

Study: „Migrant workers in Croatia: Challenges and opportunities for economic and social development

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Executive Summary

Croatia became highly dependent on migrant workers in recent years due to the general labor shortages. The economy of the country has been faced with huge outflow of the labor force after joining the EU particularly in the public healthcare sector. The construction sector is facing growing labor shortages so in the next ten years most of the workers in that sector will probably be foreigners. Croatia recently changed the legislative framework for regulating the work of third country nationals which used to be rigid and restrictive. However, the country still lacks consistent and forward-looking migration policy that would view labour force immigration as opportunity for economic and social development. In addition, there is a lack of policies that would facilitate integration of migrant workers and their families into Croatian society. In the country's social dialogue forums, the topic of migrant work has not yet gained the importance that it deserves. This is partly due to the traditionally relatively small number of migrant workers as compared to Western European countries. In recent years the social partners became more aware about the importance of third country nationals for the smooth functioning of the Croatian economy. Nevertheless, both the trade unions as the employers lack strategies for dealing with this group of workers.

The negative migration balance is very characteristic of Croatia. In the 1990s the country lost some 300.000 people due to weak natural growth, high emigration and low immigration rate. An additional 300.000 people were lost in the last ten years. From 2018 onwards the net migration in Croatia has stabilised with an approximately equal number of emigrants and immigrants per year (at around 40.000). The research about migrant workers in Croatia is scarce but it generally shows that migrants are filling the jobs that require the minimal (low) education and that most migrant workers originate from the regional countries. The articles discussing migrant work in Croatian media have increased in quantity in the last five years. However, the vast majority of these articles address this topic from a rather technical perspective, focusing on the seasonal labour shortages in some sectors, without debating more important issues such as the integration of migrants.

Until 2021 Croatia regulated work of the third country nationals based on the so-called quota system. The proposals for the annual quotas were provided for specific sectors and occupations. They were made by the Ministry of Labour based on the opinion of relevant services and social partners. Unfortunately, this system was poorly adopted to sudden changes on the labour market caused by unexpected events such as economic or health crisis.

The situation in 2020 corroborates this very well because in conditions of the Covid-19 pandemic most quotas for that year, determined during previous year, remained unused.

As the new Aliens Act is in force since January 2021 the quota system for regulating work of the country nationals were replaced by the so-called marked test system. This means that employers who desire employment of the third country nationals are obliged to request the Croatian Employment Service (CES) to conduct a labour market test before applying for a residence and work permit at the Ministry of Interior. The market test has to confirm that there are no unemployed Croatian or EU citizens in the country that meet the employers' requirements. During this procedure CES also checks if the employer meets several additional requirements. The new Aliens Act also prescribes that for a certain group of occupations for which there is a permanent and large shortage within the entire territory of the country the labour market test is not necessary. The new Aliens Act was passed with consensus of both social partners who negotiated it for two years. It introduces a more flexible and forward-looking system. Nevertheless, the trade unions seem to be more satisfied with this new system than the employers who strive for even more flexibility and less bureaucratization. Furthermore, this new system is not free from the bottlenecks. The most common problem is that the Ministry of the Interior cannot issue a work permit without first receiving a certificate of impunity from the country of origin for a particular worker. However, this procedure can take several months when it comes to non-European countries. In the near future the new Aliens Act will probably need to be modified and amended to better codify certain procedures.

In 2019 the percentage of migrant workers (third country nationals) in Croatia was 2.17% of employed population. However, in reality their number is probably somewhat higher because the available statistics registers only annual immigration without presenting cumulative numbers. The study examines the situation regarding migrant work from third countries in five sectors of Croatian economy: construction, tourism and hospitality, metal industry, public healthcare, digital working platforms providing physical services. In these sectors the presence of migrant work is observable through the annual percentages of the approved work permits. In 2020 the biggest share was taken by the construction (59,4%), second came tourism and catering (16,4%) while shipbuilding and industry (10,7%) was in the third place. The percentage of approved work permits in the sector of public healthcare was less than 1%. Statistically the presence of migrant workers within the digital working platforms cannot be determined.

The statistical data on work permits for all sectors of Croatian economy is of very limited quality because it does not provide the information about age, gender or other social characteristics of migrant workers. In tourism and hospitality most migrant workers work during the summer season and return to their countries of origin after the season ends. Circular migration is present in all sectors. This means that migrant workers work in Croatia for a year or two, after which they leave for the third countries. This could be observed through smaller number of work-permits that are being extended.

The implemented interviews indicate that most migrants in the construction sector as well as in tourism and hospitality work as physical labourers. In the metal industry the overwhelming

part of migrant workers also work as physical labourers, however most of them are highly skilled professionals. Migrant workers in the public healthcare sector mostly fall into two categories: doctors and nurses. Finally, in the digital platform sector which provides physical services most migrants seem to be unskilled or low skilled individuals. The Covid-19 crisis differently affected various sectors of the Croatian economy. Construction recovered quickly from effects of the initial shock, but tourism and hospitality suffered much more significant and permanent losses. Most migrant workers work on the fixed term contracts which as a rule are being made for the duration of their work permits.

