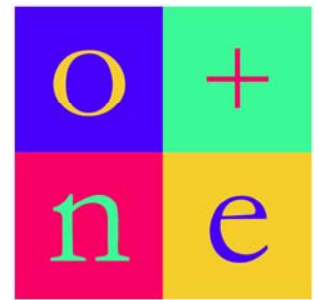


old + new europe
new forms of industrial relations
and industrial standards as social
challenge in extended europe

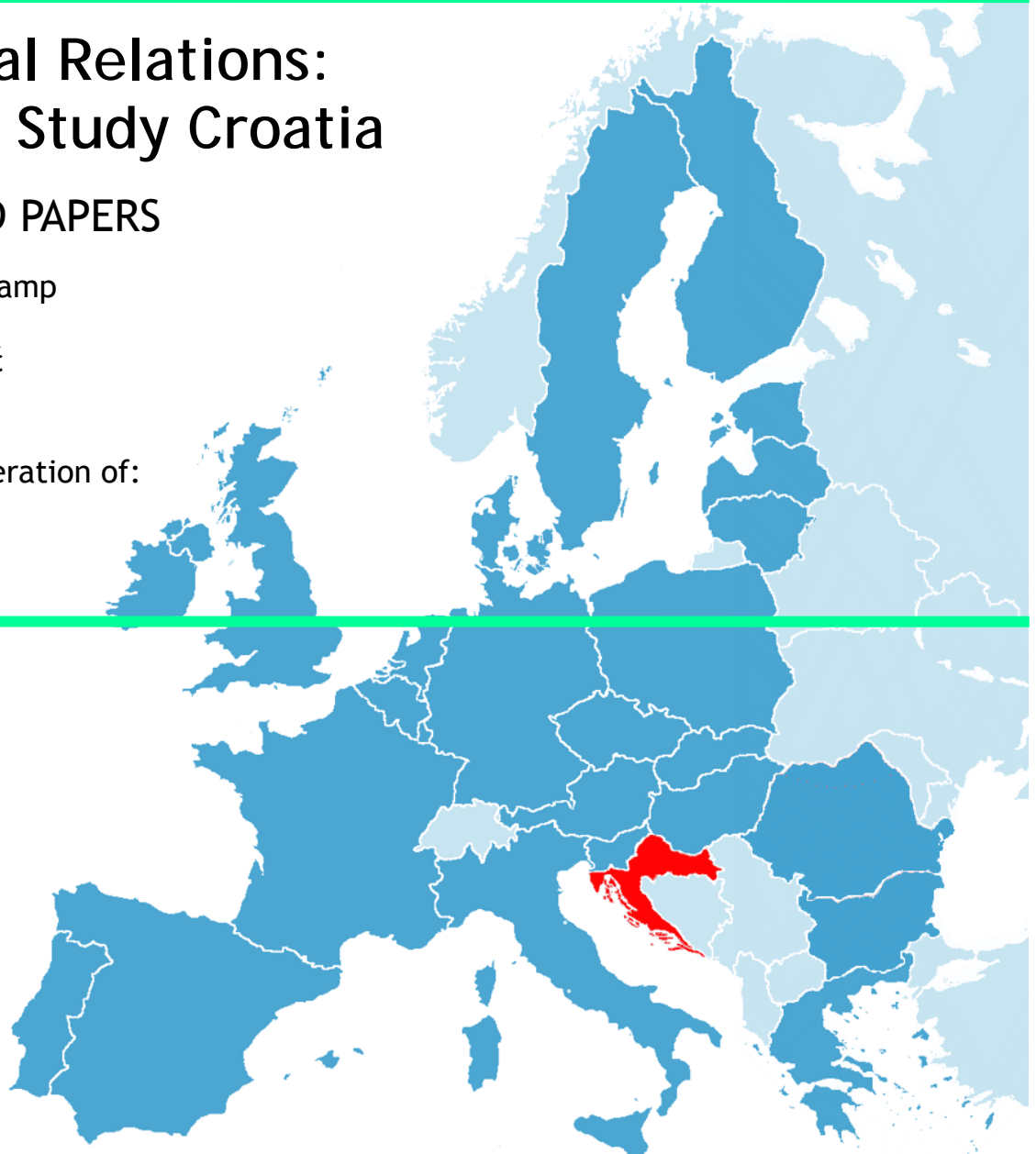


Industrial Relations: Country Study Croatia

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Unrevised Draft Version, Zagreb & Stuttgart, October 2007

Unrevised Draft Version

Index

1. Introduction

2. Social Dialogue in the Republic of Croatia at National Level
 - 2.1 Republic of Croatia - basic facts
 - 2.2 Legal framework
 - 2.3 Manner of organizing
 - 2.4 Human resources - precondition for success
 - 2.5 Financial possibilities
 - 2.6. Trilateral cooperation
 - 2.7. Collective bargaining
 - 2.8 International cooperation
 - 2.9 Conclusion

3. Social Dialogue in the Republic of Croatia at Sectoral Level
 - 3.1 Republic of Croatia - basic facts
 - 3.2 Legal framework
 - 3.3 Sectoral organization of trade unions
 - 3.4 Organisational and financial resources at the sectoral level
 - 3.5 Powers and achievements of sectoral associations
 - 3.6 Company level
 - 3.7 Social dialogue in Konzum
 - 3.8 Conclusion

4. The history and present of the Commercial Trade Union of Croatia (STH)
 - 4.1 The history of workers' associations in Croatia
 - 4.2 The history of commercial trade unions
 - 4.3 The history of commercial trade union from the World War II until 1990
 - 4.4 ID of the Commercial Trade Union of Croatia
 - 4.5 The present of the Commercial Trade Union of Croatia

Index

5. Minimum wages in Croatia

- 5.1 Introduction
- 5.2 Poverty in Croatia
- 5.3 Wages in the Republic of Croatia
- 5.4 Wages in the commerce sector
- 5.5 The lowest wage in the Republic of Croatia
- 5.6 Two trade union drafts of the Minimum Wage Act
 - 5.6.1 Draft of the Union of Autonomous Trade Unions of Croatia
 - 5.6.2 Reaction of the Croatian Employers' Association
- 5.7 Conclusion

6. Vocational Education and Training in Croatia

- 6.1 Policy development
- 6.2 The legal framework
 - 6.2.1 Secondary education
 - 6.2.2 Adult learning
- 6.3 Structure and organisation of secondary education
- 6.4 Institutions providing adult education and training
- 6.5 Assessment and certification
- 6.6 Quality assurance and accreditation of education institutions, programmes or trainers
- 6.7 Outcomes - relevance of VET
- 6.8 Social Dialogue
- 6.9 List of references

1. Introduction

2. Social Dialogue in Croatia at the national level

Prepared by Dragica Mišeljić

2.1 Republic of Croatia - Basic Facts

The state territory covers the surface of 56.594 square kilometres with 4.440.000 inhabitants. Republic of Croatia is divided into administrative units which comprise 21 counties, 124 townships and 426 municipalities. The counties include also the capital, the city of Zagreb which has the status of a county. Out of the total number of active population of 1.719.509 in 2004 there are 1.409.634 employed, and 309.875 unemployed. According to that, the registered unemployment rate in 2004 amounted to 18.0 %, and the general unemployment rate according to the labour force survey (ILO methodology) was 13.8 %. In the last few years unemployment has been slightly decreasing, hence in 2006 there were 270.753 unemployed persons, and the registered unemployment rate amounted to 15.7 %. In 2004 there were 1.162.000 persons in employment relationship, out of which there were 627 000 or 54 % of those employed in the private sector, and 536 000 or 46 % in the state sector or in the sector in transformation. In 2004 gross domestic product per capita was USD 7.742,20 (EUR 5.689,00). The average monthly gross wage amounted to HRK 5.985,00 (EUR 780,00), and the average monthly net wage HRK 4.173,00 (EUR 544,00) in the same year. In 2006 the average monthly gross wage was HRK 6.634 (EUR 906,00), and the average monthly net wage HRK 4.603 (EUR 628,00), which shows a slight increase.

2.2 Legal Framework

Considering the statutory legal preconditions for establishment of trade unions (10 capacitated persons of age) enshrined in the Labour Code, today a situation with trade union organization in the Republic of Croatia is such that we have 254 established and registered trade unions at the national level and 24 associations of trade unions of a higher level (trade union confederations). The majority of registered trade unions are affiliated to six trade union confederations which are represented in the Economic and Social Council. Facing ever greater problems in inter-trade union agreements in relation to joint approach to social partners, the majority of trade union confederations have understood the necessity of merger. Due to that, in April 2007 they signed an Agreement on Cooperation and Initiation of the Merger Negotiations Procedure, which has never come to life. Despite that, the trade union scene did change. In spring 2006 certain initiatives on merger of some unions were taken, and this resulted in the establishment of a new trade union confederation called Glas HR. After that, there were no changes of the trade union scene in organizational terms. However, it is true that the number of members is stagnating and showing a slight decline. That is primarily a consequence of restructuring of economy which led to the growth and strengthening of the services sector in relation to the industrial sector, and in the sector of services with small entrepreneurs and a part of multinational companies trade union organizing has been made difficult and even rendered impossible by employers' bans. This is aggravated by amendments to labour legislation which strengthen the institute of fixed-term work (in 2006, 85 % of newly-employed persons were employed on a fixed-term basis), cancellation of employment contracts to a large number of workers as a consequence of restructuring, and retirement of older people which additionally renders difficult trade union organization.

Table 2.1: Trade union confederations

Name	Year of establishment	Number of affiliated trade unions		Number of members		Main sector of activity
		2004	2005	2004	2005	
SSSH	1990	23	↑	211.205	↔	Private industry Public services State administration
NHS	1999	48	↑	87.313	↑	Private industry Public services State administration
URSH	1994	48	↔	50.000	↓	State administration Public services
HUS	1990	116	↑	53.000	↑	Private industry Public services Private services State administration
UNI-Cro	2002	9	↔	20.099	↓	Private services
Matica	1993	5	...	49.875	...	Public services

Symbols:

- ↑ - increase
- ↔ - same level
- ↓ - decrease
- 0 - none, value equals zero
- ... - no available data

The requirement for the establishment of employers' association is at least three physical or legal entities. Following that requirement, in the Republic of Croatia at the national level there are 39 employers' associations registered at the national level. There are also three registered employers' associations of a higher level. As of 1994, among the employers' associations of a higher level there is a predomination of the Croatian Employers' Association (*Hrvatska udruga poslodavaca/HUP*). We have to emphasize that according to trade unions' opinion, this employers' association is not representative because it does not represent the majority of employers, so this too indicates the necessity of the adoption of a law on representativity of associations. Apart from the employers' associations in the Republic of Croatia there is also the Croatian Chamber of Commerce, with mandatory membership, but it takes no participation in either bipartite or tripartite social dialogue.

Table 2.2: Employers' association

Name	Year of establishment	Number of affiliated members			Number of employees in the member organizations			Main sector of activity
		2004	2000	2005	2004	2000	2005	
HUP	1993	22	20	↑	450.000	400.000	↑	Private industry

2.4 Human Resources – Precondition of Success

There is a large disproportion as regards the available personnel resources between the trade union confederations. From the point of view of the degree of education of the employed in trade union confederations, among the trade unions there are trade unions with a relatively high share of employed with university degree. There is also a relatively high share of women among the employed, however the situation is not as good when it comes to participation of women in management, chairperson, positions. Especially prominent is the Union of Autonomous Trade Unions of Croatia (UATUC) which has a territorial structure covering the counties with its offices in which it always has its lawyers (35 lawyers in total), and when necessary economists too. Commercial Trade Union of Croatia (*Sindikat trgovine Hrvatske/STH*) is an affiliate of the UATUC. When it comes to the employment of women, the UATUC in that respect definitely has a leading role, which arises from the fact that its president is a woman, and among affiliated trade unions, out of 21 trade unions there are 8 of them whose president is a woman. In other trade union confederations the structure is worse. The basic reason for poor strengthening of human resources are financial means that are hardly adequate for regular operation.

The Croatian Employers' Association (HUP) has about five times fewer employees than the representative trade union confederations. This association mainly employs staff with university degree and women. Moreover, there is a large number of women at leading positions.

Table 2.3 - Human resources

Name	Number of employed		Share of employed women	
	Total number	Employed with university degree (%)	In total number of employed (%)	Management positions (%)
<i>Trade union confederations</i>				
SSSH	119	38.6	61.3	35.7
NHS	11	72.7	63.6	50.0
URSH	4	100.0	50.0	0.0
HUS	12	33.3	50.0	0.0
UNI-Cro	2	50.0	50.0	0.0
Matica	1 (two on a half of the working time)	...	...	...
<i>Employers' Association</i>				
HUP	31	77.4	67.7	44.4

Trade union confederations employ relatively high number of workers with foreign language skills (two to four foreign languages may be spoken) which is important for successful integration of trade unions in European and international trade union confederations, for successful cooperation, exchange of experience, assistance in education and training of trade union personnel that trade unions receive from international confederations to which they are affiliated. Workers mostly use the English language. It has to be emphasized that the Union of Autonomous Trade Unions of Croatia, as the largest trade union confederation in Croatia, has a separate organizational unit for international cooperation. The similar situation is in the Croatian Employers' Association. All associations, of trade unions and of employers, are well-equipped with computers and other modern technology which they use on an everyday basis, and they also have access to Internet.

Table 2.4 - Foreign languages and IT

Nam	Number of foreign languages	Dominant foreign language	IT equipment	Employees using IT equipment on an every-day basis	Access to the Internet
<i>Trade union confederations</i>					
SSSH	4	English	Yes	Almost all	Yes
NHS	4	English	Yes	All	Yes
URSH	2	English	Yes	All	Yes
HUS	3	English	Yes	Almost all	Yes
UNI-Cro	2	English	Yes	Almost all	Yes
Matica	...	...	Yes	...	Yes
<i>Employers' association</i>					
HUP	4	English	Yes	All	Yes

2.5 Financial Resources

Trade union membership fee is the only regular source of financing for the trade unions. Occasionally they receive smaller support, grants from foreign foundations or trade unions for different projects. Sometimes international associations of trade unions finance the participation of trade union representatives at trade union meetings, education and training seminars, etc. It is important to note that the Government of the Republic of Croatia does not finance the activities of trade unions.

The system of determining the membership fee, the amount of the fee as well as its distribution varies in different trade unions. The predominant system is when a trade union, most often a branch trade union affiliated to a trade union confederation, determines the amount of a membership fee and its distribution. The membership fee is most often determined in the percentage of the amount of worker's gross or net wage, but there is a small number of trade unions where the membership fee is fixed in the absolute amount. The level of membership fee that is determined in terms of percentage varies substantially, and it ranges from 0.2 to 1.5 % of gross or net wage. The rule is that the employer calculates and pays the trade union membership fee with the consent of a worker and according to the instruction of the trade union, and the obligation of employer to calculate and pay the trade union membership fee is stipulated by law. With a large majority of trade un-

ions, membership fee is divided between the local union and the trade union, and in majority of cases 40-50 % of the membership fee is paid in to the trade union subsidiary, and from the amount paid in to the branch (sectoral) trade unions, they finance the trade union confederation to which they are affiliated.

Although the trade unions mainly evaluate that the available financial resources are enough to finance the cost related to the employees in the trade union central organisations, they insist that the resources are not enough to further strengthen the trade union as regards the personnel resources, especially as regards the need to employ skilled persons to provide legal assistance and performance of activities related to accession to the European Union.

A special problem is new recruitment to trade unions because the approach to young workers has to be much more different having in mind their age, education, interests, and this should be done by educated trade union workers. Trade unions are trying to solve the problem through education of their employees without new employment, and this has so far not given the expected results.

Table 2.5 - Financial resources of trade union confederations

Name	Budget 2004		Other sources of income (different from trade union membership fee)		Attitude on the sufficiency of available financial means	
	Total (in EUR)	Per a trade union member (EUR/member)	2004 (in EUR)	Out of total budget (%)	Sufficient (yes/no)	2005
SSSH	1.955.365,52	9.26	9.000,00	0.5%	Yes	↓
NHS	...	...	0,0	0,0	Yes	↑
URSH	130.357,70	2.61	0,0	0,0	Yes	↔
HUS	260.715,40	4.91	0,0	0,0	No	↑
UNI-Cro	39.418,29	1.96	0,0	0,0	Yes	↔
Matica	...	...	...	...	...	...

As with the trade unions, the main source of financing the activities of the employers' association is also a membership fee. Membership fee for the members of employers' association is calculated according to two criteria: the number of employed

with the employer and the sector of activity performed. According to the evaluation of employers, the available financial resources suffice for financing the existing organization and number of employed, but due to the increase of the number of members of the association, there is an increase of budgetary resources. The employers' association does not receive support of the Government of the Republic of Croatia, nor does it receive support of the EU funds.

Table 2.6 - Financial means of the employers' association

Name	Manner of determining membership fee	Total budget (in EUR)		Other sources of income (different from membership fee)		Attitude on sufficiency of available financial means	
		2004	2000	2004	2000	Sufficient (Yes/No)	2005
HUP	Number of employed and the type of activity	1.500.000,00	1.100.000,00	0.00	0.00	Yes	↑

2.6 Tripartite Cooperation

National tripartite body in which partake the Government of the Republic of Croatia, trade unions and employers is the Economic and Social Council (*Gospodarsko-socijalno vijeće/GSV*). This Council was established with the agreement of the six trade union confederations, the Government of the Republic of Croatia and the Croatian Employers' Association, and according to the provisions of the Labour Code. At the national and local level the Economic and Social Council is primarily an advisory body with regard to economic and social issues that are of interest for the social partners. Before the main plans of economic and social development, state budget and laws and measures from the field of economy and social policy are passed, the Government of the Republic of Croatia carries out the discussion on those matters at the Economic and Social Council and adopts conclusions afterwards. The Economic and Social Council is active also through ten commissions as concrete expert bodies, a number of other ad hoc or permanent expert groups, as well as other institutional forms of permanent social partners' dialogue, and at the national level these are the following: governing bodies of the Croatian Institute for Pension Insurance, Croatian Institute for Health Insurance, Croatian Employment Office, National Council for Occupational Safety and Health, National Council for Competitiveness; participation of workers' and employers' representatives in the work of the working bodies of the Croatian Parliament without the right to vote: Committee on Labour, Social Policy and Health, Committee on the Economy, Development and Reconstruction, Finance and Central Budget Committee, Legislation Committee and others. At the local level there are 18 economic and social councils established at the level of counties and the City of Zagreb, which formed formal preconditions for a successful social dialogue. However, it is not the case. Despite the formal preconditions and the wish of the trade unions and employers for having a real dialogue, it is the evaluation of trade unions and employers that the Economic and Social Council is used more as a means of informing trade unions and employers about the plans of the Government of the Republic of Croatia than as a body for reconciliation of positions and adoption of binding decisions and conclusions. Those are the reasons why the work of the Economic and Social Council is only of the formal character, the decision-making procedures are not clearly de-

fined, very often documents prepared for the discussion are lacking appropriate expertise, which all leads to a conclusion that there is no wish on the part of the third social partner - the Government of the Republic of Croatia - for the true social dialogue. The Economic and Social Council has a significant role in the promotion of collective bargaining and peaceful settlement of labour disputes, especially of collective labour disputes.

