly bulletin, November 2017

¹⁴ Eurostat, General government expenditure by function

¹⁵ Eurostat, Total intramutual R&D expenditure

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

- Employment rate (%)

Age (years)	2016	2017	IV-VI 2018
15 +	44.6	45.8	47.3
15 – 64	56.9	58.9	61.1

Source: Central Bureau of Statistics, Labour Force Survey

- Unemployment rate (%)

Age (years)	2016	2017	IV-VI 2018
15 +	13.1	11.2	7.5
15 – 64	13.3	11.3	7.7
15 – 24	31.3	27.4	21.2

Source: Central Bureau of Statistics, Labour Force Survey

- Average monthly salaries (HRK/EUR)

2016 ¹⁷	2017	I-IX 2018
7,752/€1,029	8,055/€1,029	8,438/€1,141

Source: Central Bureau of Statistics

- Gender pay gap

Data here refer to 2016 since gender-related statistics are published with a two years' delay.¹⁸ There are not even more precise labour market statistics segregated by gender, or sectors (differences between the public and the private sector), etc. The striking segregation of women in the labour market continues, especially towards lower paid jobs. Among the employed in 2016, there were 33.6 per cent of women and 23.0 per cent of men with a college or university degree, and 9.8 per cent of women and 9.7 per cent of men with primary school education or less. The average gross wage of women in 2016 was 86.8 per

cent of that of men. The biggest pay gaps are precisely in those activities where women are the majority of those employed: in health care and social work (72.0 per cent of men's wages), finance and insurance activity (74.7 per cent), wholesale and retail trade (74.4 per cent), and education (82.2 per cent). In the activities where women are the prominent minority, their wages are higher than men's, such as in construction (112.7 per cent). In the processing industry, the average gross wage of women was 79.9 per cent of that of men.

- Monthly minimum gross wage (HRK/EUR)

2016	2017	2018
3,120/€414	3,276/€439	3,440/€466

Source: Minimum Wage Act (Official Gazette No. 39/13, 130/17),
Publication of the amount for 2015-2018 (Official Gazette 151/14, 140/15, 115/16, 122/18)

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

¹⁸ Croatian Bureau of Statistics, Women and Men in Croatia 2018

- Actual weekly working time

According to the DZS data for the period IV-VI 2018 (Statistical Reports, Results of the Labour Force Survey) the average normal weekly hours of work on the worker's main job were 37.9 hours (men 38.5, women 37.3 hours). Weekly working time is legally limited to 40 hours (plus 10 hours of overtime work a week, and 180 a year, or 250 a year if so agreed by a collective agreement¹⁹).

Collective agreements, as a rule, do not stipulate shorter working hours than those determined by law but workers of a certain age may be exempted from the application of provisions on the duration of work of a night worker and daily and weekly rest (provided the CA ensures this worker a replacement rest²⁰; a right the employer is obliged to ensure).

- Normal/atypical work

Forms of atypical work	2015	2016	2017
Temporary employees	20.2	22.2	20.7
Part-time employees	6.0	5.6	4.8

Source: Eurostat, Labour Force Survey

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

- Migration

INTERNATIONAL MIGRATION OF POPULATION

Year	Immigrants	Emigrants	Net migration	Net migration rate
2013	10,378	15,262	-4,884	-1.1
2014	10,638	20,858	-10,220	-2.4
2015	11,706	29,651	-17,945	-4.3
2016	13,985	36,436	-22,451	-5.4
2017	15,533	47,352	-31,799	n/a

Source: Central Bureau of Statistics Statistical information 2018 and Migration of population 2017

- Human Development Index

	2015	2016	2017
Index	0.827	0.828	0.831
World-Rank	45	46	46

Source: UNDP (Human Development Report, 2016)

- Gini-coefficient

	2014	2015	2016	2017
	30.2	30.4	29.8	29.9

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

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

²⁰ Ibid., Article 89(1)

• Collective agreement coverage

Coverage of collective agreements in 2014 was around 53 per cent (compared to around 61 per cent in 2009, i.e. before the start of the economic crisis).²¹ In public administration and public services (education, health care, etc.) collective agreement coverage is 100 per cent, due to the Basic Collective Agreement for State Civil Servants and

Employees in Public Services. As most of the state-owned companies also have a collective agreement, coverage in the wider public sector is estimated to be more than 70 per cent. In the private sector, the most recent estimates are around 36 per cent.²²

• Ongoing important collective bargaining agreements

According to the Ministry of Labour and Pension System, in October 2016 there were 751 effective collective agreements in the country.²³ However, as pointed out in another analysis²⁴, the official registers, kept by 22 different state administration offices, are often out of date and not harmonised. Thus, the actual number of valid CAs could easily be not more than 600.²⁵