The last migration strategy which Croatia had expired in 2015 and the country is in urgent need of adopting a new document of this kind that would guide and inspire its migration policy. Therefore, it is not surprising that Croatia' integration policy is lacking. In order to cope with administration, the migrant worker needs to know Croatian language which represents an immediate obstacle on its path to integration. The state programs for integration of workers under international protection exist and they include both assistance in connecting workers and employers as well as state sponsored language courses. However, no such state sponsored programs exist for migrant workers who immigrated for economic reasons and don't enjoy the international protection. Therefore, all costs related to language learning, recognition of diplomas and further education of migrant workers need to be covered by the employers, by the workers themselves or in some cases by periodic programs of civil society organisations. Third country nationals in Croatia have limited access to social rights which is linked to their employment or permanent residence status. These includes a full range of health care but not the right to some other social rights such as the unemployment benefits.

In Croatia agencies for temporary employment play a certain role in the employment of migrant workers in the construction and in the metal industry sector. However, their role in the tourism and hospitality and in public healthcare is marginal. The role of intermediaries is of crucial importance in the sector of digital working platforms that provide physical services. In this sector most of the workers (both domestic and migrant) are employed by the so-called aggregators or floaters who act as intermediaries between platforms and the workers themselves. The work through the digital platforms has generally been inadequately regulated in Croatia. This issue is expected to be resolved with the new Labour Law which was drafted in mid-2021 and should come to force during 2022.

The collective bargaining is arguably most developed in the sectors of construction and tourism and hospitality. In these sectors there are many single employer agreements but both sectors also have sectoral agreements which are extended to the entire sector. The public healthcare sector is regulated by the national collective agreement for public sector workers and the sectoral collective agreement for the public healthcare. In the metal industry sectoral collective agreement does not exist, however, some 85% of workers are covered by around 100 single employer agreements. Finally, in the digital platform sector there are no collective agreements. None of the collective agreements which regulate the aforementioned sectors possess any specific provisions for the migrant workers. Moreover, with the exception of the new Aliens Act, there are no signs that the topic of migrant work was discussed as topic in its own right in the social dialogue forums at any level. The lack of provisions and discussions

pertaining to migrant workers shows that Croatian social partners lack sufficient awareness and capacity for dealing with this issue. Compared to domestic workforce migrant workers find themselves in greater difficulties due to their non-existent social networks, obstacles in exercising all social rights and generally greater exposure to potential discrimination.

In five sectors which are in focus of this study it is difficult to single out social partner strategies targeted towards migrant workers which would improve their employment status or the level of social integration. At best, Croatian social partners are aware of the fact that in the near future development of such approaches will be inevitable. In the construction sector the employers are constrained to develop specific practice for the migrant workers in terms of helping them to obtain work permits, organizing their accommodation and in some cases alimention. Nevertheless, there are no universally accepted standards or forums where experiences could be shared. The greatest problem for the sectoral trade union is access to construction sites where migrant workers could be contacted, which is frequently denied by the employers where union organization does not exist.

In tourism and hospitality as well as in metal industry sector, the situation is similar to that in construction, although the access of trade unions to migrant workers is usually not as difficult. In the public healthcare, social partners are aware that procedures for recognition of foreign professional qualifications have to be simplified and some of their efforts are focused in that direction. Currently this process can take from 6 to 12 months or even more which is demotivating for the highly skilled migrant workers for which there is a great need. These procedures could easily be simplified at least for the citizens of the neighbouring regional countries that speak Croatian language and whose education systems resemble that of Croatia. In all five sectors trade union membership of migrant workers is non-existent or at best, as in construction, it is marginal and not exceeding 1%.

Regarding the best practices it should be noted that both in construction as in metal industry the employer's association petitioned the government to agree with the issuance of open-ended contracts for certain profiles of migrant workers that were in high demand. In case of construction this was rejected. Nevertheless, in the metal industry sector, similar employers' initiative was successful and the Ministry of Interior allowed the issuance of open-ended contracts for migrant workers when they have a work permit for at least one year and when the employer expresses its desire and expectation to keep the worker after the work permit expires. This shows that the Employers Association is very much interested in improved working conditions for the migrant workers, and in this respect, it sometimes even leads in relation to trade unions.

An example of best practice was conclusion of a single employer collective agreement between Croatian Construction Union and the Chinese CRBC corporation in 2019. The CRBC corporation was previously contracted by the Croatian government to build a Pelješac Bridge which is one of the largest bridges in the world. Collective agreement agreed certain rights that were higher than the rights in the sectoral collective agreement. It must be underlined that most workers on the Pelješac Bridge were Chinese citizens. Finally, the establishment of the Croatian Digital Platforms Workers' Union in September 2021 also represents an example that could be singled out as best practice. The union was organized with the support of the

Union of Independent Trade Unions of Croatia which is one of the largest trade union federations in the country. For a start the Unions was granted free premises in the building of the federation and free assistance from its legal and other experts.

The main recommendations of the research are as follows:

- Croatia needs to develop a new migration strategy that will serve as a base for its future migration and integration policies. These policies should move away from perceiving immigration as security threat. Instead, they should view it as opportunity for economic and social development. That would be for the benefit of migrants as well as Croatian society.
- The state has to become more active in supporting integration of migrant workers. This primarily concerns free of charge language courses for the migrant workers and members of their families but also better access to the various social security benefits.
- The social partners in all social dialogue forums have to start discussing the issues of migrant work as topic in its own right. This topic needs to be periodically discussed in order to prevent discrimination of migrant workers and further their integration.
- The work of the labour inspectorate needs to be strengthened and their employees educated about specific vulnerabilities of migrant work. This particularly pertains to work of the online platforms that provide physical services and whose activities, for the most part, pass under the radar of the state labour inspectorate.