In such circumstances the Economic and Social Council, in June 2003, finalized a huge process of harmonization of labour and social legislation. Although social partners could not reach an agreement on several important issues and amendments to the Labour Code, we can conclude that a satisfactory level of social dialogue has been achieved, as well as a consensus on certain matters of joint interest, which influenced the adoption of amendments to several laws, as well as the adoption of new laws from the field of labour and social legislation.

Despite the dissatisfaction with such work of the Economic and Social Council, trade unions and employers consider their participation in the work of the Economic and Social Council quintessential, and they aim at improvement of its efficiency.

2.7 Collective Bargaining

At the national level in the Republic of Croatia only the Collective Agreement on the Amount of Lowest Wage has been concluded. The application of this Collective Agreement has been extended to all workers based on the statutorily set possibility of extension of application. There are also collective agreements that regulate relations of workers in the state administration and public services (education, healthcare) which are considered as having the importance as national collective agreements. When there is collective bargaining on the regulation of relations in public services, then the Government of the Republic of Croatia is involved at least as an indirect employer because indirect employers are public institutions (schools, hospitals) which are in public ownership.

In the system of collective labour relations with regard to the coverage of workers by collective agreements, the dominant place have collective agreements of activities/sectors/branches, followed by collective agreements concluded at the level of employers, ie company collective agreements or in-house collective agreements. It has to be said that in the largest trade union confederation - UATUC - the affiliated trade unions have concluded a large number of activity/sectoral/branch collective agreements, as much as 14, and six of them have been extended to all workers in the activity/sector/branch by a competent minister's decision.

At the sectoral level collective agreements are, as a rule, concluded by the activity/sectoral/branch trade unions that are affiliated to trade union confederations, and confederations in that process provide expert assistance in the bargaining. At the regional level (level of counties and townships) only the collective agreements regulating the employment relationship of the local civil servants employed with counties and townships are concluded. The trade unions affiliated to representative trade union confederations increasingly bargain and conclude collective agreements at the level of employers and in that way significantly influence the improvement of the level of workers' rights. In the largest trade union confederation the UATUC, affiliated trade unions have concluded around 600 company collective agreements. The trade union assessments of the perspective of collective bargaining are different, however the majority of trade union confederations thinks

that the bargaining at the level of employers will remain the same or it will have a slight increase.

It has to be stressed that bargaining for collective agreements is faced with great difficulties at all levels because of the large number of trade unions and non-existence of the law on representativity of trade unions. The same problem is also in the case of employers' associations. According to trade unions, a special problem is non-compliance with the concluded collective agreements by the employers, and at this level the Government of the Republic of Croatia as the largest employer failed completely. It is even worse because with this kind of behaviour, the Government sends a message to other employers that they can act without any consequences. This leads to a justified conclusion drawn by trade unions that the Government of the Republic of Croatia committed to development of social dialogue only in principle. The same conclusion can be applied to employers from the Croatian Employers' Association.

The largest employers' association (HUP) emphasizes good experience regarding the collective bargaining and application of collective agreements. This association of employers is not directly involved in collective bargaining because it is its members who bargain at the level of activity/sector/branch and the employers at the level of company collective agreements, and the association provides them with the expert help in bargaining. They expect to see the increase of importance of collective agreements concluded at the company level in the following period.

Table 2.7: Participation of social partners in collective bargaining

Name	National level		Branch/sectoral level		Company level	
	Participation	Attitude on importance in the near future	Participation	Attitude on importance in the near future	Participation	Attitude on importance in the near future
<i>Trade union confederations</i>						
SSSH	Yes	↑	Yes	↔	Yes	↑
NHS	No	↔	Yes	↔	Yes	↑
URSH	Yes	↑	No	...	Yes	↔
HUS	Yes	↔	Yes	↑	Yes	↔
UNI-Cro	No	↔	Yes	↑	Yes	↑
Matica	...	...	...	...	...	...
<i>Employers' association</i>						
HUP	Yes	↓	Yes	↓	Yes	↑

2.8 International Cooperation

International cooperation is more or less present in all representative trade union confederations. The largest trade union confederation in Croatia - Union of Autonomous Trade Unions of Croatia, has been an observer member in the European Trade Union Confederation (ETUC) since 1998, and in 2004 it became a full member of that confederation of trade unions. As early as since 1996 the UATUC has been a member of the International Confederation of Free Trade Unions/ICFTU (now International Trade Union Confederation/ITUC). The Union of Autonomous Trade Unions of Croatia values highly the benefits it has from the international cooperation, particularly the one taking place within the European Trade Union Confederation. That cooperation is especially useful in the understanding of the industrial relations system in the European Union and its Member States, and in the training and capacity building of trade unions for a high-quality participation in the accession process of the Republic of Croatia to the European Union. Of the same importance is also the capacity of trade unions to comply with the obligations arising out of the membership in the international trade union organizations (payment of affiliation fees, participation in the activities of confederations, implementation of the internationally assumed obligations) which the UATUC has met successfully in its entirety. The second largest trade union confederation in Croatia - Nezavisni hrvatski sindikati (NHS) - also wants to participate in the international activities, which is visible from their application for membership in the ETUC and ICFTU. It has to be said that other trade union confederations also participate in international activities, however they do that via the membership of their affiliated branch/sectoral trade unions in the international trade union associations of individual industrial branches and activities. The majority of trade union confederations is capable of participating in international activities both in terms of experts and finances, while the confederations which do not have experts for international cooperation argue that the reasons for that is the lack of financial means.

Representative employers' association has been an observer since 1999, and since 2004 an associated member of the employers' organization UNICE. Furthermore, since 1994 HUP has been a member of the International Organization of Employers IOE. The employers' association also emphasizes positive experience in the mem-

bership in the international employers' associations, and they find as especially important the recent affiliation to UNICE. The participation in the work of that international employers' association enabled them to present the interests and positions of the Croatian employers at the European level. This is of great importance especially in the process of negotiations for the membership in the European Union. The transfer of knowledge through international organizations of employers contributes to its capacity building and gaining skills for the forthcoming changes that will be brought about with the accession of Croatia to the EU. This employers' association is a member of the European Association of Small and Medium Enterprises CEA-PME. According to this employers' association, there are no sufficient financial resources for employing the necessary number of experts so the participation in international activities has been reduced to priority activities.

It has to be noted that trade union confederations and employers' associations are not participating in the work of the European sectoral social committees although both sides stress the need and readiness for this kind of participation and work.

2.9 Conclusion

Social dialogue in the Republic of Croatia has its strengths and weaknesses.

One of its strengths is definitely a legislative framework which relatively clearly defines bipartite and tripartite cooperation, i.e. institutionalized environment of social dialogue, as regards the procedures, but also the communication channels and manners of dealing with the most important issues, as well as the willingness of social partners to participate in social dialogue.

In respect of bilateral (bipartite) social dialogue it is very important that the trade union coverage is good, and it is around 40 % of employed in the Republic of Croatia that are members of a trade union. The estimation of trade unions is that around 35 % of workers are members of some of the trade unions that are representative and hence represented in the Economic and Social Council, and that around 5 % of the employed are members of some other trade unions. Relatively good level of organisation exists also on the employers' side, and they estimate that around 30 % of workers are employed at the employers that are members of the Croatian Employers' Association, and around 5 % at those employers that are members of other employers' associations. Relatively high organisation of workers into trade unions and organisation of employers into their associations leads also to the relatively high coverage of workers by collective agreements applicable to them. About 65 % of workers are covered by collective agreement concluded at the level of activity/sector/branch or at the level of employers. Relatively high coverage of workers by collective agreements is for sure largely a consequence of the extended application of branch/sectoral/activity collective agreements, which have been extended by the decision of the competent minister. This is best illustrated by a data that in the largest trade union confederation of Croatia - UATUC - 8 out of 14 branch/sectoral collective agreements are agreements that have been extended. An additional reason for this relatively high coverage of workers by collective agreements is high coverage of public and state sectors by collective agreements. More intensive development of social dialogue is rendered difficult due to various problems which can be categorized in two groups. The first problem is definitely non-existence of criteria for determining representativity of trade unions as well as the objections of the part of trade unions that the existing criteria for determining

representativity of trade unions at national level are inappropriate because those criteria allow the representation of trade union confederations in the national tripartite bodies with considerably different number of members and different capabilities for social dialogue. The employers' associations are faced with identical problems. Another problem of representativity is related to determining representativity of associations of trade unions and employers for collective bargaining. In that context trade unions often object that it is not always clear on whose behalf the employers' association bargains. At the same time on the trade union side during bargaining and conclusion of collective agreements there are very often involved also trade unions with negligible number of members and with no capacity for social dialogue. This kind of state of affairs leads to confrontations among trade unions which weakens their bargaining position and leads to further disintegration and lack of unity among the trade unions. The undistributed trade union property from the socialist period also is one of the factors influencing the disintegration of trade unions.

The work of the Economic and Social Council would be more efficient if there were clearly defined procedures; to this also contributes inappropriate position of the Office for Social Partnership which should be the logistical support to the Economic and Social Council and thus independent of the Government of the Republic of Croatia, unfortunately it is not. All this indicates the need to establish an independent office which would be separated and independent from the Government of the Republic of Croatia and which would provide logistical support to the Economic and Social Council.

Trade unions and employers consider that the state administration bodies do not have necessary human resources, financial means, organizational and other capacities needed for analytical support of bipartite and tripartite social dialogue.

Another problem is lack or non-recognition of the representativity of employers' associations which would represent the interests of employers from public and state sector. Employers' association is experiencing obstruction when trying to organize companies in state ownership.

A special problem is non-compliance with concluded collective agreements at all levels. Although the Croatian Employers' Association has its Code of Behaviour with the set obligation of members to respect the laws and other sources of law, the

practice however shows frequent violations and breaches of laws and collective agreements. This is a clear sign of unwillingness to bargain in good faith, because if that were the case, then these behaviours would not be present.

Some employers show disinclination to collective bargaining, and employers' association explains part of the lack of willingness for collective bargaining by the fact that, by the strength of statutory regulation, legal rules contained in a collective agreement shall be applied to previously concluded contracts even after the term of application of the collective agreement has expired. Thus the employers may not, regardless of the different, changed, circumstances, be freed from the obligations from the once concluded collective agreement.

High coverage of workers with sectoral collective agreements with the trend of increase of company collective agreements does not contribute to strengthening the social dialogue at the national level.

In the current conditions we can expect the strengthening of collective bargaining at the company level, which is of interest to trade unions and employers. This strengthening would be enhanced if representativity would be redefined at the national level and representativity criteria set in the field of collective bargaining. The representativity for collective bargaining could stimulate the process of trade union mergers, which would definitely improve the capacity of trade unions for social dialogue at all levels.

In its attempt to improve the bipartite social dialogue, in October 2007 the largest Croatian trade union confederation, the Union of Autonomous Trade Unions of Croatia, proposed to the representative employers' association, the Croatian Employers' Association, several issues for joint activity:

1. priority matters of joint interest:
 - labour market policy, employment policy, labour migration
 - business environment and competitiveness
 - lifelong learning and competitiveness
 - fight against undeclared work
 - corporate social responsibility
2. define objectives that we wish to achieve, concrete activities, manner of work
3. for this group of issues, work on the implementation of the European framework agreements:

- tele-work
 - stress at workplace
 - harassment and violence at work
4. consider the possibility to develop and submit a joint project for EU funds aiming at strengthening own capacities for social dialogue (IPA, Component I).

Despite the above mentioned weaknesses and dissatisfaction with the level of social dialogue in Croatia, it is without any doubt that there are institutional preconditions for more efficient work, but what is lacking as an important component of social dialogue is confidence in a social partner and honesty in approach. This is a challenge facing social partners in their future work, and this demands patience and perseverance.

Whatever the situation and relations between social partners are today, social dialogue has no alternative!

3. Social Dialogue in the Republic of Croatia at Sectoral Level

Prepared by Dragica Mišeljić

3.1 Republic of Croatia: Basic Facts

The state territory covers the surface of 56.594 square kilometres with 4.440.000 inhabitants. Republic of Croatia is divided into administrative units which comprise 21 counties, 124 townships and 426 municipalities. The counties include also the capital, the city of Zagreb which has the status of a county. Out of the total number of active population of 1.719.509 in 2004 there are 1.409.634 employed, and 309.875 unemployed. According to that, the registered unemployment rate in 2004 amounted to 18.0 %, and the general unemployment rate according to the labour force survey (ILO methodology) was 13.8 %. In the last few years unemployment has been slightly decreasing, hence in 2006 there were 270.753 unemployed persons, and the registered unemployment rate amounted to 15.7 %. In 2004 there were 1.162.000 persons in employment relationship, out of which there were 627 000 or 54 % of those employed in the private sector, and 536 000 or 46 % in the state sector or in the sector in transformation. In 2004 gross domestic product *per capita* was USD 7.742,20 (EUR 5.689,00). The average monthly gross wage amounted to HRK 5.985,00 (EUR 780,00), and the average monthly net wage HRK 4.173,00 (EUR 544,00) in the same year. In 2006 the average monthly gross wage was HRK 6.634 (EUR 906,00), and the average monthly net wage HRK 4.603 (EUR 628,00), which shows a slight increase.

3.2 Legal Framework

The basis for social dialogue are enshrined in the Constitution of the Republic of Croatia, in Articles 43 and 59, which guarantee to workers and employers a right to organizing as a fundamental human right. The Republic of Croatia has also ratified the Conventions 87 and 98 of the International Labour Organization which stipulate the right to organizing and collective bargaining, as well as the European Social Charter, which guarantees the right to organizing. It has to be noted that Croatia has still not ratified the ILO Convention No. 151 on Labour Relations in Public Service and ILO Convention No. 154 on Collective Bargaining, despite the constant demands from the trade unions and their requests for the ratification of those conventions. Apart from the afore-mentioned sources of law, the right to organizing workers in trade unions and their associations, and employers in theirs is stipulated by the Labour Code. The same law regulates also collective bargaining and legal force of collective agreements. The Labour Code has foreseen a possibility of the establishment of the Economic and Social Council as a national body of cooperation of the Government of the Republic of Croatia, employers and trade unions. The Labour Code furthermore envisages other forms of workers' participation in decision-making at the level of employers through works councils and participation of workers' representatives in supervisory and other bodies of companies and public institutions. *Lex specialis*, Act on the Method of Determining the Representation of Trade Union Associations of a Higher Level in Tripartite Bodies at the National Level has regulated the procedure for determining which trade union confederations will be represented in the Economic and Social Council and in other national bodies with tripartite membership. In this manner only the representativity of trade union confederations has been set, and not the representativity of trade unions. The Economic and Social Council has by way of agreement determined criteria according to which it should be determined which employers' associations have the right to be represented in the Economic and Social Council and other tripartite bodies at the national level. Hence, the tripartite process at the national level includes the following: trade unions (Savez samostalnih sindikata Hrvatske/SSSH - *Union of Autonomous Trade Unions of Croatia/UATUC*, Matica hrvatskih sindikata javnih službi/MHSJS - *Association of Croatian Public Service Unions*, Nezavisni hrvatski sindikati/NHS - *Independent Trade Unions of Croatia*, Hrvatska udruga sin-

dikata/HUS - *Croatian Trade Union Association*, Udruga radničkih sindikata Hrvatske/URSH - *Association of Workers' Trade Unions of Croatia*, while a new trade union confederation UNI-CRO meets the criteria for participation, however according to the agreement among the trade unions, at the moment it does not participate in the work of the Economic and Social Council) and Hrvatska udruga poslodavaca/HUP (*Croatian Employers' Association*) as employers' representative.

At the end of 2001 the Government of the Republic of Croatia, the Croatian Employers' Association and the four trade union confederations signed a Partnership for Development Agreement which set out joint economic and social objectives as well as content- and time-regulation of restructuring and privatization of the Croatian economy, wage policy in three-year period, social policy priorities, and the process of harmonization of legislation with the European Social Charter. This document enables active participation of workers' and employers' representatives in the realization of individual items of the Agreement. At the same time, all the other social players have been invited to join the said Agreement by offering their own contributions to the efforts for faster accession of Croatia to the European Union and to successful implementation of reforms. Unfortunately, due to the fact that several trade union confederations left the Agreement as early as beginning of 2002, the Government of the Republic of Croatia had to transfer the planned activities from the Agreement into the Operational Work Plan of the Government of the Republic of Croatia until the end of 2003 and based on it continue the implementation of economic and social reforms. Trade unions and employers were not excluded from the discussion on certain issues, however in some way the activities and the process of concertation of positions of social partners within the Economic and Social Council were made difficult. In the past period the majority of trade unions expressed their intention to closely cooperate with other social partners, and especially with the representatives of the Government of the Republic of Croatia in consideration of numerous issues that are of interest for their members.

The issue of trade union property, dating from the socialist period, has been regulated by the Law on Associations, and the trade unions represented in the Economic and Social Council agreed that this property should be divided among them according to the number of members. The property has still not been divided, the agreement among trade unions has failed, and new determination of the number of

trade union members is underway, and it should serve as a basis for the division of property. It is very important to note that there are no criteria for determining representativity of trade unions or of employers' associations, which greatly aggravates trade union work and weakens the cutting edge of the trade union activity and work in relation to social partners, and it leads to conflicts among trade unions.

3.3 Sectoral Organization of Trade Unions

Considering the statutory legal preconditions for establishment of trade unions (10 capacitated persons of age) enshrined in the Labour Code, today a situation with trade union organization in the Republic of Croatia is such that we have 254 established and registered trade unions at the national level and 24 associations of trade unions of a higher level (trade union confederations). The majority of registered trade unions are affiliated to six trade union confederations which are represented in the Economic and Social Council. Facing ever greater problems in inter-trade union agreements in relation to joint approach to social partners, the majority of trade union confederations have understood the necessity of merger. Due to that, in April 2007 they signed an Agreement on Cooperation and Initiation of the Merger Negotiations Procedure, which has never come to life. Despite that, the trade union scene did change. In spring 2006 certain initiatives on merger of some unions were taken, and this resulted in the establishment of a new trade union confederation called Glas HR. After that, there were no changes of the trade union scene in organizational terms. However, it is true that the number of members is stagnating and showing a slight decline. That is primarily a consequence of restructuring of economy which led to the growth and strengthening of the services sector in relation to the industrial sector, and in the sector of services with small entrepreneurs and a part of multinational companies trade union organizing has been made difficult and even rendered impossible by employers' bans. This is aggravated by amendments to labour legislation which strengthen the institute of fixed-term work (in 2006, 85 % of newly-employed persons were employed on a fixed-term basis), cancellation of employment contracts to a large number of workers as a consequence of restructuring, and retirement of older people which additionally renders difficult trade union organization.