In the public sector, basic wage and common standards of working conditions for both central public administration and public services are regulated by the Basic CA for State Civil Servants and Employees in Public Services (Official Gazette No. 128/17, 47/18). The CA for State Civil Servants and Employees (Official Gazette No. 112/17) regulates in more detail working conditions of those employed in the public administration. Employment and working conditions specific for each of the main sectors of public services are regulated through agreements on the branch level, including the CA for the Activity of Health Care and Health Insurance (Official Gazette No. 29/18), the CA for Employees in Primary Education Institutions (Official Gazette No. 51/18), the CA for Employees in Secondary Education Institutions (Official Gazette No. 51/18), the CA for Social Welfare Services (Official Gazette No. 61/18) and the CA for Employees in Cultural Institutions Financed from the State Budget (Official Gazette No. 46/18). A special case is the CA for Science and Higher Education, which has not been re-negotiated since the government cancelled all branch agreements in 2013, but by December 2018 negotiations on the new CA were close to completion.

There is limited number of branch-level agreements in the private sector, including the CA for the Wood and Paper Industry (Official Gazette No. 123/08 and 96/13), the CA for the Construction Industry (Official Gazette No. 115/15, 26/18), the CA for Catering (Official Gazette No. 36/18), the CA for Travel Agencies (Official Gazette No. 94/02, 126/10 and 108/11, consolidated text 65/14) and the CA for Private Health Care (Official Gazette No. 150/14). Two branch-level CAs, for the construction industry and for catering, have been extended by the labour minister's

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

Most of the public companies are traditionally covered by collective agreements, for example Hrvatske šume (Croatian Forests), Hrvatske autoceste (Croatian Motorways), Hrvatske vode (Croatian Waters), Hrvatska elektroprivreda (National Electricity Company), Hrvatska pošta (Croatian Post), Odašiljači i veze (Transmitters and Communications). Companies linked to the Croatian Railways have several CAs: Passenger Transport, Cargo, Infrastructure, and Train Traction. Although most of the public companies have a long tradition of collective bargaining, it is not uncommon that a new CA is not concluded on time (i.e. before expiry of the previous one). Thus for example, during 2018 Croatian Airlines and Hrvatska lutrija (Croatian Lottery) were without a valid CA, as the old ones in both companies expired and the negotiations on the new ones were not successful. However, in such situations, although the validity of the CA has expired, the public companies usually continue to apply their provisions on wages and other material rights.

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

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

²² Bagić, 2014

²³ Višnja Samardžija, Hrvoje Butković and Ivana Skazlić, Industrial Relations in Croatia and Impact of the Digitalisation on the Labour Market, Institute for Development and Industrial Relations, 2017 (available at <http://bit.ly/2EuLSaO>)

²⁴ Bagić, 2014

²⁵ Ibid.

• Trade union density (rate of organization of trade unions)

In Croatia, official data on the rate of organization of trade unions are not being collected or published. The data gathered at the end of 2017 to determine representativeness of trade union confederations are not reliable enough to determine the total rate of organization of trade unions. Specifically, the data were not gathered individually, per trade union, but collectively per each confederation, while data on the trade unions which are not affiliated to any confederation or which are active at the level of the employer were not collected at all. It is estimated that the general trade union density rate is around 26 per cent, with a decreasing trend.²⁶ Research from 2010²⁷ assesses considerable differences in trade union density rates according to three criteria: a) difference

between the public sector in wider terms (around 68 per cent) and private sector (around 17 per cent); b) in the private sector between the old state-owned but privatized companies (31 per cent) and newly-established private companies (9 per cent); and c) big companies (around 40 per cent) and small companies (around 3 per cent).

According to data gathered at the end of 2017, total membership of the three representative confederations was 252,140. However, these data are not comparable to that from the last count of members in 2012, as there were four representative confederations at the time (with 331,939 members). It is difficult to even estimate the number of members of trade unions not affiliated to any confederation.

• Employers' organizations density

As in the case of the trade unions, there is no official data. HUP is still the only voluntary association of employers in Croatia which participates in the bodies of tripartite social dialogue. The same above-mentioned research states that the level of employers' organization has significant oscillations with regard to sector and the size of company (large employers are more often members of employers' associations than the small ones). The branch associations of HUP do not "follow" the structure of activities or the organization of trade unions but are very often in place as a

result of lobbying influences by certain groups of employers. Lesser fragmentation of employers' associations as compared to the trade unions puts employers in a more favourable position with regard to not only the trade unions but also the government. It is estimated that HUP gathers employers who employ around a half of the workers employed in the private sector. Croatia does not have a confederation, i.e. association, of employers which affiliates public companies.

