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“INDUSTRIAL RELATIONS SYSTEMS IN CROATIA”

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Social dialogue in Croatia institutional framework

- **Institutional framework developed – general progress**
 - Economic and Social Council (participation of labour, employees and government; commissions, other forms of social dialogue)
 - Office for the Social Partnership
 - Agreement on “Partnership for Development”
 - Meetings with SP on highest level
 - Collective agreements (more developed in public sector)

Economic and Social Council

- ESC is composed of 15 members: 5 government representatives, 5 employers representatives and 5 representatives from the trade unions
- ESC is a consultative tripartite body that gives opinions, evaluates and makes initiatives
- Economic and Social Council has commission for the following issues:
 - Wage policy, tax system and the living standard
 - Social policy
 - Employment policy, education and harmonization with the labour market
 - Legislature, collective bargaining and protection of rights
 - Sustainable development, support for the economy, energy sector and the climate change

Economic and Social Council established also on the county level

Office for the Social Partnership

- The mission of the Office is to encourage development of long term vision of Croatian model of social partnership.
- Office has been confirmed as logistic and expert support for the social dialogue and partnership, as well as an intermediary (disputes).
- Office has been focusing on wide range of activities for improvement and advancement of communication and relationship between responsible representatives of all social partners.

Social Partners in Croatia

- The Croatian Employers Association is the only employer's organization meeting criteria for representation (3 regional offices and 24 sectoral branches, 6000 companies with around 400 000 employees)
- Majority of trade unions are affiliated in five union confederations:
 - The Croatian Independent Trade Unions
 - The Union of Independent Trade Unions of Croatia
 - Matrix of Croatian Trade unions
 - Croatian Trade Union Association
 - Workers Trade Union Association of Croatia
- Government of the Republic of Croatia

Characteristics of the Social Dialogue in Croatia

- Tripartite dialogue predominates, bipartite and sectoral dialogue poor but better functioning between state and trade unions
 - Inadequate capacities – weak influence
 - Representativeness criteria, fragmentation of unions
 - Unwillingness of private sector to accept trade unions as a partner
 - Reduced unionization of work force (1.4 mil employed people, 400,000 members of trade unions), marginal role of smaller unions
- Stronger capacities of employer association
- Active involvement in strategic document preparation
 - RIA missing in adoption of new legislation
 - Two Croatian trade union confederations (SSSH, NHS) are members of ETUC; Croatian Employers Association is member of BUSINESSEUROPE; while Croatian Crafts Chamber and Croatian Employers Association are associated members of UEAPME

Social dialogue through preparation of strategic documents related to EU accession

- Strategic Framework for Development (national strategic document)
- Joint Inclusion Memorandum (JIM)
 - Dialogue on key policy for tackling poverty and social exclusion, combat poverty and modernise social protection system
- Joint Assessment Paper on employment priorities (JAP)
 - Dialogue aiming to assess and adjust employment policies and institutions for participation in the EU-wide employment policy coordination

Social dialogue and the EU accession

- EU impetus for strengthening social dialogue
 - Stabilisation and Association Agreement
 - Avis
 - Commission Progress Reports
 - EU-Croatia Joint Consultative Committee (JCC)
 - Joint strategic documents
- During EU accession negotiations social partners representatives participated in the work of the National Committee of Croatian Parliament in the various EU accession professional working groups and in the EU-Croatia Joint Consultative Committee

Collective bargaining and Union density

- Proportion of workers whose pay is covered by collective bargaining is 60% (70%-public /40% - private sector).
- Trade union density is estimated at 34% (only 17 per cent in the private sector) and it is declining.
- Currently there are 153 collective agreements
- Weaknesses in the bargaining process result from a tradition of adversary relations and from the legal framework that reduces incentives for social partner activity at multiple levels.
- Widespread use of extension mechanisms (extending agreements to all employees in a company or to all firms in a sector).
- Prolonged application of the key terms of the collective agreement after its expiry date.

Sectoral social dialogue in Croatia

- Sectoral social dialogue is a qualitative supplement to the tripartite dialogue
- Existing Social councils in Croatia (textile sector, forestry sector)
- Social councils in preparation (graphic and publishers sector, transport sector)

Recent developments related to the social dialogue

- Between May 2010 and March 2011 social dialogue was very fragile due to the Government attempt to change the Labour Law (termination of collective agreements)
- The Labour Law introduced in 2003 has been considered as rigid and inflexible by the employers, unions demand limitations to temporary employment – possible changes
- In 2009 the Law on the support for preservation of employment
- In 2010 the Law on the Guarantee Fund for Economic Recovery
- The Law on representativeness of the trade unions has been announced
- The Law on the timeframe for completing financial obligations (liquidity) has been announced
- Establishment of the workers councils, strengthening of workers and social partners in negotiation process is needed
- With the 1st of March increase of the VAT from 23 to 25%

Challenges for the social dialogue in Croatia

- Lack of tradition in dialogue
- Predominance of tripartite cooperation, lack of bilateral dialogue
- Impacts limited (depend on political will of national administration bodies)
- Inadequate technical capacities of social partners
- Insufficient human and financial resources
- Lack of follow-up provisions (agreements)
- EU pre-accession funds were not efficiently used for the social dialogue

Some specific issues

Legal employment framework

- Croatia has ratified a number of ILO Conventions and the European Social Charter
- Unions have a right to strike but mediation required before strike activity over new contracts
- Division between the permanent and temporary employment (80% of the new contracts are temporary – 12,3% of all contracts)
- Minimum working age is 15 (18 for overtime, heavy work and night shifts)
- Lowest wage effectively set by the government
- Standard workweek is 40 hours (maximum of 10 hours overtime per week)
- Minimum annual holiday entitlement is 18 working days (minors 24 working days) plus the public holidays.

The Minimum wage in Croatia

- In 2008 Croatia introduced a new Minimum Wage Act
- With the new legislation the relative level of the minimum wage increased from 33 to 36% of the average wage
- The economic crises resulted in increase of the minimum wage earners from 3% pre-2008 to 5% post 2008
- The incidence of minimum wage earners is higher for women, the young, the low-educated and those with fixed term contracts
- Currently 13 000 workers in Croatia work without receiving a salary
- Some employers avoid paying taxes and contributions for the social security

The Pension System in Croatia

- The Pension System is based on the two pillars plus the third voluntary pillar
- The System is in need of a reform due to high percentage of pension not covered by the contributions (around 50%)
- The percentage of the average pension in relation to the average neto workers salary is 37,9%, trend decreasing
- The new government abolished the so called privileged pensions for the MP's, judges of the Constitutional Court and the General State Auditor

What is needed to strengthen social dialogue in Croatia

- Developing / strengthening **mechanisms for social dialogue** at all levels and sectors, diversification of channels for participation and sharing information
- Strengthening **bipartite forms** and **social dialogue at sectoral level**
- **Raising awareness and understanding** of the role of the social dialogue
- **Stronger interaction** between European institutions, national government, regional and local authorities and civil society needed
- **Stronger presence and more efficiency** of social partners at all levels of policy formulation and implementation (influence)
- **Mutual cooperation between social partners**, better internal decision-making mechanisms
- **Strengthening administrative capacities of social partners** - human potential development, training, sharing experiences
- More efficient use of EU **pre-accession funds (IPA)**
- **Active membership in European umbrella interest organisations**, building allies with respective counterparts necessary
- **Networking** at the European and regional level should be enhanced

Thank you!