It definitely has to be noted that all trade union confederations are not organized in the same way within their respective sectors. The organization of the UATUC and UNI-Cro confederations is consistent in terms of division according to sectors in which employers operate, and the workers are members of trade unions that have sectoral organization in terms of their activities, and at employers these trade unions function through their local unions. In trade union confederations NHS, HUS

and URSH, as associations of a higher level, not all affiliated unions are organized in sectors, branches or activities. Namely, these confederations affiliate their member unions which are not only organized at sectoral level but also trade unions that are active at individual employer or are regionally organized, hence they do not organize the whole sector. These trade unions are then directly affiliated to a confederation as the association of trade unions or to a federation of trade unions which together with other federations of trade unions forms a trade union confederation as an association of trade unions of a higher level. Hence, it sometimes happens that associations-members of a confederation are at the same time both a trade union and an association of trade unions. This is pronounced on a smaller scale with NHS confederation, where besides sectoral trade unions there are some trade unions that do not have sectoral organization, and in case of HUS confederation, which adopted a strategic decision on organizing within three sectors (private, state-owned and public services), however that decision has still not been completely implemented. This trend is especially prominent with URSH confederation whose activity relies on individual trade unions that are active within only some parts of sectors or with some employers. When it comes to trade unions that do not have sectoral structure, their work nevertheless covers sectors or parts of thereof, and even when they do not cover the whole sector, it can be stated that they participate at the sectoral social dialogue. As to the local level of trade union organization, different from the level of organizing trade unions at the company level, it has to be said that this kind of organizing is an exception in the Republic of Croatia (e.g. Trade Union of Istria and Kvarner). At the local level (level of townships and counties), collective agreements are concluded only with regard to regulation of employment relationship of the local and regional civil servants.

The differences in the organizational structure and composition of trade unions, i.e. confederations are accompanied by differences in sectors in which trade unions and trade union confederations operate. One trade union confederation, UNI-Cro, has specialized its activities exclusively in terms of services sector. At the same time, the Croatian Employers' Association (HUP) is not present in the public sector. Since in the Republic of Croatia representativity is determined only for the purpose of participation in the national tripartite bodies, all trade unions, i.e. all sectoral

associations are representative for collective bargaining in which they participate, as well as in the social dialogue.

Table 3.1: Sectoral organizations of trade unions

Name	Number of sectoral organizations	Number of sectoral organizations, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
SSSH	23	7 ¹	9	7	0 ¹	0
NHS	21	4	8	8	1	0
URSH	45	14	16	13	2	0
HUS	9	4	3	1	1	0
UNI-Cro	9	0	9	0	0	0
Matica	5	0	0	5	0	0

¹ Trade Union of the Employed in Agriculture, Food, Tobacco and Water Industries of Croatia partially covers agricultural sector, although within the UATUC it is classified as belonging to industrial sector.

Since 2000 the majority of trade union confederations have seen the increase or stagnation in the number of members, the decrease has only been seen in UNI-Cro and in UATUC. The reasons for this are the changes with regard to restructuring of economy (strengthening of services sector in relation to the industrial sector) as well as bankruptcies, privatization and bad economic situation. Besides, in the growing services sector and with small enterprises trade unions have increasing problems with recruitment. Trade unions emphasize the problem of limitation of the freedom of trade union organizing by multinational companies. In terms of trade union organized sectors, the most significant is the industrial sector, followed by services sector and the public sector (agricultural sector in industrial production and processing part in the trade unions is most often classified within the industrial sector).

Table 3.2: Number of members per sectoral organizations of trade unions

Name	Total number of members	Number of members of sectoral organizations, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
SSSH	211.205	128.000	40.000	43.000	0	0
NHS	93.000	20.000	28.000	36.000	2.000	7.000
URSH	41.000	20.000	10.000	10.000	1.000	0
HUS	53.000	30.000	13.000	5.000	2.000	3.000
UNI-Cro	20.099	0	20.099	0	0	0
Matica	55.830	0	0	55.830	0	0

Table 3.3: Movement of the number of members of sectoral organizations of trade unions in relation to the year 2000

Name	Number of members of sectoral organizations	Number of members of sectoral organizations, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
SSSH	□	↓	□	□	↓	...
NHS	□	□	□	□	□	□
URSH	□	□	□	↓	□	...
HUS	□	□	□	□	□	□
UNI-Cro	□	...	□
Matica

Symbols:

- ↑ - increase
- ↔ - same level
- ↓ - decrease
- no available data

The requirement for the establishment of employers' association is at least three physical or legal entities. Following that requirement, in the Republic of Croatia at the national level there are 39 employers' associations registered at the national level. There are also three registered employers' associations of a higher level. As of 1994, among the employers' associations of a higher level there is a predomination of the Croatian Employers' Association (*Hrvatska udruga poslodavaca/HUP*),

which is the only representative employers' association represented in the Economic and Social Council. Croatian Employers' Association is mainly active within the industrial and services sector and in those sectors it has increased its members as compared to the year 2000.

Table 3.4: Sectoral organizations of employers' association

Name	Number of sectoral organizations	Number of sectoral organizations, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
HUP	26	20 ¹	6	0	0 ¹	0

¹ Association of food industry and agriculture partially covers agricultural sector, although within the Croatian Employers' Association it belongs to the industrial sector.

Table 3.5: Number of members of sectoral organizations of the employers' association

Name	Total number of members	Number of members of sectoral organizations, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
HUP	5.000	2.700	1.600	0	700	0

In relation to 2000, the Croatian Employers' Association has seen a trend of increase in terms of the number of employers-members of sectoral organizations. The Croatian Employers' Association especially emphasizes the problem of lacking state support to organizing employers in state-owned companies.

3.4 Organizational and Financial Resources at the Sectoral Level

There are differences with regard to organizational capacities at the sectoral level, especially in terms of human resources. This can be explained by the orientation, i.e. by the activity of trade unions that does (not) rely on sectors, and it is also linked to financial capacities of trade unions. As it could be expected, trade union confederations with numerous membership have greater number of employed and they express their satisfaction with their human resources (UATUC notes that it has 35 legal advisers/lawyers only at the level of its county offices), and with the level of expertise for conducting collective bargaining at the sectoral level, whereas smaller trade union confederations express a moderate lack in terms of personnel and expert staff, and they mostly rely on cooperation, i.e. on the experts of certain trade unions who within their job in a trade union do a part of the activities and tasks for the trade union confederation too. Human resources and staff potential is largely affected by the fact that the real trade union work is done also by shop stewards who, based on the collective agreement, are released from the duty to work for their employer. Those shop stewards are formally employed with the employer where they are shop stewards, and they really work for the trade union they belong to.

Among the employed in the trade unions at the sectoral level, there is a predomination of female workers.

As to the financial resources, trade union confederations with greater number of members hold that their sectoral organizations have enough financial resources, whereas smaller trade union confederations have a moderate lack of financial means of their affiliated members, and the reason for this, according to them, is the number of members and lower wages in individual sectors.

With regard to the overall organizational capacities of sectoral organizations of trade unions, they are good in trade union confederations with greater number of members, whereas smaller confederations have moderate capacities. Sectoral organizations with greatest organizational capacities are found in the industrial sector, followed by sectoral organizations that operate in the services sector and in the public sector. Smaller trade union confederations have poor results in trade union organizations within services sector, public sector and agriculture.

Commercial Trade Union of Croatia as an affiliate of the largest trade union confederation in Croatia - UATUC - has an organizational structure that covers the whole territory of the Republic of Croatia, through its trade union members in companies all over the country. The basic form of trade union organization is a local union in the company, as a form of internal organization, and it does not have the status of a legal entity. In large companies with a great number of trade union members, a trade union and employer agree on the job performed by a shop steward who is released from performing contracted jobs. In this way a better quality of trade union work is ensured, as well as a greater membership in trade unions, higher level of education of shop stewards, better collective agreements and higher level of rights for workers. In the Commercial Trade Union of Croatia there are eight employees, and seven out of these eight have a university degree; five are lawyers and one is an economist. In terms of organization, three lawyers are employed in big regional centres, thus ensuring preconditions for the high-quality representation of trade union members on the whole territory of Croatia. High-skilled human resources ensure successful bargaining with employers at the company and sectoral level. When needed, expert assistance is provided by the UATUC trade union confederation, with its 26 lawyers in regions and with its other expert staff. Commercial Trade Union of Croatia is financed exclusively through trade union membership fee which is not sufficient for all the activities of the trade union, and the major activities are the following: organizing and recruitment, collective bargaining and protection of workers' rights. Since this is a very dynamic activity where the work is organized in shifts, with a great fluctuation of workers, the costs and expenditures of the trade union are considerably higher regardless of its activity. These are the reasons why the Commercial Trade Union of Croatia uses the financial means from the donations of friendly trade unions, such as Commercial Trade Union of Norway for the purposes of realization of special projects: organization and recruitment, education and training, etc.

3.5 Powers and Achievements of the Sectoral Associations

At the sectoral level, all sectoral organizations of trade unions are representative, i.e. they are entitled to collective bargaining. The great number of concluded sectoral collective agreements is a consequence of joint signing of certain collective agreements by several trade unions in individual sectors. Furthermore, with trade unions that are not organized according to the sectoral model collective agreements with important employers, or in the parts of the sectors, are included among sectoral collective agreements. The coverage of trade union members with collective agreements is high, mainly more than 50 %. Relatively high coverage of workers by collective agreements is for sure largely a consequence of the extended application of collective agreements, which have been extended by the decision of the competent minister in charge of labour to all workers employed in a sector (i.e. in a certain branch or activity). The problem in collective bargaining is unclear representativity of sectoral employers' associations (it is not clear which employers those employers' associations represent, i.e. on whose behalf they bargain). However, besides this there is also a problem of the lack of unity among trade unions and the competition among them in the collective bargaining process.

Table 3.6: Sectoral collective agreements concluded in 2005

Name	Number of concluded sectoral collective agreements	Number of concluded sectoral collective agreements, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
SSSH	5	3	2	...	...	...
NHS	5	1	1	3	0	0
URSH	2	1	0	1	0	0
HUS	7	3	2	1	1	0
UNI-Cro	...	...	8	...	...	...
Matica	...	...	...	...	...	...

Trade union confederations point out good examples in the collective bargaining in the services sector, as well as in the industrial and agricultural sector. As to the perspective of sectoral collective bargaining in the following three years, trade union confederations assess that the importance of this collective bargaining will rise, and two confederations are of the opinion that it will remain at the same level.

Table 3.7: The past experience of trade unions with regard to sectoral collective bargaining

Name	Experience with regard to sectoral collective bargaining	Experience with regard to sectoral collective bargaining, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
SSSH	disappointing	...	...	...	...	...
NHS	disappointing	not encouraging	not encouraging	not encouraging	not encouraging	not encouraging
URSH	disappointing	encouraging	encouraging	not encouraging	encouraging	not encouraging
HUS	disappointing	encouraging	...	not encouraging	not encouraging	not encouraging
UNI-Cro	disappointing	...	encouraging	...	...	...
Matica	...	...	...	...	...	...

Commercial Trade Union of Croatia, which covers the commerce sector, has the sectoral collective agreement since 1993 which at that very time was extended to the whole activity in the territory of the Republic of Croatia. The collective agreement that was concluded in 1997 with the employers association and its amendments has also been extended to the whole activity. The problem with this collective agreement is a low level of contracted rights, which is the result of the attitude of employers' association that the collective agreement fixes the level of rights which is supportable by the weakest member of the association. In recent years the Trade Union has attempted to change the attitude of the employers' association and to raise the level of rights to medium-successful companies. This sectoral collective agreement has been concluded also by the Branch trade union of commerce affiliated to HUS trade union confederation, which participated in the bargaining only formally without the expert assistance. The reason for this is that this trade union confederation does not have its own experts for collective bargaining.

At the sectoral level, all employers' associations are representative and are entitled to collective bargaining. In 2005 Croatian Employers' Association concluded a sectoral collective agreement in the industrial sector, which is different from the statement of trade union confederations. The coverage of members by collective agreements is relatively high, and it mostly ranges between 20 % and 50 %, and it holds the processes of collective bargaining as very important, regardless of the outcome of bargaining.

Table 3.8: Sectoral collective agreements concluded in 2005

Name	Number of concluded sectoral collective agreements	Number of concluded sectoral collective agreements, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
HUP	1	1	0	0	0	0

The Croatian Employers' Association assesses as encouraging the experience in sectoral collective bargaining within the industrial and services sector. This Association thinks that the importance of sectoral collective bargaining will decrease in the following three years due to the increase of importance of the valid collective agreements concluded between trade unions and certain employers (so-called in-house or company-level collective agreements).

Table 3.9: The past experience of the employers' association with regard to sectoral collective bargaining

Name	Experience with regard to sectoral collective bargaining	Experience with regard to sectoral collective bargaining, by sectors				
		Industrial sector	Services sector	Public sector	Agricultural sector	Other sectors
HUP	dobra	encouraging	encouraging	...	not encouraging	not encouraging

3.6 Company Level

At the employers' i.e. company level, trade unions are often represented by a shop steward or a trade union representative, but very often there are also trade unions established at the level of individual employers. Moreover, it very often happens that several trade unions operate with the same single employer. The status as well as the organization of the trade union at the company level is stipulated by the Labour Code in the same way as it is for the trade unions that operate at the level of sectors, branches or activities. For the organization of trade union at the company level, the internal rules of the trade union are also important (as a rule inherent in the Statute of a trade union), which stipulate the conditions for the establishment of local unions that operate at the company level, as well as the procedure of the election or appointment of a shop steward or a trade union representative. The employment contract in writing presents a legal obligation and is a predominant source of law and obligations for the individual employment relationship.

Table 3.10: Representation of trade unions at the company level

Name	Representation by		
	Shop steward/trade union representative	Trade union	Several trade unions with one employer
SSSH	frequent	rare	frequent
NHS	frequent	frequent	frequent
URSH	frequent	frequent	frequent
HUS	frequent	frequent	frequent
UNI-Cro	frequent	frequent	frequent
Matica	...	...	...

The experience of different trade union confederation varies with regard to the frequency of the presence of collective agreements at the company level. Hence, with large companies and employers, the coverage is 100 %, whereas in case of companies with smaller number of workers, the coverage by collective agreements

is also lower, and in case of employers with less than 50 workers, the coverage is hardly 20 %.

Collective bargaining in the Commercial Trade Union of Croatia at the company level has started in full swing five years ago. Hence today this sector, apart from sectoral collective agreement with extended application to the whole activity, also has 14 concluded collective agreements at the company level. It happens more often and often that three to four trade unions are involved in the bargaining from the trade union side, and practically the trade union with 1000 members and trade union with only 20 members being in the same position. This is the consequence of the lack of law on representativity of trade unions and is one of the important reasons for poorly developed bipartite social dialogue. Although in 2006 this sector was on the cutting edge in Croatia with about 27000 entrepreneurs, with 11 % share in GDP, with around 194 000 or 22 % of totally employed, with 5 billion kuna profit, the average gross wage is 5500 kn or 751 EUR. If we take into regard that 85 % of newly employed are employed on fixed-term basis, that numerous employers ban the establishment or hinder the work of trade unions, there is almost no possibility of organizing a strike with a view to support collective bargaining. This is also an indication of the lack of true dedication of employers to development of social dialogue; it remains unfortunately on the declarative level.

Two years ago a multinational company rejected collective bargaining on the company collective agreement and it supported it by the opinion of the State Secretary for Labour according to which employer who is obliged by the branch collective agreement is not obliged to bargain on the company collective agreement, and the trade union does not have the right to organize strike following the refusal of collective bargaining. This opinion, although not obliging, was accepted by the employers' association for commerce thus expressing their attitude to social dialogue.

Table 3.11: Frequency of presence of collective agreement with the employer

Name	Employer		
	More than 250 workers	50 to 249 workers	Less than 50 workers
SSSH	...	...	...
NHS	...	...	...
URSH	90 to 100%	90 to 100%	to 20%
HUS	...	...	...
UNI-Cro	100%	50%	25%
Matica	...	...	...

During bargaining at the company level, sectoral organizations participate very often, and in this respect there are no differences among sectors. The attitude of the majority of trade union confederations is that the importance of collective bargaining at the company level will increase in the following three years. According to them, the reasons for this are to be found in the fact that there are no collective agreements at higher levels, that there is no willingness from the part of employers to conclude sectoral collective agreements, as well as in the possibility that trade unions can win higher level of workers' rights in company collective agreements than in the sectoral collective agreements.

In terms of frequency of the presence of works councils with employers, the experience of trade union confederations varies, however in big companies works councils are present in almost 90-100 %. In case of employers with fewer workers, the percentage of presence of works councils is lower. Trade union confederations assess that with employers with less than 50 workers, works councils exist with 20 %, i.e. 50 % of employers. It has to be emphasized that trade union/trade union committee very often takes over the role of the works council.

Table 3.12: Frequency of presence of works councils at the company level

Name	Employer		
	More than 250 workers	50 to 249 workers	Less than 50 workers
SSSH	...	...	...
NHS	...	...	...
URSH	100%	100%	50%
HUS	...	...	...
UNI-Cro	90%	80%	20%
Matica	...	...	...

It is estimated that the number of works councils with employers in the next three years will remain the same because they are already mainly established with employers where there are legal and factual conditions.

The cooperation of works councils and employers is mostly good, and with each new mandate it becomes better. The reason for this is that works council members are learning in practice, trade union organizes annual education through seminars and other activities financed by employer, and trade unions nominate and propose experienced trade union staff for the lists of candidates. At the same time, it is increasingly difficult to cooperate with the employer, because they too have the know-how and/or employer lawyers or hire law firms. Especially prominent problem pose increasing attempts of employers to favour works council offering it bargaining on wages and other material rights for workers, regardless of the fact that the Labour Code stipulates that the works council is not allowed to bargain on those matters. In this manner employers are sending a message to workers that they are ready to bargain with the works council on each issue and that the trade union is no longer needed. According to the estimation of the Croatian Employers' Association, more than 50 % of employers who are members of the association have a trade union. At the same time, HUP considers that the majority of employers, who are members of the association, about 70 % of them, have collective agreements at the company level. In case of employers with fewer employed, the percentage of company collective agreements is lower, and employers' association

feels that about 30 % of employers with less than 50 workers have company collective agreement.

Sectoral organizations are very rarely involved in bargaining on company collective agreements.

Table 3.13: *Frequency of presence of collective agreements with the employer*

Name	Employer		
	More than 250	50 to 249 workers	Less than 50 workers
HUP	70%	55%	30%

Table 3.14: *Frequency of presence of works councils at the company level with employers*

Name	Employers		
	More than 250 workers	50 to 249 workers	Less than 50 workers
HUP	100%	100%	70%

3.7 Social Dialogue in Konzum

How does social dialogue look in KONZUM d.d., the largest national company with about 11 500 workers?