• Workplace representation

The Labour Act stipulates the work of three types of workers' representatives: 1) trade unions; 2) Works Councils (WC) (condition: 20 or more workers, except in the State administration bodies); and 3) one workers' representative in the body which supervises work administration (supervisory or governing body and similar). The Occupational Health and Safety Act²⁸ governs the election and work of occupational health and safety representatives. The election and the work of trade union representatives are determined by trade union documents. Works Council members are elected by all those employed with active voting rights and the initiative is launched by the trade union and/or at least 20 per cent of those employed. If no WC has been established, a shop steward takes over its rights and obligations. The workers' representative on the Supervisory Committee is appointed by the WC, and if the latter has not been established, he/she is elected through direct elections. Safety reps are elected by all workers. Members of the WC have a four-year mandate

(in the period 1996-2014 the mandate was three years). The main function of a WC is to inform the workers and supervise the implementation and respect of the Labour Act, the collective agreement and other documents adopted for the benefit of workers. WCs mostly have an advisory role in relation to the employer, while the area of co-determination is very narrow. It is possible to expand the rights of Works' Councils and safety reps through special agreements between the WC and employer as well as through the CA.

There are no official statistical data on WCs because until recently there was no legal obligation to submit the minutes of the elections to any institution in Croatia.²⁹ There is little research on the activities of Works Council representatives. The most recent research³⁰ estimates that WCs have been established in around 45 per cent of companies that meet the criteria for WCs. The trade union's research was carried out only by the SSSH: independently in 1997, in 2010/2011

²⁶ Estimation by Dragan Bagić, quoted in Višnja Samardžija, Hrvoje Butković and Ivana Skazlić, 2017

²⁷ Dr.sc. Dragan Bagić: Industrial relations in Croatia, 2010

²⁸ Official Gazette No. 71/14, 118/14 and 154/14

²⁹ Obligation to inform the Ministry of Labour on the election results was introduced in 2016. Most companies with established Works Councils held elections between March and May 2017, but official data are still unavailable.

³⁰ Dr.sc. Dragan Bagić, 2011, based on a sample of 530 companies with 20 and more employed in the sectors of industry, services and construction.

and in 2011/2012 within the framework of the international trade union project INFORMIA and INFORMIA 2. The findings are as follows: behind the election list of workers for the WC (at least 10 per cent of the employed) is more often than not the employer; elections for the WC are becoming less frequent and there is a trend among trade unions of returning to appoint a shop steward in the function of a WC representative; trade unions frequently organize trainings at their own cost and not at the employer's cost³¹;

the employer's obligation to inform the WC on a quarterly basis on business plans and employment is most often not respected.

Since 1 July 2013, the European Works Council Directive (implemented through the Act on European Works Councils ³²) has come into force in Croatia but no information on EWC members from Croatia is available.

- Trade unions
- National trade union confederations

TU Confederation (Croatian)	TU Confederation (English)	Number of individual members ³³	ITUC Affiliation	ETUC Affiliation
Savez samostalnih sindikata Hrvatske (SSSH)	Union of Autonomous Trade Unions of Croatia	107,622	Yes	Yes
Nezavisni hrvatski sindikati (NHS)	Independent Trade Unions of Croatia	96,870	Yes	Yes
Matica hrvatskih sindikata (MHS)	Association of Croatian Trade Unions	60,648	-	-
Hrvatska udruga radničkih sindikata (HURS)	Croatian Workers Trade Union Association	N/A	-	-
Udruga radničkih sindikata Hrvatske (URSH)	Workers' Trade Union Association of Croatia	N/A ³⁴	-	-

- Trade union federations by branches

Trade unions (Croatian)	TU Federation (English)	No. of individual members ³⁵	Affiliation to national confederations	International affiliations
Sindikat metalaca Hrvatske - Industrijski sindikat (SMH-IS)	Metal Workers' Trade Union of Croatia – Industrial Union		UATUC	IndustriAll-Global Union/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	IndustriAll-Global Union/ETU and EPSU/PSI
Sindikat graditeljstva Hrvatske (SGH)	Trade Union of Construction Industry of Croatia		UATUC	BWI/EFBWW
Sindikat trgovine Hrvatske (STH)	Commercial Trade Union of Croatia		UATUC	UNI- Global/ UNI-Europe
Sindikat turizma i usluga Hrvatske (STUH)	Trade Union of Tourism and Services of Croatia		UATUC	IndustriAll-Global Union/ETU
Samostalni sindikat radnika u komunalnim i srodnim djelatnostima Hrvatske (SSKH)	Autonomous Trade Union of Workers in Public Utilities and Related Services of Croatia		UATUC	PSI and EPSU

³¹ According to the Labour Act and the Occupational Health and Safety Act, financing the training of WC members and safety representatives is the employer's obligation

³² Official Gazette No. 93/14 and 127/17

³³ Official data are from November 2017, at the time of the last determination of representativeness. Data have been partly amended for the SSSH, adding 13,000 members of the Police Union of Croatia, which affiliated to the SSSH in November 2018.

³⁴ As HURS and URSH did not participate in counting of members for purpose of determining representativeness, there are no data available. However, both confederations still exist and are currently participating in tripartite social dialogue through agreements with Association of Croatian Trade Unions (MHS), signed in 2016 (URSH) and 2018 (HURS).

³⁵ No official data on the number of trade union members.

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

- Employers' organizations

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



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