Commercial Trade Union of Croatia is present in this company from the beginning of its work, that is since 1990. The owner of the company understood very soon the necessity of cooperation with the trade union that was practised by management presidents. Hence the Commercial Trade Union of Croatia in this company concluded the first collective agreement which determined the wage, not a high one, annual bonus to the amount of HRK 3615 (493 EUR), time-in-service award to the amount of at least one average wage in economy in the Republic of Croatia, severance pay for retirement to the amount of three average monthly workers' wages, bonus for workers and a gift for their children up to 15 years of age for Christmas and Easter, solidarity assistance, workers' insurance in case of occupational injury and supplementary health insurance, systematic medical check up once a year with a specialist medical check up for women. A special part of the collective agreement is workers' right to participation in the company's profit, in the amount which is agreed every year between the trade union and the employer in the tariff collective agreement. So far it is agreed and paid in the amount of 100 EUR in kunas equivalent value. It is the only company where the trade union managed to agree the worker-participation in profit. It has to be noted that the Trade Union is not satisfied with the level of wages, however the impossibility to achieve higher wage was compensated by agreeing other receipts for workers, thus, based on all payments in one year, the average wage is increased by 20 %.

Co-determination in this company is on a very high level. Since the company has its activity in the whole territory of the Republic of Croatia, with 596 stores, it seemed impossible to organize elections for works councils. The trade union has proposed that by way of agreement trade union committees take over the powers of works councils and occupational safety and health representatives. The employer accepted the agreement and today there are six works councils regions with determined power and six committees for occupational safety and health and the main works council comprising the representatives of six regional works councils. Once a month regional works councils hold a meeting with the director of the region, and once in three months the main works council holds a meeting with the

company management. A special agreement regulates the conditions of work for the trade union, works council and occupational safety and health representative. In line with that agreement, eight professional shop stewards, freed from contracted obligations and duties, perform activities of a shop steward, works council, occupational safety and health. They have the equipped offices, stationary, post service, annual seminar for works council and occupational safety and health, financed by the employer. This year a large campaign of occupational safety and health has started through education and training of shop stewards and representatives and the supervision of facilities and workers with regard to danger assessment. In this way the activities of education and training cover 49 protected members of the trade union. All this is the result of a decade of work; in 1996 the Labour Code for the first time introduced works councils and the trade union is satisfied with what has been done so far. Greater achievements are lacking because workers are reluctant to provide data on the violations of their rights (especially when it comes to overtime, annual leave, work on Sunday) and this is the field where the trade union has to make some progress, and that will be very difficult. In case of this employer too, workers who deliver data, who are exposed to employer's wrath achieve their rights, all the others are deprived. So far trade union managed to block the attempts of exerting pressure on the workers who demanded their rights, however this still does not present sufficient security for the majority of workers. This employer too employs the majority of newly-employed on the fixed-term basis. Those workers do not demand anything because they are afraid for their jobs. After one year of bargaining, in October 2007 the main works council agreed with the management that 450 workers will get full-term employment contracts.

Workers in this company have their representative in the Supervisory Committee. Although one member does not have any influence on the decisions of the Supervisory Committee, the advantage of this form of representation is the information that trade union can get and use in demanding and implementing its requests and demands.

It is important to emphasize that the social dialogue is really alive in this company, every day when shop stewards/works council/safety representatives visit the stores and talk with workers, managers, and regional directors. All the problems are dealt

with within the region, and only those unsettled matters are referred to the main works council. There is no fear of membership in the trade union, no bans for becoming a member, there is a public statement by the company management and its owner that the work of the trade union and social dialogue have improved the relations in the company, that it has raised the responsibility of managers to a higher level and that it has influenced the success of business.

3.8 Conclusion

Social dialogue at sectoral level has its strengths and weaknesses.

A great weakness and disadvantage is definitely the lack of the law on representativity of trade unions as well as of the employers' associations. Another problem is for sure the fragmentation of social partners, especially of the trade unions, and the problems of defining the terms "sector" and "representativity". The trade union scene is characterized by the problem of the lack of unity among trade unions and by the need to improve and develop the unique approach to employers and the Government of the Republic of Croatia, as well as by the need to have a real, true commitment to social dialogue by the employers and the Croatian government in its role of the biggest employer.

Strength is definitely good organization of social partners, relatively high level of organization and trade union density and employers' organization, as well as their human resources and expert staff they have. Of course, smaller trade unions have to put efforts into strengthening their expert capacities, however this is linked with the level of trade union membership fee. Hence some trade union confederations emphasize their low membership fee trying thus to pouch members from the confederations with higher membership fees, and at the same time they provide no service to their members. It is clear that the uniform membership fee would ensure adequate expert assistance to members, and at the same time it would prevent trade union dumping and would strengthen the bargaining role and position of trade unions.

4. The history and present of the Commercial Trade Union of Croatia (STH)

Prepared by Bojana Percan

The history of the commercial trade union movement in the Republic of Croatia is easiest to study on the example of almost a century of fight for non-working Sunday. At the end of the nineteenth century shop assistants worked 14 to 16 hours every day, so it is no wonder that among them there was an early awareness-raising on the need to fight for non-working Sunday and the right to a day of a weekly rest. However, in order to understand the past and the events when the trade unions of shop assistants were established, it is necessary to describe the political and social context of the establishment of the first workers' associations in the Republic of Croatia.

4.1 The history of workers' associations in Croatia¹

In the second half of the 19th century there was a trend of large-scale establishment of workers' associations and credit unions in Croatia. On 8 September 1869 in Makarska the first credit union *Nada* (Cro. "Hope") was founded. Workers' association (*Radničko društvo*) was established in 1870 in Pula, and on 12 December 1870 Credit union of Dalmatian Seafarers (*Društvo uzajamne pomoći dalmatinskih mornara*) was formed in Orebić. In the period from 1870 to 1879 professional associations of workers and workers' associations of credit unions are formed all over the country. After coming into force of the extraordinary law against socialists in Germany, 19 October 1878, after the breakdown of the Austrian liberalism in 1879, the occupation of Bosnia-Herzegovina, end of the liberal bourgeoisie rule in Croatia with the fall of Vice-Roy Dragutin count Khuen Hedervary, unfavourable political conditions in Croatia were created for the functioning and work of the existing workers' associations and for the creation of the new ones. Nevertheless, socialists with the left wing orientation, with the existing legal societies, establish illegal socialist groups and clubs. In 1880 one such socialist-democratic group consisting of 30 members was discovered in Osijek, and the organization's leaders were expelled from Osijek. The organizations of this kind existed all over the countries, and the evidence for that can be found in the documentation of the Vienna Ministry of the Interior. On 31 January 1884, the government in Austria took advantage of the individual terror of anarchists, and it imposed martial law. This led to large-scale imprisonments and persecutions, not only of anarchists but also of the left and mainstream socialists in Vienna, Budapest, Bratislava, Ljubljana as well as in Zagreb.

The year of 1885 saw the arrival of Josip Jaklin at the leading position of the socialist-democratic activity; he was a prominent radical socialist, and was arrested on several occasions in Austria and Hungary, was prosecuted before the court and finally expelled to his home country Desinić in the North-West of Croatia, Hrvatsko Zagorje. While in Zagreb, Jaklin establishes relations with the existing socialist-democrat groups, which are fragmented; he puts efforts into their merger and the

¹ Excerpts from the book by Josip Cazić *The Beginning of the Modern Labour Movement in Croatia 1880-1895* («Počeci modernog radničkog pokreta u Hrvatskoj (1880.-1895.)»), Savez sindikata Jugoslavije - Republičko vijeće za Hrvatsku, Zagreb, 1958

establishment of socialist-democratic movement. An open split between the moderate and the radicals developed in the Zagreb Workers' Association (*Zagrebačko radničko društvo*) after legal proceedings against Srnec and Hiža. Moderate socialists, led by Lambert, are leaving the Zagreb workers' association and are establishing *Zanatlijsko pomoćničko društvo* (Crafts Assistants' Society). On 15 January 1887, radical socialists (Josip Majtanić, Mirko Orehović, Stjepan Štiglić, Franjo Daubović, Stjepan Mainkas, Izidor Štraub) won a sweeping victory and together with Josip Jaklin had led the Zagreb workers' association for year.

In 1887 the Zagreb Workers' Association launched *Radnički glasnik* (Workers' Herald), a newspaper for the interests of Croatian workers. Through this newspaper it had been preparing the creation of a modern trade union movement. At the same time, they gather data on the position of workers in Croatia aimed at starting strike activities.

Beside the Zagreb Workers' Association and the Croatian Typographic Society (*Hrvatsko tipografsko društvo*), in 1871 the Union of teachers' association (*Savez učiteljskih društava*) was established, in 1873 the General Supporting Association for the Diseased (*Opće podupirajuće društvo za bolesne*) in Zagreb, in 1881 the Supporting Association for Diseased Craftsmen and Construction Workers, in 1882 *Društvo dnevničara* and in 1886 Crafts Assistants Society in Zagreb was established. The socialists are predominant in the Zagreb Workers' Association, while the other associations comprise members who are directed towards civil parties and non-political members. However, only in the Zagreb Workers' Association and in the Croatian Typographic Society small craftsmen and other supporting members do not have the right to vote and cannot be elected to the management bodies of those associations.

Workers' associations continue to be established all over Croatia: Bjelovar, Karlovac, Samobor, Petrinja, Varaždin, Osijek, and Rijeka.

In 1880 in Rijeka the first Credit Union of Shop Assistants was established, followed by the Mutual Assistance Club in 1884. Workers' Association in Rijeka is engaged in the building of houses, it founds its bank and develops cooperative societies among the workers and servants. Rijeka has always been a leader in the development of the labour movement in Croatia. This city was a seat of an active Workers' Confed-

eration, which fought for a number of years with the government aiming at registering its legal operation.

In 1889 Josip Jaklin attempts to unite the existing workers' associations in Croatia. On 12 August 1889 the first conference of the workers' associations' representatives was held in Sisak, however to no avail because the clannishness was still too strong in those associations, and the members who worked in them, except from the Zagreb Workers' Association, were under the strong influence of the old and conservative that was still predominant in those associations.

At the end of the eighties and nineties of the 19th century, there were several trade union directions and tendencies at the global level, which were predominant for a long time, and some of them still exist today. These are the following: (1) trade unionists' direction, very strong in France, England, Italy, Spain and America, (2) socialist-democratic direction, predominant in Germany, Austrian-Hungarian Empire, Sweden, Norway, Denmark, Switzerland and (3) religious and nationalistic direction of trade unions. Trade union organizations that were established at the end of eighties and nineties of the 19th century in Croatia were of the socialist-democratic orientation. National and Christian trade unions have been established in Croatia only since 1897.

After the failure to merge and unite workers' associations in Sisak and to turn them into workers' trade union organizations, a process of formation of trade union committees of individual professions started: tailors, carpenters, bakers, leather workers, bricklayers, blacksmiths, locksmiths, stone-masons, shop assistants, etc. These trade union committees have led tariff bargaining, strike actions, they have organized closed and open meetings of workers of their professions. After the establishment of trade union committees, there was a launch of activities aimed at the formation of legal trade union organizations. Hence, trade union committees submit to the government the acts of the future trade union organizations (statutes, by-laws, etc.) together with their request for the registration and approval of their work. In 1886, the Main Committee of the trade union organizations of Croatia and Slavonija was established.

The then existing illegal political clubs of socialists move the focus of their party work to trade unions, hence very soon the basic party organizations collide with trade union organizations and they do not exist in their own terms. Trade union

members have automatically become party members, paying at the same time party and trade union membership fee. The party leaderships are made of the delegates of individual trade unions. This trend continued until the end of 1989 and it disappeared with the break up of Yugoslavia, the Yugoslav Communist Party and the Yugoslav trade unions.

In 1886 the Main Committee of the trade union organizations of Croatia and Slavonija was established.

The then trade union organizations directed their activities towards the fight for shorter working hours, for the abolition of the work on Sunday, higher wages and better material compensations of workers, for hygienic and healthy homes, for workers' insurance in case of sickness and accident, pension insurance in case of disability and old age, for special protective measures for women and the young, for statutorily guaranteed freedom of trade union organizing. In short, at that time trade unions had been fighting for the same workers' rights as today.

One of the tools of these economic and social demands was strike. Strikes that were led in Croatia had a huge moral political importance. The strikes helped to introduce 10-hours working time. The greatest number of strikes was conducted in Zagreb and Rijeka. The workers who were on strike in Zagreb were the workers in leather factories, tailors, blacksmiths, bakers and locksmiths, stone-masons, bricklayers, printing workers, carpenters, sheet-metal workers, barbers, and successful tariff bargaining was conducted by shop assistants and carpenters. In Rijeka, tobacco factories were on strike, as well as carpenters, barbers and wig makers, bricklayers and shipyard workers. Besides, strikes were organized by the weavers in Duga Resa, miners in Novi Marof, workers' rebellion was organized in a village Ivanec, as well as workers' strike near Koprivnica, miners' strike in Raša, and a strike of bricklayers in Bjelovar. Shop assistants in Zagreb are demanding the shortening of working hours. The largest number of strikes is related to the issue of wages, working hours and other working conditions.

Since 1890 the first celebrations of the Labour Day in Zagreb, as well as in the rest of Croatia, mostly spoke against the capitalist society and demanded basic democratic rights, general equal and secret right to vote, right to association, freedom of press, equality between men and women, separation of church from the state and the school, eight-hours working day, non-working Sunday, pacifism, etc. Picture

No. 1 shows the programme of the Labour Day celebration on 1 May 1890 with item 1 a) discussion on the eight-hour daily working time and 1 b) discussion on the Sunday rest. Thus, we can conclude that the history proves how the same workers' problems of overtime and work on Sunday appear in time cycles.

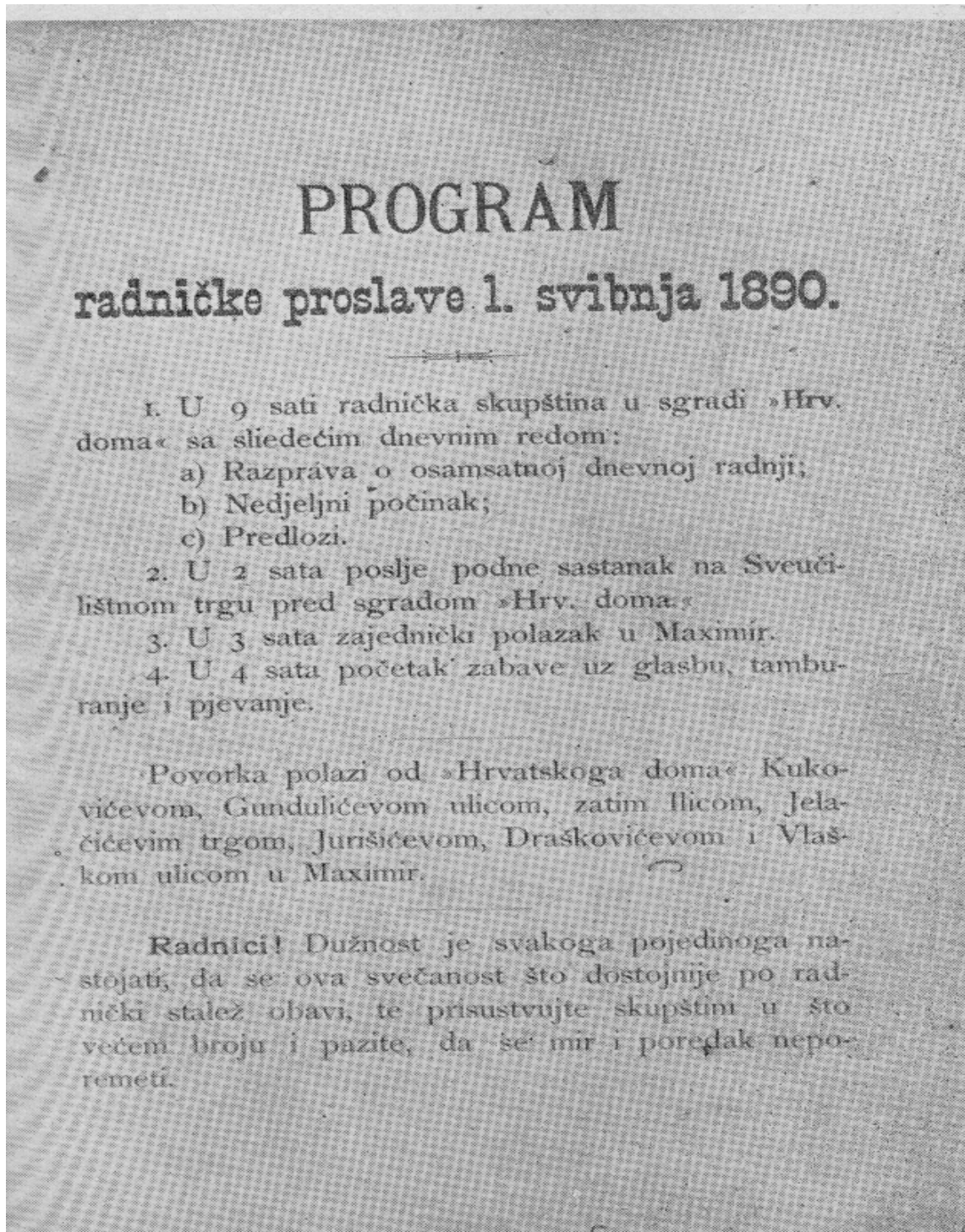
In 1890 the newspaper *Workers' Herlad* (Radnički glasnik) ceased to be published, so the Labour Day Assembly in 1890 decided to launch a new workers' newspaper named "Sloboda" (*Freedom*). The first number of the *Freedom* newspaper was published as late as on 1 April 1893. It had the circulation of 500 copies; the trade unions proclaimed it the newspaper of organized workers, and the trade union of carpenters adopted the decision in 1894 that the trade union would pay for the *Freedom* newspaper for the unemployed and workers in strike.

Due to revolutionary articles that fomented Croatian civil public, the Government started confiscating the newspaper, and the Catholic clergy was especially against the *Freedom*. *Freedom* was very often banned in its work.

In 1890 the Great Strike of Miners was organized in Labin, Istria and it was suppressed in blood. On 31 March 1892 the Workers' Insurance Act came into force. In 1893 on the Labour Day celebration in Zagreb, 5000 people participated, and 3000 workers were part of the traditional Labour Day march. On 8 September 1896 in Zagreb, the confederation of trade union organizations was held, where the Main Committee of trade union organizations of Croatia and Slavonija was established.

At the beginning of the 20th century in Croatia the Croatian Socialist Democratic Trade Union was General Workers' Union (*Opći radnički savez/ORS*). When the work of the Central workers' trade union council (*Centralno radničko sindikalno vijeće/CRSVJ*) was banned at the end of 1920, the communists lost the legal possibility to act in trade unions, they did not even decide to enter the Main Workers' Union or the General Workers' Union. During 1921 they undertook activities aiming at the establishment of their own trade unions. Hence, at the initiative of the Union of waiters, which was registered in September 1921, they founded the Inter-union Trade Union Committee (*Međusavezni sindikalni odbor*), which is the official name for the Independent Trade Unions (*Nezavisni sindikati*). The communists were active in lobbying for the recruitment of new members into Independent Trade Unions, whereas the socialists democrats continued their activities within

the Main Workers' Union and the General Workers' Union, without the intervention of communists.



4.2 The history of commercial trade unions²

In order to have a better understanding of the situation in those times, we have to point out some characteristics of the commerce and crafts in Croatia and Slavonija. However, there is not much registered data on the number of shops and on the number of employed workers. Still, there is a data that for instance in 1990 in this area there were 5738 independent commercial companies that employed 3689 shop assistants. In total 9427 persons were engaged in commerce. Furthermore, in 1902 within the field of the Zagreb Commerce and Crafts Chamber there were 5384 shops; in 1904 there were 5520; in 1907 there were 5862 and in 1908 there were 6220 commercial companies.

Since 1880 there has been a predomination of small shopkeeper's stores in the commerce sector. At that time there were 1694 of them out of the total number of 5738. As early as in 1903, small shopkeeper's stores in the Zagreb Commerce and Crafts Chamber made 37 % of all stores, while in 1908 they made 50 % of all stores. In 1900 there were 7208 independent commerce businesspeople, 3084 shop assistants and 2007 apprentices, i.e. students. This shows that commerce in Croatia had a predomination of small stores where mainly their owners worked. According to the statistics, every second store had an assistant and every third had an apprentice.

If we take into regard that the number of employed workers in total was almost equal to the number of owners, we can come to the conclusion that around 7000 workers were exploited in the commerce sector. However, since workers were disunited, there was no concentration of workers, and this posed objective difficulties for the organization, for the strengthening of class-awareness and for leading campaigns and actions.

Gradually, shop assistants started becoming disabused of notions. More and more often they expressed their demands for greater social rights, for the reduction of working hours, and requests that the owners and employers treat the workers in decent and humane manner.

² Excerpts from the book by phd. Ljubiša Ristović «Workers in commerce in Croatia in the class trade union movement 1919-1941“, Republic committee of workers' trade unions in the commerce in Croatia, Zagreb, 1981

As of 1873, Croatian employers in the commercial sector started associating with their shop assistants in the association called “Merkur” (*Mercury*). Workers have started organizing in trade unions, and gradually shop assistants started “waking-up”. As early as on 26 July 1899, the *Freedom* newspaper, the first socialist newspaper in Croatia, published an article which says that shop assistants:

“...have gained consent from their owners that the shops are closed one hour earlier in the evenings. This institution was to be implemented as of Monday, 17th of this month, and so it was. Only few small shopkeepers did not want to yield. Among those is of course also the well-known workers’ favourite *Rubin* in the Ilica Street. Due to the fact that those few did not close shops a small demonstration was organized in front of those shops, and several windows were broken”.

Hence shop assistants have also experienced their first baptism of fire in the class fight, delivering a strong message to traders and authorities that they will not accept the existing state of affairs. On 5 August a conference had an item on its agenda dealing with: “New order in closing the shops”. After having heard the papers and discussions, the following resolution was adopted:

“...on the grounds that the movement of shop assistants in Zagreb is only a movement of the class fight;
on the grounds that the movement of shop assistants is justified;
on the grounds of humanity and workers’ solidarity;
on the grounds that conscious workers sympathize the movement of shop assistants;
conclude they will support any justified demand in the class fight;
thus they will buy their goods only with those shopkeepers who are inclined to a justified demand of Zagreb shop assistants.”

The Government’s commissioner was not pleased with the text of this resolution, so he asked for the copy of the resolution so that he could revise and censor it. Assembled shop assistants were reasonably loud in their protests and they shared with the public their dissatisfaction with the behaviour of the Governments’ commissioner, publishing it in the next issue of the *Freedom* newspaper.

Very often shop assistants used various approaches attempting to initiate social dialogue with traders, for example, by encouraging mutual cooperation aiming at solving the existing problems of work in the commerce sector, seeking assistance and intervention of the Zagreb archbishop and church, however, to no avail.

Until 1899 shop assistants were in the “Merkur” association together with traders, so there was no danger of rebellion and of their concrete demands for the improvement of their economic and social status. However, things started changing very quickly and the traders felt it immediately. In order to thwart assistants and prevent the impact of advanced ideas, they increasingly used “Merkur” to put their demands before the Croatian Government.

When the Government drafted the Act on opening and closing of shops, traders immediately held the assembly and declared themselves against the draft and proposal that the working time in Croatia and Slavonija, similarly to Budapest and other parts of Austrian-Hungarian Empire, is standardized. Their main argument was that the law would disrupt the “harmony” and “agreement” between employers and employees.

At the same time, shop assistants are working even 12-13 hours a day, and “Merkur” does not provide them with any kind of protection of their interests. *Freedom* newspaper called upon the shop assistants to create only one trade union organization that will protect their interests.

At the beginning of 1903, open fight between shop assistants and employers began for and against the weekly rest. What triggered this fight was a decree by the minister of commerce which extended the Sunday rest to “stores too”. The authorities in Croatia did not want to implement that decree. In April shop assistants held a conference in Zagreb, upon the publication of the decree in Budapest. Some employers forbade their assistants to attend this conference, which made the workers very bitter. The meeting recalled the traders on the former promise that they would introduce weekly rest for their workers, however it soon proved that such calls do not give results.

The authorities in Croatia remained silent and kept the minister’s decree in a drawer trying to win some time by not publishing the decree. This led the shop assistants in Zagreb to hold demonstrations where they informed the public on the problem of work on Sunday and on the decree of the minister of commerce. After a few months, only a partial decree was published on the Sunday work of stores, which was easy to get around by traders and to actually work on Sunday. On 8 December 1903 the public Assembly of shop assistants was held in “Velika restoracija” in the Gajeva Street in Zagreb. The Assembly was attended by 400 shop

assistants, and the participants in the lively debate emphasized how the fight for Sunday rest would be very tough and that they should not have illusions that the employers/traders are willing to yield and to introduce social reforms.

Very soon an article with the title “Storming against the Sunday rest” in the newspaper “Slobodna riječ” (*Free word*) expressed a series of machinations by traders and their associations. The newspaper wrote:

“This decree, which is just a less than a bastard act, caused nevertheless with all the exploiters a whole fury of disapproval, and they are using all the means to storm against this decree. There is no place or corporation which would not abuse to their shallow and selfish purposes our craftsmen, traders, entrepreneurs etc. who are lagging behind half a century ...

The Osijek commercial and crafts chamber for instance says that due to the current situation, the major cities will lose a good share of their turnover, which will be transferred to smaller towns and places. This means that Sunday will not be a big weekly fair in the cities, but that the rural and provincial people will buy what they need in their place or in the place near-by, which, after all, would not present any injustice. The councilors of the Zagreb Commerce and Crafts Chamber are complaining that this new decree is very harmful for the small towns. Who is then telling the truth?

The attitude of the majority of local authorities, whose duty is to implement this decree, is absolutely in line with their social status. They prove here also to be the servants of the exploiters. The Osijek town government said that they would not be strict in the implementation of this decree, i.e. that each violation will be controlled or sanctioned so softly so that everyone who breaches the decree, if sanctioned, would consider the fine a joke. The town government in Petrinja, led by its praiseworthy mayor considers itself above the very law of the joint minister, Vice-Roy, government, etc. On its own responsibility, at a request of some retarded and greedy exploiters, it simply puts the new ministerial decree out of force. Who gives them the right to do so? Who gives them the powers? Isn't that a clear abuse of power? For us it is, but what about the general attorney? But Petrinja is not the only town with this kind of behaviour”.

During 1904 nothing happened that should be written down in the history of shop assistants.

The first strike of shop assistants was organized in 1906 in Brod na Savi, in Vinkovci and in Đakovo. The strike started on 6 June 1906, and it was caused by economic situation, low wages and too long working hours. Until 1910 trade union organizations of shop assistants are formed in all larger cities in Croatia.

“Radnička borba” (*Workers’ fight*), a socialist weekly and the newsletter of workers’ associations of Croatia and Slavonija, published a leaflet in its 23rd issue of 9 June 1910. The leaflet was addressed to shop assistants and its title was *Sad Truth*. The text is as follows:

“The traders, that is our employers are oppressing and exploiting us, ruining us in physical and ethical terms, not taking into regard that a whole generation is being ruined, not considering the consequences of such a tyranny.

Shop assistants are forced to work 16-17 hours a day, so is it possible then for them to pay due attention to their education? We hardly have any time for rest, to enable us to be at least somewhat strong for new sufferings - new trouble. This cannot go on! In the present time, when every worker has his rights, we as intelligent workers’ group, due to our negligence, due to our own guilt, are lagging far behind them.

Commercial class, and especially shop assistants, in Croatia is looked upon with contempt. More intelligent classes are avoiding us, workers’ class is watching at us with sad, quizzical smile, thinking: you wretched creatures! With single-minded effort you will achieve your objective, however there is no unity in you. Thus we remain alone, there is only our voice - the voice of the crying help. Wake up! It is still not too late. Let’s show we still have enough energy to protect our rights!

These are the reasons we are approaching the public with the sad fact, with the naked truth, and the consumers, customers, citizens are to support us in this fight with all the means, and we first of all ask you to demonstrate in such a way that after 7 pm you no longer go shopping, and hundreds and hundreds of oppressed shop assistants thank you for that in advance”

The editorial wrote a comment under this call:

“This call of shop assistants is more than justified, so it has to be observed unconditionally. Workers have to be in solidarity with their exploited brothers”.

On 11 June 1910 the public Assembly of commercial workers was held at Streljana, Tuškanac, in Zagreb. It was decided to establish the Union of Commercial Workers, and that shop assistants leave the association “Merkur”. In September 1910 the Un-

ion of Commercial Workers had 850 members and local branches in all larger cities all over Croatia, although Government has still not approved its work. The members of “Merkur” association called *Merkuraši* attacked fiercely the Union of Commercial Workers, supported by the employers. The Union of Commercial Workers started its own newsletter “Trgovački namještenik” (*Commercial Worker*), and the editorial and the administration of the newsletter were seated in the Ilica Street No. 33 in Zagreb.

The work of the Union of Commercial Workers is characterized by the organization of several demonstrations, where the furious workers were breaking windows in revolt on their owners’ stores. However, the Union of Commercial Workers is mostly characterized by the readiness for various forms of cooperation with employers and with “Merkur”. This has at the very beginning smothered the spontaneous initiative of commercial workers and the wish for more aggressive actions of the members.

On the eve of Catholic Christmas there were demonstrations of groups of commercial workers in Zagreb. The workers expected of the authorities to issue a decree on the closure of stores. The authorities finally issued a decree under which stores could be open on the second and third day of Christmas. Commercial workers started coming to the premises of the Union, demanding from it to exert pressure on the authorities and traders. Understanding that the shop assistants are agitated, the members of the management of the Union hastily organized visits to stores, asking the owners to close the shops at noon at least on the second and third day of Christmas. They got the promise, however, on the second day of Christmas many stores remained open.

Shop assistants from the stores whose owners obeyed the call from the Union started gathering at the main Jelačić square. They were waiting for a while and when they saw that some traders broke their promise, they started expressing their loud disapproval. Suddenly, the crowd shouted “Let’s demonstrate!”

The demonstrators were stopping in front of the stores. They demanded from the owners to close the stores immediately. Frightened by the crowd and their loud protests, the traders started closing shops one after another, and their shop assistants started joining the march of protesters.

The march grew in size hastily. They headed for the Ilica Street. The information about the demonstration has already reached the traders in that most crowded

street in Zagreb, so even before the arrival of demonstrators, they started pushing customers out of the stores and closing the stores. The crowd split in the Ilica Street and one part of it went down the Vlaška Street, and some individuals entered also some smaller streets forcing the traders to close the shops.

At 1 pm that day only a few shops remained open in Zagreb.

The movement for the Sunday rest spread, supported by shop assistants and workers from the other branches.

This example shows how the then state of mind and level of awareness among the workers in shops about the justified fight for their rights and better working conditions, workers' solidarity was far more developed and advanced than it is today. The shop assistants used strike as a method of pressure and expression of their positions and they participated in the demonstrations. Although they failed to achieve their objective - day of weekly rest, commercial workers were persistent in their fight.

4.3 The history of commercial trade union from the World War II until 1990

In 1955, the Trade Union of Commercial Workers of the Socialist Republic of Croatia merged with the Trade Union of Workers in Catering and Tourism of the Socialist Republic of Croatia. During 1963 there was a new merger of trade unions when the Trade Union of Commercial, Catering and Tourism Workers of Croatia merged with the Trade Union of Utilities and Crafts, hence a new trade union was founded under the name Trade Union of Workers in Commerce, which existed until 1990.

4.4 ID of the Commercial Trade Union of Croatia

Commercial Trade Union of Croatia (*Sindikat trgovine Hrvatske*), or abbreviation: STH, was founded at the beginning of 1990 as an interest, non-profit and nongovernmental organization of workers in commerce. STH trade union leaders did not take members from the Trade Union of Workers in Commerce, but they visited workers at their workplace and offered them new application forms for joining the Croatian and independent trade union of the commerce sector. As of May 1990, Commercial Trade Union of Croatia is one of the founders and members of the largest trade union confederation in Croatia, comprising 23 affiliated trade unions, the Union of Autonomous Trade Unions of Croatia/UATUC (*Savez samostalnih sindikata Hrvatske/SSSH*), and is affiliated also to the international federation of commercial and services trade unions - Uni Network.

The beginning of the transition period became a great challenge for the trade union. The surrounding context was unstoppable process of changes; the transition demanded the transformation of the economy into the dynamic market. The trade union had to adapt in accordance with the environment, in active and in positive manner. Privatization has destroyed many companies and many of them went bankrupt. In those bankruptcy procedures, the Commercial Trade Union of Croatia has lost a great number of its beneficiaries - members of the union. The unfavourable political and economic context, globalization and anti-trade union feeling among the employers, rendered difficult the achievement of objectives of the Commercial Trade Union of Croatia.

The increased mobility of capital, aggravated by programmes of multilateral economic institutions, such as the International Monetary Fund and the World Trade Organization, led to weakening of the influence of governments on their national economies, which weakness the possibility of workers to put pressure on the government as a guarantee of social and economic equality.³

The Commercial Trade Union of Croatia understood in time that it has to be proactive with regard to pressures and threats of the surrounding context, and that it has to develop sustainable and optimal strategies and structures that enable better and faster management of its own potentials and resources. The objectives of the

³ Laurence Clements: *Strateško planiranje za sindikate u tranzicijskim zemljama*, (Strategic planning for trade unions in transitional countries) TIM press d.o.o. Zagreb, 2004, p. 15

Commercial Trade Union of Croatia are continuous growth, fast providing of services, creation of new and the improvement of the existing services, as an organization directed towards its members-beneficiaries. This is why the know-how and motivation of the employed, the organization and regional structure of the Trade Union are key parts of its strategy and planning. Quality management results in the creation of the trade union organization of commercial trade unions directed to members, committed to constant development and the improvement of work processes and providing the services.

STH has about 18 000 members employed in:

- companies dealing with wholesale and retail commerce;
- multinational companies;
- companies dealing with commerce and maintenance of motor vehicles;
- entrepreneurs (stands, small shops, boutiques);
- all the other companies dealing with commercial activity, regardless of the scope of activity and the form of ownership.

The fundamental objectives of the Commercial Trade Union of Croatia are the promotion and protection of the rights of workers employed in the commerce sector. It achieves this objective by providing services to its members, through active participation in the adoption of all regulations related to material and social rights of workers in commerce, through bargaining and conclusion of collective agreements, legal assistance and representation, education and organizing of workers, as well as through concrete actions and campaigns of raising awareness in the public about social and labour problems in the sector or an individual company.

The most important users of services of the STH trade union are all members who participate in financing the trade union by paying the trade union membership fee (1% gross wage).

Commercial Trade Union of Croatia is organized for providing services to its users at three levels: a) level of shop stewards in companies; b) level of regional representatives - regional offices in Split, Osijek, Rijeka, Zagreb and c) level of the head office in Zagreb:

- a) Each shop steward is responsible for continuous monitoring of the application and compliance with the rights enshrined in the collective agreement for the commerce sector, in the Labour Code and other regulations by employers, for every worker who is a member of the Commercial Trade Union of Croatia (wages, payment of overtime and work on Sunday, time-in-service awards, taking annual leave and days off, transport allowance, etc.). Fur-

thermore, shop steward takes account of the implementation of measures of occupational safety and health at the workplace. On all the above-mentioned, a shop steward keeps notes and submits regular oral and written reports to the regional committee or to the head office of the Commercial Trade Union of Croatia in Zagreb. The primary task of the shop steward is communication with trade union members on an everyday basis on possible problems that they might have at the workplace, on which he informs the regional representative or the head office, or he himself takes measures of protection of workers' rights. A shop steward recruits interested workers, and participates in the collective bargaining process.

b) Internal activities and processes at the level of STH regional representative (regional offices in Split, Osijek, Rijeka, Zagreb)

Regional secretaries are in charge of providing legal advice and assistance to members, and for monitoring and coordinating the work of shop stewards in companies. Regional offices gather all the necessary data on members, companies and needed activities from the data basis at the head office, which they update with their direct work on the field.

At the local level they conduct bargaining with regional companies, with a view to conclude collective agreements and they give advice to works councils.

c) the activities of the head office of the Commercial Trade Union of Croatia are equal to those of regional offices. Furthermore, the head office organizes and coordinates the activities of employees, shop stewards and other bodies of the Trade Union. At the same time, the head office initiates with the Executive Committee of the STH Trade Union the creation, changes or revision of operational decisions, creates conditions for the presentation of the strategic plan, its revision or amendments to the Main Committee which adopts it, changes, adapts or rejects it. Equally important role of the head office is the monitoring of the strategic plan, management of the efficient allocation of resources and regular control of business expenditures.

The information is transparent and available to all employees of the Head and regional offices of the Trade Union, to the members of the Executive, Main and Supervisory Committee, as well as to the members of the Statutory Committee. The

highest body of the STH Trade Union is the Assembly of the Commercial Trade Union of Croatia.

STH also finances the work of the UATUC, and its county offices and frequently uses its services, network and premises. This way of the organization of business and the network structure enables the Trade Union fast and good providing of services to members in line with their real needs.

In order to achieve the desired growth, STH focused on the following activities:

- organizing and recruiting workers to trade union;
- collective bargaining;
- protection of members' workers' rights.

The basic act of the trade union, the Statute, stipulates that the trade union cannot represent non-members, nor can it provide services to those who are not members of the Commercial Trade Union of Croatia.

The project of organizing workers into trade union began in 2001 with the help of the donation from the Norwegian trade union. The project of organizing has lasted for six years, and the successful cooperation between the Norwegian and Croatian trade union will also continue in the next two years. Due to numerous bankruptcies of companies and the large number of workers with fixed-term employment contracts and the high rate of fluctuation of workers in the commerce sector, it was as late as the end of 2005 that the positive result was achieved in terms of the greater number of newly recruited workers than the number of workers who left the STH union. At the end of 2006, the difference in the number of workers who left the union and those who joined it is equal to 0, however the share of members younger than 25 has been increased to almost 20 %. In 2008 it is planned to widen the project of cooperation with the Norwegian trade union to include also the development of the system of education and training of shop stewards of the Trade Union.

The main reason for the termination of membership are fixed-term employment contracts, retirement, worker's move to a company in other sector, cancellation of the employment contract, employers' threats of dismissal. The current statistics show that more than 85 % of all employment contracts in the period 2005 - 2007 are concluded on the fixed-term basis, which additionally increases the fluctuation at the labour market in the Croatian commerce. The service that members use most often is providing legal and economic advice, followed by representation of

workers in labour disputes aimed at protecting their rights from the employment relationship. If the average duration of labour disputes at the courts in the Republic of Croatia is 4.5 years, indirect dissatisfaction of STH members is absolutely justified.

Membership in the STH Trade Union does not terminate during unemployment, and the unemployed person can maintain his/her right of an STH member, with the monthly payment of membership fee to the amount of 5.00 kunas (0.7 EUR). Unemployed members are gathered in the Section of the Unemployed, which gives them the possibility of IT training with the provision of certificates acknowledged in the EU member states.

Through its collective bargaining and the conclusion of collective agreements at the company level, Commercial Trade Union of Croatia directly influences the living and working conditions of workers, their material and other workers' rights, and this is why it is one of its fundamental and most important tasks.

The protection of workers' rights is a specific quality of STH which differs it from other trade unions, because STH employs 5 lawyers out of the total number of 8 employed, who at every moment and in every court in the Republic of Croatia can represent members of the Trade Union.

4.5 The present of the Commercial Trade Union of Croatia

The systematic studying and analyses of the monthly registries of working time of STH beneficiaries undeniably show growing flexibilization of legislative and political system of working time in commerce, as well as the widespread epidemic of non-payment of wage supplements for the work on Sundays and holidays in line with the Labour Code and the Collective Agreement for the Commerce Sector. Social consequences of the work on Sundays and holidays are even greater, because the majority of workers in commerce sector are women, holders of family.

On those grounds STH turned to networking in strategic partnerships and alliances. In the last two years the Croatian Caritas and STH in their joint activities showed the Croatian public that it is possible to launch an initiative and strategic partnership involving two mutually different organizations.

Commercial Trade Union of Croatia STH participates also in the global strategic partnership, participating together with the trade unions from Germany, Austria, Czech Republic, Slovakia, Hungary, Slovenia in the activities within the projects “Vienna dialogues”, “Alliance for free Sunday”, and “Trade unions without borders”. Their common objective is to influence the EU Constitution in a way that it includes a provision on the ban on work on Sunday in the commerce sector, as well as to coordinate the trade union activities in multinational companies (e.g. Kaufland, Lidl).

STH works in accordance with the highest standards of trade union ethical values with its members, workers and other organizations at the national and global level. These values are fairness, dignity, equality and solidarity.

Social responsibility of STH in collective bargaining and influencing legislative regulations is the improvement of working conditions, increasing the level of workers’ rights, safety of jobs and protecting the interests and needs of workers in commerce.

Commercial Trade Union of Croatia systematically studies and analyzes monthly registry of working time that members of trade union employed in commerce keep on an individual and everyday basis. The comparisons of received registries and wage calculations, employment contracts and trade union data basis show growing flexibilization of working time in the Croatian commerce at the national, regional,

local and the company level, and increasing epidemic of violations of workers' rights to a day of weekly rest and non-payment of the wage increase in line with the Labour Code and Collective Agreement for the Commerce Sector.

Almost 40 000 workers work in stores on Sundays. The Sunday work and work on holidays is not calculated and paid to workers or it is only partially paid. The worker is deprived also for the part of contributions for the pension insurance from the wage, and the state budget loses the accompanying amount of contributions to wage, as well as tax and surtax. Commerce sector mostly employs women, and the work on Sunday and on holidays mostly affects women, who are a base of healthy families and society. Commercial companies are not enabling their workers to use a day of weekly rest in the following week, if they worked on Sunday.

The state enabled the commercial companies, which work on Sundays and holidays, to have unfair competitive advantage in relation to commercial companies that do not work on Sundays and holidays, because they achieve up to 60 working days (or 20%) or even more on annual basis per worker.

The estimation of the Commercial Trade Union of Croatia is that there are about 25 million overtime hours of work in retail per year, which is actually 12 000 new jobs for the same scope of work. The employers do not register preparatory and final work as parts of working time of one worker, hence workers in the morning shift come to work 30 minutes (average) before the actual start of their shift and that time is not paid; in these 30 minutes they clean the shop premises and parking places, they put products on the shelves, and the afternoon shift stays 45 minutes longer (average) after the closure of the shop, and this is when the workers do daily statement of accounts and prepare the products for tomorrow.

The overtime is not calculated nor paid or is only partially paid, worker is deprived also of the part of contributions for the pension insurance from the wage, and the state budget loses the accompanying amount of contributions to wage, as well as tax and surtax.

Workers in multinational trade chains get days off for non-paid overtime, however they rarely use those days in entirety.

In 2001 STH decision-making body adopted the decision to start the campaign "Ban the Sunday work". Today, STH is the initiator of the partnership for the campaign "Free Sunday" in the Republic of Croatia. The objective of this campaign against

Sunday work is the adoption of the new Act on working time in commerce sector, which would, in line with the provisions of the Constitution of the Republic of Croatia and the best practice of the EU Members States, limit the work on Sundays and holidays in the commerce sector.

Commercial Trade Union of Croatia has been implementing the campaign led by social needs of its members; it has been promoting corporate social responsibility in the companies where there is a presence of the trade union, protection of workers' rights in commerce influencing thus the positive change in the quality of life of its members.

Among interest groups which support the campaign, STH has launched an initiative for the establishment of formal strategic partnership, at the local, national and international level, until the achievement of the joint objective - free Sundays for workers in the commerce sector.

The Collective Agreement for the Commerce Sector, which was concluded in December 1997 and extended to all legal entities in the commerce sector in the Republic of Croatia, stipulates the workers' right to wage supplement for Sunday work to the amount of 35 %, and 50 % for the work on holidays as well as the 50 % wage supplement for overtime.

In the last four years there are more and more workers working on Sunday, holiday and overtime, not being paid for their work. In cooperation with the State Inspectorate, the greatest number of violations and misdemeanors has been found in large commercial chains, where the majority of commercial workers work. The offenders of the law find it more cost-effective to pay the fine to the state than to pay for the workers' work.

The analysis by the STH found that the large majority of members is not being paid for their work on Sundays and holidays, nor for the overtime work; the majority also stated that they would prefer to spend the Sundays with their families. Although there are companies which respect social responsibility and comply with the right from the Collective Agreement for the Commerce Sector and which pay their workers accordingly, there are very few of them in relation to the total number of workers in the commerce sector.

Since 2001 the Commercial Trade Union of Croatia has been especially active in the NGO sector, where the members and representatives of the STH, together with the

members of associations of women, young persons and unemployed, participate in campaigns and projects of training and education of citizens on the fundamental human and social rights.

Within the information activities for the campaigns that STH organizes and for the campaigns for awareness-raising of public on the problems of workers in the commerce sector, there is a regular communication and individual contacts with shop stewards and members of the Commercial Trade Union of Croatia (via telephone, short messages, information on special telephone lines, web pages and e-mail messages) enabling thus gathering of concrete feedback information on the relevant workers' problems and the manner of work of shop stewards in companies.

Despite all the above-mentioned activities of the Commercial Trade Union of Croatia, nowadays commercial workers are not ready to fight for their labour and social rights by taking part in industrial actions as they once were.

5. Minimum wages in Croatia

Prepared by Bojana Percan

5.1 Introduction

The problem of good defining of the minimum wages systems has become increasingly present problem at all labour markets of national economies, including Croatian labour market. The Republic of Croatia does not have statutorily fixed issue of minimum wages. The term minimum wage, which is used in the majority of countries of the European Union, does not exist in the Croatian legislation and collective agreements; instead, the term lowest wage is used.

Political and economic changes that happened in the last two decades in the Republic of Croatia have weakened the protective effect of the system of lowest wage. The consequences we are facing today are increasing growth of low-paid sectors, significant growth of labour poverty, work in grey economy and the rise of wage dumping. These are the reasons which led the trade unions to revise the existing systems of lowest wages from collective agreements through the introduction of the new Minimum Wage Act. In the Croatian situation, trade unions and employers have in a classic manner polarized their arguments, however the solution is more difficult to achieve due to two different trade union drafts of the Minimum Wage Act. Despite their different positions, trade unions advocate the adoption of the Minimum Wage Act, and their argument is that the institute of the minimum wage ensures social justice, thus becoming a good instrument in the fight against exploitation of workers and in the fight against poverty. On the other side, employers oppose the adoption of the Minimum Wage Act arguing that minimum wage would lead to the losses of jobs of low-skilled and low-paid workers, and that it slows down the economic growth.

5.2 Poverty in Croatia⁴

From its beginning, the process of transition and liberalization of market was concurrent and intertwined with the war in the country, which caused the aggravation of economic inequalities and the occurrence of new poverty among citizens and regions of the Republic of Croatia. The significant number of people, war profiteers, weapons dealers, black marketers and plunderers profited from those changes and made money due to war circumstances, while many workers got discouraged, excluded and intimidated in the privatization process.⁵

The study of the World Bank published at the beginning of 2007 gives data that in the Republic of Croatia about 11 percent of population is poor, and additional 10 percent is in the risk zone to end in poverty. About 1 percent of population is faced with absolute poverty.

Table 5.1: Selected indicators, by regions

Analytical region	GDP	HBS 2004	Labour Force Survey (2002-2004)		
	per capita (2003=100)	Consumption per capita per year	Employment rate (%)	Unemployment rate (%)	Average earnings (kunas/month)
Central	82	42.602	60.8	11.5	2.806
Eastern	67	37.593	47.9	19.9	2.826
Zagreb	149	58.584	55.9	11.8	3.735
Adriatic North	124	52.703	58.5	9.9	3.498
Adriatic South	77	45.281	48.9	20.2	3.524
Croatia	100	47.326	54.5	14.5	3.276

Source: World Bank, Report No. 37992 *Croatia: Living Standards Assessment, Volume I: Promoting Social Inclusion and Regional Equity*, Poverty Reduction and Economic Management Unit, Europe and Central Asia Region, January 2007

⁴ World Bank, Report No. 37992 *Croatia: Living Standards Assessment, Volume I: Promoting Social Inclusion and Regional Equity*, Poverty Reduction and Economic Management Unit, Europe and Central Asia Region, January 2007

⁵ I. Bičanić, V. Franičević: «The Challenges of Real and Subjective Poverty and Growth of Inequalities in the Economies of South-East Europe in the Transition, magazine *Economic Theory and Practice* „Ekonomaska teorija i praksa“ 29 (1) p. 13-36, 2005

Poverty rate varies significantly from region to region, from less than 3 % of people living in poverty in urban Zagreb, to more than 20 % of the poor in the rural Central and Eastern region. By ranking the Croatian regions according to the level of poverty, the World Bank has created the following classification:

- Low poverty: Zagreb Region, North Adriatic and urban South Adriatic (comprising about 50 percent of Croatia’s population, but only 17 percent of the poor);
- Moderate poverty: Rural South Adriatic, urban Central Region, urban Eastern Region (roughly 25 % of Croatia’s population and about 30 percent of the poor);
- High poverty: Rural Central and Rural Eastern Region (about 25 % of the population, but more than 50 % of the poor).

Below-average living standard in Central and Eastern Region is linked to poorer results of the labour market in those regions, with lower participation rates at the labour market, lower employment rates and with lower wages. Poverty rates in those regions are above the national average; rates in the South Adriatic are equal to average and those in the North Adriatic and in the Zagreb Region are below the national average.

Table 5.2: Subjective measures of well being

With its disposable monthly income, the household lives:	Percent of respondents	
	2002	2004
With great difficulty	13.4	10.0
With difficulty	25.6	22.7
With some difficulty	29.5	28.6
Fairly well	21.8	17.5
Well	8.0	19.1
Very well	1.7	2.1
Total	100.0	100.0

Source: World Bank estimates based on 2002 and 2004 HBS

Subjective measuring of well being of citizens does not cover only material issues, but also social well being, which implies inclusion and exclusion of citizens from social processes. The figures from the World Bank estimation shown in Table 2 indicate the improvement of living conditions. The results of other surveys carried

out by relevant Croatian institutions, and good figures are provided by the researches of the Economic Institute in Zagreb, show a very critical attitude of Croatian citizens and workers to the past achievements of social justice in the Republic of Croatia.

The World Bank figures show that the income per equivalent of an adult in 2002 and 2004 was more unequally distributed than consumption, while the time comparisons of the distribution of income and consumption show that the inequality is relatively stable in the observed period.

Table 5.3: Income inequality between 2002 and 2004

Inequality Measure	Consumption		Income	
	2002	2004	2002	2004
Consumption share of the bottom decile	0.038	0.038	0.034	0.036
Consumption share of the top decile	0.210	0.204	0.211	0.218
Decile ratio: (decile 9/decile 1)	3.181	3.182	3.592	3.553
Gini coefficient	0.258	0.253	0.270	0.275
Theil entropy measure	0.123	0.107	0.122	0.127
Mean log deviation	0.116	0.109	0.126	0.128

Source: World Bank estimates based on 2002 and 2004 HBS

As to the consumption, the estimates of the World Bank show that Croatia has the highest average consumption per capita among the countries of the region, about 20 percent higher than Latvia and about 30 and 40 percent higher than Macedonia, i.e. Hungary.

The share of nourishment expenses of about 40 percent in the structure of consumption basket, calculated by the Union of Autonomous Trade Unions of Croatia/UATUC, is rather high for the low level of income such as in Croatia, which is a consequence of the very high level of prices of food products as compared to non-food products, and also as compared to food product prices in other transition countries and old EU Member States. More than half of the home budget of an average Croatian citizen, about 54 %, is spent on financing the costs of food and living.⁶

⁶ Mario Švigir; «Dvanaest priča o Europi i nešto brojki» (*Twelve Stories about Europe and some Figures*), SSSH; Sindikalna akcija, Zagreb, September 2007

5.3 Wages in the Republic of Croatia

After a pronounced growth in the second half of the nineties, the growth of real wages is slower than GDP growth. Independent economic experts consider it as a consequence of strong globalization pressures, restructuring of employment and weakening of bargaining power of trade unions.⁷

Table 5.4: Growth rate of nominal and real wages (year 1996 = 100)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Nominal wages	11,8	16,9	12,8	14,0	8,9	6,5	5,0	5,9	5,9	4,9
Real wages	7,2	12,3	6,0	10,1	3,4	1,6	3,1	3,8	3,7	1,5
GDP	5,9	6,8	2,5	-0,9	2,9	4,4	5,6	5,3	3,8	4,3

Source: Central Bureau of Statistics (DZS), Statistical Yearbook (*Statistički ljetopisi*), various years; Statistic information, 2005 and 2006

Table 5.5: Share of employed according to received net wages, March 2004 and March 2005⁸

	to 1.900kn	1.901 -2.200kn	2.201 -2.500kn	to 2.500kn	2.501 -2.800kn	2.801 -3.100kn	3.101 -3700kn	3.701 -4.000kn	do 4.000kn	4.001 -4.500kn	4.501 -5.000kn	5.001 -6.000kn	6.001 -8.000kn	8.001kn +
March 2004	8,6	6,9	8,8	24,3	7,5	7,7	14,3	6,6	60,4	10,9	8,7	9,6	6,2	4,2
March 2005	7,4	6,2	7,8	21,4	7,4	7,5	13,6	6,3	56,2	10,3	9,1	11,4	7,8	5,2

Source: Central Bureau of Statistics, 2005 and 2006

Note:

1. The data from the Central Bureau of Statistics relate only to employed on full time basis with legal entities
2. According to DZS data, average net wage in March 2004 amounted to 4.153 HRK (60% amounts to 2.492 HRK), and average net wage in March 2005 amounted to 4.390 HRK (60% amounts to 2.634 HRK).

⁷ dr.sc. Vojmir Franičević, «Work in Croatia between EU normalization and harsh reality», Presentation of research results for ILO, UATUC Congress, Zagreb, December 2006

⁸ dr.sc. Vojmir Franičević, «Work in Croatia between EU normalization and harsh reality», Presentation of research results for ILO, UATUC Congress, Zagreb, December 2006

Figures from Table 5 show considerable differences in wages in the observed one-year period. In March 2004 more than 60 % of workers employed on full-time basis earned a wage lower than the average wage in economy, while as much as 24 % of workers employed on full-time basis earned a wage 60 % lower than the average wage in economy. In March 2005 more than 56 % of workers received a wage lower than average wage in economy, while about 21 % of workers earned a wage which was 60 % lower than the average wage in economy.

Table 5.6. The growth rate of living expenses and consumer prices indexes

GROWTH RATES IN%/YEAR	1997	1998	1999	2000	2001	2002	2003	2004	2005
Retail prices	3.6	5.7	4.2	6.2	4.9	2.2	1.5		
Living expenses	4.1	6.4	3.5	5.3	4.8	1.9	2.1		
Consumer prices - inflation*	-	-	4	4.6	3.8	1.7	1.8	2.1	3.3

	Structure %	XII. 2005 2001.	XII. 2005 XII. 2004.	XII. 2005. XI. 2005.	2005 2001	2005 2004
Consumer prices indexes-total	100,00	110,8	103,6	100,5	109,1	103,3

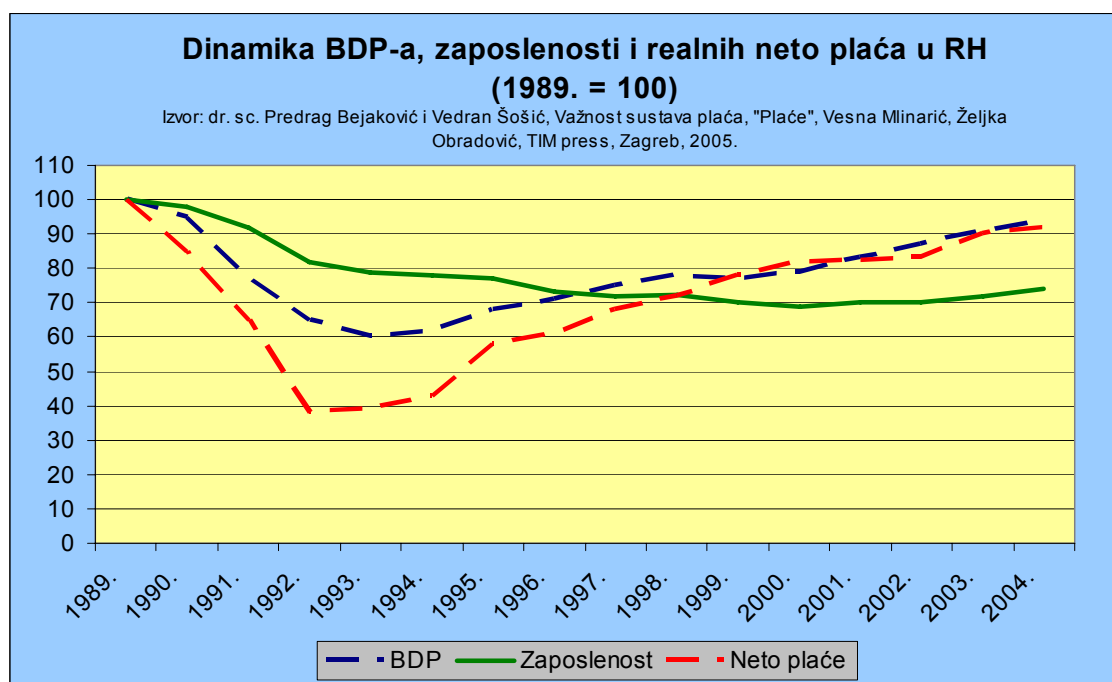
Source: Union of Autonomous Trade Unions of Croatia, Internal publication *Figures of wage movement*, April 2006, according to the data from the Central Bureau of Statistics of the Republic of Croatia

The Union of Autonomous Trade Unions of Croatia regularly studies the movement of living expenses, based on the data published by the Central Bureau of Statistics of the Republic of Croatia. As of January 2004, the Central Bureau of Statistics no longer publishes figures on retail price indexes and living expenses; according to Eurostat methods it replaces them with the figures on consumer price indexes as a better measure of inflation.

Comparing only the average consumer prices indexes for the period 2001 to 2005, it is clear that the prices of consumer goods in 2005 increased by 9.1 % as compared to the basic year 2001.

After a comparative analysis of the data from Table 4 and Table 7, we can first of all conclude that the real wages increased by 1.3 times more than the growth of consumer goods prices in the same observed period.

Chart 5.1: Dynamic of GDP, employment and real net wages in Croatia (1989 = 100)



Source: dr.sc. P. Bejaković and V. Šošić; chapter *Importance of the Systems of Wages*, book *Wages*, mr.sc. V. Mlinarić and Ž. Obradović, TIM press, Zagreb, 2005

Economic analysts P. Bejaković and V. Šošić in their study *Importance of the Systems of Wages* («Važnost sustava plaća»⁹) comment the trends of net wages in the period from 1989 to 2004, comparing the figures they got with the basic 1989. The conclusion of their study is that in the starting transition period of the move to market economy, the system of wages in Croatia was extremely flexible. The cause of the fall of the real wage in 1993 to a little more than one third of the wage from the pre-transition period is also impossibility for economic activities in war conditions. It was only in 1995 that we faced rather quick growth, quicker than the recovery of production. The authors noted the growth of real wages in the overall economy, while the highest growth of real wages was seen in the services sector and in the state-owned companies. They note that the wage growth during the observed period, and also in the last years, has been smaller than the growth of GDP. For instance, the average nominal gross wage with legal entities increased by 4.4 % in 2005, while the nominal GDP per worker increased by 6.8 %. Furthermore, they

⁹ dr. sc. Bejaković, P., Šošić, V., commentary «Importance of the Systems of Wages», published in the book by mr.sc. Mlinarić, V., Obradović, Ž., *Wages (Plaće)*, TIM press, Zagreb, 2006, p. 299.

are of the opinion that the moderate growth of wages has ensured space for the growth of employment and has contributed to macroeconomic stability.

If we add to this the data on the growth of real wages for the year 2005 from Table 4, we can conclude that it was only at the end of 2005 that the wages in Croatia became almost even with the wages from the pre-transition period, i.e. with the wages from 1989.

However, the problem of socially just and at the same time competitive price of work in Croatia is extremely complex, because the wage level is also the base for the payment of obligatory social insurance contributions, which inadequately stimulates the entry of foreign investors and the creation of new jobs, and increases employment and work in informal economy, the so-called grey economy.

The costs of work make a considerable share in the total value of production, hence they are one of the factors, however not the only one, determining also the competitiveness of economy. The total costs of work, which include net wages, all the taxes and contributions from and to the wage, and other material compensations such as: compensation for difficult working conditions, years-of-service bonus, compensation for work on holidays, night work, overtime, vacation bonus, Christmas bonus, time-in-service award, sickness pay, as well as managerial pay and bonuses. The costs of work in Croatia are considerably higher than in other transition economies, with the exception of Slovenia.

However, at the beginning of 2001, additional lower rate for income taxation was introduced, and it lifted a significant tax burden off the cost of work, hence the increase of net wage in that year could be accompanied by the decrease of total costs of work. At the beginning of 2003 the amount of personal deduction was increased, and so were the limits for the application of higher tax rates. This led to the fact that this year saw again the slower growth of total costs of work than as compared to the growth of net wage.¹⁰ Employers think that the tax burdens and the level of contribution rates from and to the wages is still too expensive item in the costs of work.

¹⁰ Data on the movement of average wages from 1996 to 2004, Union of Autonomous Trade Unions of Croatia, Economic Department, 2005

5.4 Wages in the commerce sector

During the first seven months of 2007, the average wage in the commerce sector was different from the average wage in economy for 14 %. The sectors which besides the commerce sector also have lower wages than the average of the economy are fishing industry, catering, construction, agriculture, hunting and forestry, textile industry, clothes and fur, and leather and footwear production, wood processing and production of furniture. The greatest departure from the average wage in the commerce sector in relation to the average wage of economy was seen in 1999, when the average wage in commerce sector was as much as 21 percent lower than the average wage in economy. This positive trend of the decrease of differences between average wages in commerce and average wages in economy is a result of concrete application of the lowest wage from the valid Collective Agreement for the Commerce Sector, the implementation of which has been extended to all legal entities from the commerce sector, as well as a result of the 11 collective agreements concluded by the Commercial Trade Union of Croatia with profitable companies from 2002 until today. Those eleven companies with the valid collective agreements, with annual increase of basic wages and other material rights, employ 19.357 workers. Commercial Trade Union of Croatia started collective bargaining at the sectoral level with the Croatian Employers' Association for Commerce in June 2007 with the primary objective to increase the lowest wages in the sector of commerce and to align it as soon as possible with the lowest wage in the Republic of Croatia.

5.5 The lowest wage in the Republic of Croatia

The term minimum wage, which is used in the majority of countries of the European Union, is not present in the Croatian legislation and collective agreements; instead, the term lowest wage is used in practice.

The UATUC Final draft of the Minimum Wage Act gives a holistic overview of the system of the existing lowest wage in the Republic of Croatia, as well as of the need to define the minimum wage system.¹¹

The method of fixing the level of the lowest wage through collective agreement on the level of lowest wage that has been used so far is inefficient solution because the lowest wages are fixed through certain sectoral collective agreements in the amounts which are lower than the amount provided in the Collective Agreement on the Level of Lowest Wage. Collective Agreement on the Level of Lowest Wage (Official Journal *Narodne novine*, No. 37/98) was concluded on 6 March 1998 for an indefinite period. The signatories are the Government of the Republic of Croatia and the Association of Employers of Craftsmen, Small and Medium Entrepreneurs, Savings and Loan Associations and Foreign Agencies of Croatia, as employers and the Union of Autonomous Trade Unions of Croatia and the Association of Croatian Public Service Unions. It determines the level of the lowest wage in a way that the level of lowest wage (gross) cannot be lower than the lowest base for calculation and payment of contributions for pension and disability insurance determined by special regulations.

The lowest monthly base for the calculation of contributions is regulated by the Law on Contributions for Obligatory Insurance (Official Journal *Narodne novine* No. 147/02) and it is equal to the product of multiplication of an average wage and coefficient 0.35. The average wage is the average amount of the monthly wage paid per an employee at legal entities in the Republic of Croatia in the period January-August of the current year published by the Central Bureau of Statistics (*Državni zavod za statistiku/ DZS*), and it consists of the amount of contribution from the base, tax and surtax to income tax and the amount paid to a work, and it serves for determination of monthly base, lowest monthly base, and the highest monthly and

¹¹ UATUC, Final draft of the Minimum Wage Act, April 2007

highest annual base for the calculation of contributions in the calendar year following the year to which average wage relates.

Based on the Decision of the minister of labour and social affairs of the extension of the Collective Agreement on the Level of Lowest Wage from 1998 (Official Journal *Narodne novine* No. 37/98), the application of that Collective Agreement has been extended to all employees employed in the Republic of Croatia, and following that Decision all the employers in the Republic of Croatia are obliged to comply with the provisions on the level of lowest wage, which, in practice, is identified with minimum wage. According to the Decree of the minister of finance on the amounts of basis for calculation of contributions for obligatory insurances for 2007 (Official Journal *Narodne novine* No. 126/2006), the general lowest monthly base for the calculation of contribution today amounts to 2.298,00 kuna gross, which is average 33 % of share of lowest wage in the average wage or 296 EUR. This places Croatia in the group of countries with the lowest amount of the lowest/minimum wage.

Apart from the lowest wage determined by the Collective Agreement on the Level of Lowest Wage, branch trade unions and employers' associations conclude collective agreements at the level of branches and sectors to fix the level of lowest basic wage, which is determined for the jobs of lowest complexity, and which forms basis for determination of the basic wage of a worker. The basic wage of a worker is multiplied with appertaining complexity coefficient, and to such determined amount different kinds of allowances are being calculated and added (years-of-service, working conditions, overtime, etc.).

Hence today the lowest wage in Croatia is determined in a decentralized way, i.e. through collective agreements at the sectoral and company level. Valid collective agreements are applied to about forty percent of workers in Croatia. The UATUC considers that Croatia has a large number of workers employed at "small enterprises", who do not have a guaranteed minimum/lowest wage through provisions of collective agreements, thus they do not have a guaranteed wage which would enable a worker and his family a decent life, and those employers are obliged to apply the provisions of the Collective Agreement on the Level of Lowest Wage, and which cannot be lower than the lowest base for the calculation and payment of contributions (2.298,00 kuna gross). The working conditions and material rights,

and thus a wage of a worker employed in the private sector are mostly stipulated by the employment contract, so the workers are in a weaker bargaining position and they accept minimum amounts of wages, while the rest is paid in cash. The mechanism of supervision and implementation of the provisions of the extended Collective Agreement on the Level of Lowest Wage are inadequate, hence a large number of employers pays the wages which are even lower than the amount of lowest wage stipulated by the Collective Agreement.

High unemployment rate and poverty, employers' aim to avoid payment of taxes and contributions, together with considerable lack of trust and confidence in governmental and public institutions on the side of citizens, inefficiency of supervision of the implementation of provisions of laws and collective agreements, and non-sanctioning of violations of provisions of law and collective agreements all cause widespread informal economy and undeclared work. A very common phenomenon is payment of wages in cash in a considerably lower amount than the one provided by collective agreements and employment contracts. In this way, through non-payment of taxes and contributions, employers want to decrease the costs of work, which as a consequence has an impact on the more favourable position of certain employers at the market. Non-declaring of real income of workers is one of the most frequent phenomena in Croatia, especially with regard to workers with higher skills and qualifications. In those circumstances very doubtful becomes the issue of fairness of distribution of social expenditures, and this primarily refers to the payment of guaranteed pensions to persons who earned higher income from undeclared work, or to payment of children's allowance to parents who are declared on minimum wage, and who receive cash payment above the determined limit for becoming entitled to receive children's allowance.

A certain number of employers still do not pay wages in time, and the UATUC estimates that these wage arrears relate to 6 % of workers.

Table 5.8: Minimum wage in EUR and the share of minimum wage in the average wage

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006
Minimal basic wage for paying taxes and contributions (in EUR)	192	198	223	228	243	246	258	283	295
Gross average wages (in EUR)	499	619	662	689	730	765	821	864	903
Minimal basic wage for paying taxes and contributions as % of gross average wages	37,4	33	34,9	33,6	33,5	33	32,3	32,8	32,7

Source: Central Bureau of Statistics (DZS), observed years, Collective Agreement on the Level of Lowest Wage, observed years.

With 33 % of the share of minimum wage in the average wage, Croatia belongs among the countries of the European Union with the lowest share of lowest wage in the average wage. It is interesting to note the comparative data on the growth of lowest wage and of average gross and net wage, from the moment of introduction of lowest wage in March 1998, up to date.

Table 5.9: Comparison of growth of lowest and average wage in the Republic of Croatia from 1998 to 2006

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006
Rise in minimal basic wage for paying taxes and contributions (%)	28	3,1	12,6	2,2	6,6	1,2	4,9	9,7	4,2
Rise in gross average wages (%)	9,8	13,0	6,9	4,1	6,0	4,8	7,3	5,2	4,5
Rise in net average wages (%)	12,9	13,9	8,9	5,8	5,7	5,9	4,9	5,1	8,0

Source: Central Bureau of Statistics (DZS), observed years, Collective Agreement on the Level of Lowest Wage, observed years.

Table 5.10: Level of calculated wage and the number of insured persons who receive wage in the said amount

Level of calculated wage (average per insured person at the level of the month of a period)	Number of insured persons I-VII 2006
Lower than the lowest	19.679
Equal to the lowest	21.766
Higher than the lowest, lower than the average wage	701.257
TOTAL	742.702

Source: Regos, Zagreb, 2006; UATUC, *Final draft of the Minimum Wage Act*, Zagreb, April, 2007.

Based on the data provided by the Regos (Central Registry of Insured Persons which provides technical support to the second pillar of pension insurance) on taxpayers per income levels, the UATUC concludes that 742.702 insured persons in the period from January to July 2006 received a wage which is lower than the average wage in economy of the Republic of Croatia.

Table 5.11: Necessary means for covering the costs of minimal existential needs of a single person in February 2007

Costs	of a member/a single
Food	655,45
Lodging	1.261,80
Transport	239,65
Hygiene	123,72
Clothes	194,10
Education	138,59
Total	2.613,31

Source: UATUC, *Final draft of the Minimum Wage Act*, Zagreb, April, 2007.

According to the calculation of the Union of Autonomous Trade Unions of Croatia, in order to cover living expenses in February 2007 a single person needed 2.613,31 kuna. A worker who in February that year received a net wage lower than that

amount could not cover his/her elemental living needs, and the standard of the European Union on the relative poverty threshold places all citizens who receive less than 50 % of median income exactly close to the very zone of relative poverty threshold.

Six trade union confederations demanded from the Ministry of Finance to amend the Decree of the Ministry of Finance on the amounts of basis for calculation of contributions for obligatory insurance for 2005 and 2006 in a way to change the existing review by Regos on the distribution of insured persons according to the level of calculated wage. They proposed the review of calculated wages according to classes, where the lower threshold of the lowest class would be defined by the amount of 1.000,00 kuna, and the upper threshold of the highest class would depend on the level of the highest calculated wage in the observed period. In that way the review of the distribution of insured persons according to the level of calculated wage would be more transparent and suited to current needs of social partners. Based on it a median wage in the Republic of Croatia could be determined. So far, trade union confederations have not received an answer to their proposal from the Ministry of Finance, so there is still no official data on the level of median income in the Republic of Croatia, according to which all the European Union Member States determine the poverty threshold.

5.6 Two trade union drafts of the Minimum Wage Act

Today in the Republic of Croatia there are 45 % of trade union organized workers in 600 trade unions, and only 252 trade unions are organized in six trade union confederations.¹² The number of newly-established trade unions in the country is still increasing.

Last year Croatian trade unions launched an initiative aimed at regulating the issue of minimum wage through adoption of a special law, knowing that this can efficiently influence the reduction of poverty and the level of minimum wage, but not the reduction of differences in wages among men and women.

However, six trade union confederations, which represent 455.000 workers¹³, did not have a unified position on the system of a minimum wage. Therefore, they submitted to the Croatian Parliament and presented to the public two different trade union drafts of the Minimum Wage Act. The first was drafted and presented on 9 July 2007 by the Union of Autonomous Trade Unions of Croatia - the largest and strongest trade union confederation in the country with 46 % of the total trade union members, followed afterwards by the draft of the Minimum Wage Act by the other five trade union confederations (NHS, URSH, MHSJS, HUS and UNI-CRO).

¹² Representativity of trade union confederations in Croatia in 2004, data of the Ministry of Economy, Labour and Entrepreneurship, 2004.

¹³ Representativity of trade union confederations in Croatia in 2004, data of the Ministry of Economy, Labour and Entrepreneurship, 2004.

5.6.1 Draft of the Union of Autonomous Trade Unions of Croatia

In its drafting of the Minimum Wage Act, the UATUC started from the assumption of the current weakened bargaining position of workers and trade unions, who as social partners through collective agreements are not able to win decent working conditions, so the lowest wages are agreed in the amounts which are lower than the level of lower wage which is fixed by the Collective Agreement on the Level of Lowest Wage. Hence, the UATUC considers that the worker is in less favourable bargaining position than the employers, and statutorily determined minimum wage can protect workers from the poverty risk and can improve its security at the labour market.

The UATUC proposes 2.700,00 kuna gross, i.e. 2.025,00 kuna net, as a level of the minimum wage as of 1 January 2008. Only after a one-year transitional period, the amount of the minimum wage would be linked to the amount of the 50 % of the average monthly wage achieved in the previous year with legal entities in the Republic of Croatia for the period January - August of the previous year, and according to the report of the Central Bureau of Statistics in the Official Journal *Narodne novine*. The UATUC links the amount of the minimum wage also with the minimum coefficients of job complexity and worker's qualifications, from 1 to 2.8. At the same time, according to the UATUC proposal, the minimum wage would be a non-taxable part of the wage, and a base for calculation of contributions.

Branch trade union of textile industry, named Sindikat tekstila, obuće, kože, gume Hrvatske (Sindikat TOKG/*Trade Union of Textile, Footwear, Leather, Rubber Industry of Croatia*), affiliated to the Union of Autonomous Trade Unions of Croatia, considered the proposed amount of the minimum wage as too high a lower limit for the textile industry, and that the adoption of the Minimum Wage Act was inapplicable having in mind the competitive insecurity of industry, the amounts of lowest wages at the level of textile industry and the amounts of lowest wages at the level of textile companies. TOKG Trade Union demanded from the UATUC to consider the need of introduction of a transitional period with adjusted level of the minimum wage, with its gradual annual increase, for the textile industry. After the discussion, the UATUC added this proposal of the TOKG Trade Union to its text of the final draft of the Minimum Wage Act.

The UATUC also proposes a system of control of payment of wages through a reorganization of competent inspections within labour and tax regulations which does not demand additional expenses for the state budget, and high fines for employers for the non-payment of minimum wages to workers, and which would be higher according to the number of workers to which an employer did not calculate and pay the minimum wage.

Proposal of the other five trade union confederations (Nezavisni hrvatski sindikati - NHS/*Independent Trade Unions of Croatia*, Udruga radničkih sindikata Hrvatske - URSH/*Association of Workers' Trade Unions of Croatia*, Matica hrvatskih sindikata javnih službenika - MHSJS/*Association of Croatian Public Service Unions*, Hrvatska udruga sindikata - HUS/*Croatian Trade Union Association* and UNI-CRO/*Trade Union of Services*)

The proposal drafted by the other five trade union confederations of the Minimum Wage Act was presented to the public after the UATUC draft. It foresees gradual increase of the amount of the minimum wage during the following four years. According to their draft, as of the beginning of 2008, the minimum wage would increase to 41 % of share in the average wage, which would amount to 2.815,00 kuna gross. In 2009 the minimum wage would increase to 44 %, in 2010 to 47 %, and in 2011 it would be 50 % share in the average wage.

5.6.2 Reaction of the Croatian Employers' Association

The Croatian Employers' Association (*Hrvatska udruga poslodavaca/HUP*), on the other side, does not hide its satisfaction with the fact that differing trade union positions exist on the policy of the minimum wage in the country.

After the presentation and announcement of trade union drafts of the Minimum Wage Act, Croatian Employers' Association carried out a survey *Employers' Intentions as a Consequence of the Adoption of the Minimum Wage Act*¹⁴ which was carried out among their members from the wood industry, construction, food industry, chemical industry, textile, metal industry and machine production. Employers use the results of this survey to indicate possible short-term consequences of the increase of costs, insolvency and uncompetitiveness, possible lay-offs of workers and/or relocation of companies to other countries of the region. According to HUP's survey, long term consequences would include stoppage of investments into new technologies and blocking the employment of higher skilled workers. HUP concludes that the negative effects of the adoption of this Act would mostly affect textile, wood, metal and food industry. Furthermore, Croatian Employers' Association expresses threats that the centralized regulation of the minimum wage would create a reason for a unilateral cancellation of collective agreements, which today stipulate the amounts of wages at the sectoral and company level.

There is a widespread discussion in business magazines led among experts on benefits and consequences of the adoption of the minimum wage system, which encourages social partners to explain their arguments to public in even greater details. The opponents of the adoption of the Minimum Wage Act think that the system of minimum wages is an outdated mechanism of protection of workers' standards, and if we are to consider minimum wages, they have to be different for individual sectors. Others claim that the costs of work in Croatia are too high and overburdened by taxes and contributions, and that the investments in education and training of workers, as well as investments into physical capital, are conditions of competitiveness and growth.

¹⁴ HUP, CRO industry, Results of a survey on the employers' intentions as consequences of the adoption of the Minimum Wage Act, by doc.dr.sc. Nataša Šarlija from the Faculty of Economics in Osijek, Zagreb, 17 September 2007.

Conclusion

Wage policy, and in that framework minimum wage too, is an important means in ensuring the implementation of the principle of “fair wage” based on the European Social Model. Minimum wage should ensure to workers a living standard and social security beyond the threshold of poverty risk through adequate work remuneration, because for the majority of workers wage is the only income which determines their living standard.

The International Labour Organization emphasizes that the fixing of minimum wage system is an extremely complex problem, which has to be analyzed through interconnectedness of market powers and collective bargaining at various levels of economy, and never in the isolation from other social partners at the labour market.¹⁵

The summary of the analysis of the need to define minimum wage in the Republic of Croatia can be divided into several conclusions:

- With the average 33 % of share of the lowest wage in the average wage, Croatia belongs to a group of countries of the European Union with the lowest amount of the minimum wage.
- Current amount of the lowest wage greatly threatens the living of workers and their families; it affects tax evasion and occurrence of undeclared work.
- Low amount of the minimum wage clearly indicates even greater poverty in old age, especially with younger workers who pay into the second pillar of the pension system (for 35 years of work, the total sum is 6.300 EUR).¹⁶
- Regulations do not provide control of payment of current lowest wage, or sanctions for non-payment of wages and contributions.

Trade union unity in Croatia failed. At the press conference held on 12 July 2007, the UATUC presented the chronology of all the activities of the trade union confederations with regard to agreements on the joint policy and draft of the Minimum Wage Act. The chronology clearly shows all the objectives of certain trade union

¹⁵ Chang-Hee Lee, ILO, <http://www.amrc.org.hk/4207.htm>

¹⁶ UATUC, Final draft of the Minimum Wage Act, Zagreb, April 2007.

confederations as to the amount of the minimum wage, and new calculations and explanations which the UATUC did aiming at concertation and agreeing of the joint trade union proposal for the minimum wage. However, trade union confederations failed to agree to a common proposal, and so did fail the former serious interest of all five trade union confederations to participate in the international conference on the minimum wage, organized by the UATUC in Zagreb on 18 April 2007.

With presenting two different drafts of the Minimum Wage Act, trade union confederations are sending a message to all citizens, workers, employers and politicians that Croatian trade unions are not united social partners even in defining of the fundamental social right of workers - "fair pay". In that manner they cause further weakening of the bargaining position of trade unions and of collective bargaining position at the sectoral and company level which additionally increases their responsibility for the quality of living standard of current and future generations of Croatian workers.

6. Vocational Education and Training in Croatia

Prepared by Olga Lui



6.1 Policy development

In June 2000, the Ministry of Education and Sports through its Institute for Educational Development, undertook an analysis of the current situation in education as a basis for defining priorities for the “21st century Croatian school” (Ministry of Education and Sports, 2000). The “Basis” document outlines the main purposes, objectives and principles of education reform, including organisation, educational s, curricula, assessment and evaluation procedures, teacher pre-service and in-service preparation, financing, etc. It focuses on initial education, i.e. the school system, while VET is dealt with in the frame of all secondary education.

The coalition government which took office in January 2000 commissioned, and finally adopted in June 2001, the “Strategy for the Development of Education in the 21st Century” (White Paper, 2001) as part of a series of sector strategies. The strategy concludes that the Croatian education system does not comply with European standards. Main suggestions for change include (i) the extension of compulsory education to 9 years (6+3), (ii) the reform of national curricula, (iii) the promotion of ICT in education, (iv) a structural reform in higher education in line with the Bologna declaration, (v) the development of adult education, incl. also the recognition of informal learning, (vi) increasing investments in education, (vii) the modernisation of teacher training, and (viii) school pluralism and autonomy.

In 2002 the Ministry of Education and Sports issued another policy paper that aimed at outlining reform steps in more practical terms: the “Concept paper” (Ministry of Education and Sports; 2002). Again, the specifics of VET were not accounted for across the board, that is including the need for involving the social partners, its specific financing arrangements, the duality of training delivery, specifics of teachers’ & trainers’ training, standards, curricula, teaching aids, equipment needs in VET, etc. During a Sabor (the Parliament) session on 7 February 2003 many bench representatives gave a negative assessment of the proposed education project, stating that its vision was unclear and changes were too much oriented towards the system’s organisational format, while, amongst others, the education of teachers was not defined well enough. The Croatian Academy of Arts and Sciences (HAZU) claimed, amongst others, that more attention should be paid to acquiring generic expert knowledge of ‘transfer value’.

In autumn 2004 a concept paper - the so-called Green Paper for VET - was finalised in the frame of the EC CARDS 2001 VET project. It sets out a vision for a restructured VET system catering to the needs of both young people and adults, at different levels of educational attainment, through formal, non-formal and informal ways of delivery. The Paper came with a list of concrete measures to be taken in the short, mid and long term in the areas of governance and management; financing of VET; social partnership and links to the labour market; development of a flexible and responsive VET structure; modernisation of VET standards (of competence), curriculum development, assessment, quality assurance and teaching aids; teacher, teacher educator and school manager training; the dual system/apprenticeship; institutional homes and development of a new legal framework for VET.

In June 2005 a national document on education entitled "Education Sector Development Plan 2005-2010" was drafted and adopted by the Government. It sets out a range of objectives and measures for structural changes in the education system which are organised around four main components:

- Learning School - preschool education, development of curriculum for different levels of education (including VET and adult education curriculum), teacher training (pre-service and in-service) etc.;
- School Management and Leadership - school principal and other specialised school staff (pedagogue, psychologist, special-education teacher, librarian etc.) training and working conditions improvements;
- Monitoring and Evaluation - standardised assessment and certification of students at the secondary school level (i.e. State Matura), quality assurance (specific issues related to the curriculum, school staff training schemes)
- Regional Development and Innovations - regional "VET Centres of Excellence", school network, other specific harmonisation of regulations and programmes with the requirements of the EU.

Moreover, policy development has progressed also in the field of adult learning. In February 2004 a number of adult learning experts were nominated by the Minister of Science, Education and Sports, and a "Strategy and Action Plan for the Education

of Adults” was adopted in June 2004 (*Vlada Republike Hrvatske, Povjerenstvo za obrazovanje odraslih, 2004*). The strategy recognises the importance of adult learning and the need, in Croatia, for a revised legal framework, increased investments by the State, regional and local structures, new funding arrangements, a well established institutional infrastructure that ensures not only an appropriate delivery of courses; but also essential systemic support functions, such as research and development, as well as a transparent evaluation of adult learning outcomes, both at system and institutional level and in terms of skills acquired by the learner.

6.2 The legal framework

6.2.1 Secondary education

Secondary education in Croatia is regulated by 7 laws, of which the most important are Law on Secondary Education and Law on Education in Language and Alphabet of National Minorities, Law on Recognition of Foreign Education Qualifications, Law on Textbooks for Elementary and Secondary School, Law on Educational Inspection, Law on Professional Pedagogical Supervision, Law on National Centre for External Evaluation of Education and Law on Adult Education.

School-based vocational education is regulated as part of the Law on Secondary Education. There are specific arrangements for the dual/ apprenticeship system for crafts trades, which are regulated through the Law on Crafts, Medium and Small Enterprises passed for the first time in 1994.

In June 2001, the Parliament passed new laws amending the laws regulating primary and secondary education, after a number of attempts to draft a comprehensive, non-partial law on education. Main drivers were the quest for the decentralisation of financing and for fostering the autonomy of both schools and local communities in decision-making and management.

The Law on Textbooks in Elementary and Secondary Schools allowed for pluralism in selecting school textbooks. However, while for many general subjects teachers have the opportunity to select between several textbooks on offer, there is a great shortage of up-to-date textbooks and teaching aids for technical, vocational and professional studies.

In the framework of CARDS 2002 a specific law regulating VET was drafted. The draft:

- redefines the mission of VET;
- defines, for VET in a decentralised context, who decides what and in which context (ministries, localities, school);
- establishes the responsibilities for the collection and expenditure of finance at each level;
- sets the broad outlines of the curriculum;
- sets out the framework for qualifications and certification;
- establishes a framework for accountability and evaluation;
- enables the establishment of new institutions or the adaptation of existing ones.

A new Law on Amendments to the Law on Secondary Education was adopted by the Croatian Government on 1 July 2005. Changes envisage, amongst others, that students of 4-year secondary education who have enrolled in secondary schools in 2005 will be the first generation who will have to pass a national school-leaving examination (*Matura*) at the end of their studies. The amendments also defined the conditions for the establishment of Croatian Agency for Vocational Education and Training and Croatian Agency for Adult Education. Both agencies were established in 2006.

In 2004 a new law was adopted establishing the National Centre for External Evaluation. The law follows preparatory work undertaken by the Institute for Social Research, Zagreb and is based on the conclusion that national standards of knowledge are necessary if the government wishes to stop university entrance exams. The Centre's mandate covers external assessment from primary school to the end of secondary schooling including vocational courses.

6.2.2 Adult learning

Croatia has an old tradition of institutional adult education. Its golden phase were the sixties with a great number of adult education institutions (people's universities, worker's universities, primary schools for adults, secondary evening schools and two year evening colleges) and quite a number of students. The reform of education in the seventies destroyed the concept of adult education and until then its well organised providers. A long period followed during which the official Croatian politics and Government had no understanding for adult education, but there has been a noticeable shift as a result of an intensive joining and opening toward the European and world integrations.

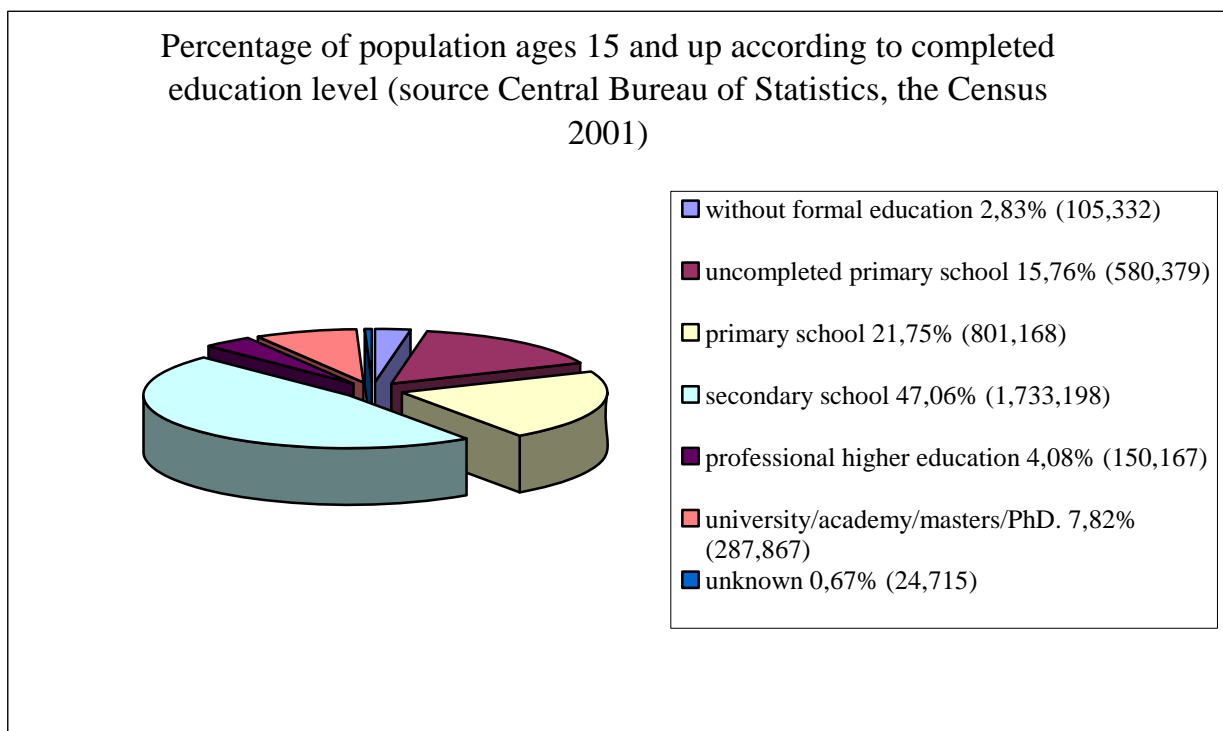
The field of adult learning is regulated through Law on Adult Education, which was passed in February 2007. The population that participates in adult education in Croatia is very small, despite of the fact that a number of Ministries provide funds for the education and training of adults. The biggest budget for the training or re-training of unemployed adults manages the Employment Service. In the frame of the project "For Croatian literacy - A way to the desired future", the MoSES sponsors programmes for adults to complete their basic education or first-degree vocational qualifications (Kuna 1.2 million in 2003; Kuna 10 million in 2004). The Ministry of the Family, Veterans' Affairs and Intergenerational Solidarity has a budget to provide professional training and employment subsidies for unemployed ex-soldiers (Kuna 30 million from 2004-2008). The Ministry of the Economy, Labour and Entrepreneurship provide funds for training in connection with support to entrepreneurs, the Ministry of Defence who deal with the downsizing of the army for the training of officers, etc. Budgets are made available with little coordination between the various Government departments, and training provision is dwarfed by the scale of the problem: relatively few people are given the help they might need. A proper assessment of the need is not done.

Individuals and enterprises both fund learning, too, but there is no overall financial data on how much each contributes to the overall adult learning effort. A 2002 survey by the Croatian Chamber of Trades and Crafts, covering 274 small and medium sized enterprises, suggested that 85 percent of costs of formal adult education was

borne by companies themselves (cf. Marinovic, 2004). There is no information on learning participation of specific groups of adults and companies as a whole.

In October 2007 a new Law on State Aid for Education and Training was passed. It shows that Croatian Government has recognized the need to deal with adult education in a more systematic way and the need to stimulate and motivate individuals and enterprises to engage more in adult learning.

The educational structure of Croatian population is unsatisfying, according to the 2001 Census 1.500,000 Croatian citizens are without any qualifications (without formal education, uncompleted primary school or completed primary school only) and there is also a relatively high drop out rate in secondary education and in higher educational programmes. That and the fact that technology develops very fast ask for life long learning as a condition for the development of human resources which is the main prerequisite for Croatia to be competitive.



According to the Law on State Aid for Education and Training the eligible education costs may include tuition fees for primary and secondary schools, colleges and universities, including doctor and postgraduate studies, participation fees for seminars, courses and congresses, lecturers and instructors' fees and fees for consultants working on specialist education and training projects, textbooks and amortisation of equipment used in education.

The main goal of the Law is to improve the growth of Croatian competitiveness. According to its regulations:

- the profit tax base for large businesses may be reduced up to 50% of eligible costs in case of general education of their workers and up to 25% of eligible costs in case of specialist education of their workers,
- the profit or income tax base for small businesses may be reduced up to 70% of eligible costs in case of general education of their workers and up to 35 % of eligible costs in case of specialist education of their workers,
- the tax base for businesses who are engaged in activities in Areas A and B defined by the regional map of state aid may be further reduced,
- the tax base for businesses who invest in the education of disadvantaged workers (disabled persons, the long-term unemployed, older persons...) may be further reduced,
- the eligible education costs include the costs of general education and training of workers, such as tuition fees for primary and secondary schools, institutions of higher education and other educational institutions for primary, secondary and higher education, including post graduate and doctor studies, participation fees for seminars, courses and congresses, specialist training costs and costs of other forms of education and training in the country and abroad, lecturers' and instructors' fees and fees for consultants working on projects for specialist education and training, textbooks and specialist magazines except from the press, amortisation of appliances, tools and equipment used in education, in accordance with the scope of their use for that purpose,
- the eligible specialist education costs include participation fees for seminars, courses and congresses, specialist training and other forms of specialist education in the country and abroad, lecturers' and instructors' fees and fees for consultants working on projects for specialist education and training, textbooks and specialist magazines in printed and electronic form except from the press, amortisation of appliances, tools and equipment used in education, in accordance with scope of their use for that purpose.

6.3 Structure and organisation of secondary education

Croatian educational system has 3 basic educational levels. All children from age 7 - 15 attend basic compulsory education.

After the basic compulsory education students can enrol:

- a *Gymnasium* (general program secondary school),
- a four-year vocational school,
- a three-year vocational school and
- a two-year or a one-year vocational school.

The *Gymnasium* is a four-year course which prepares for further education at institutions for higher education (organized in accordance with the Bologna Process). At the end students take state exams (*Matura*). By passing the exam one earns secondary school qualifications.

Four-year vocational courses mostly consist of vocational theory, general education subjects and practice. At the end one mostly acquires a technician degree and there are such courses in all sectors of economy. Courses end with a final exam for vocational schools. By passing this exam one earns secondary school qualifications. After 4-year vocational courses students can enter into labour market and engage in activities which are more or less complex or can continue their education on higher levels (vocational studies, scientific studies).

3-year vocational courses prepare students for employment in industry, crafts and other sectors of economy. These occupations are less complex than technician's occupations. At the end students take journeymen and final exams. By passing these exams one earns secondary school qualifications. After completing these courses students can get a job or transfer to the 4th year after having fulfilled certain conditions (they have to take the exams covering the differences between what they have learned on the 3-year course and what they would have learned in the first 3 years of the 4-year course). They can also take the Master craftsman exam after two years in work or can continue their education on higher educational levels after fulfilment of certain conditions stipulated by institutions for higher education.

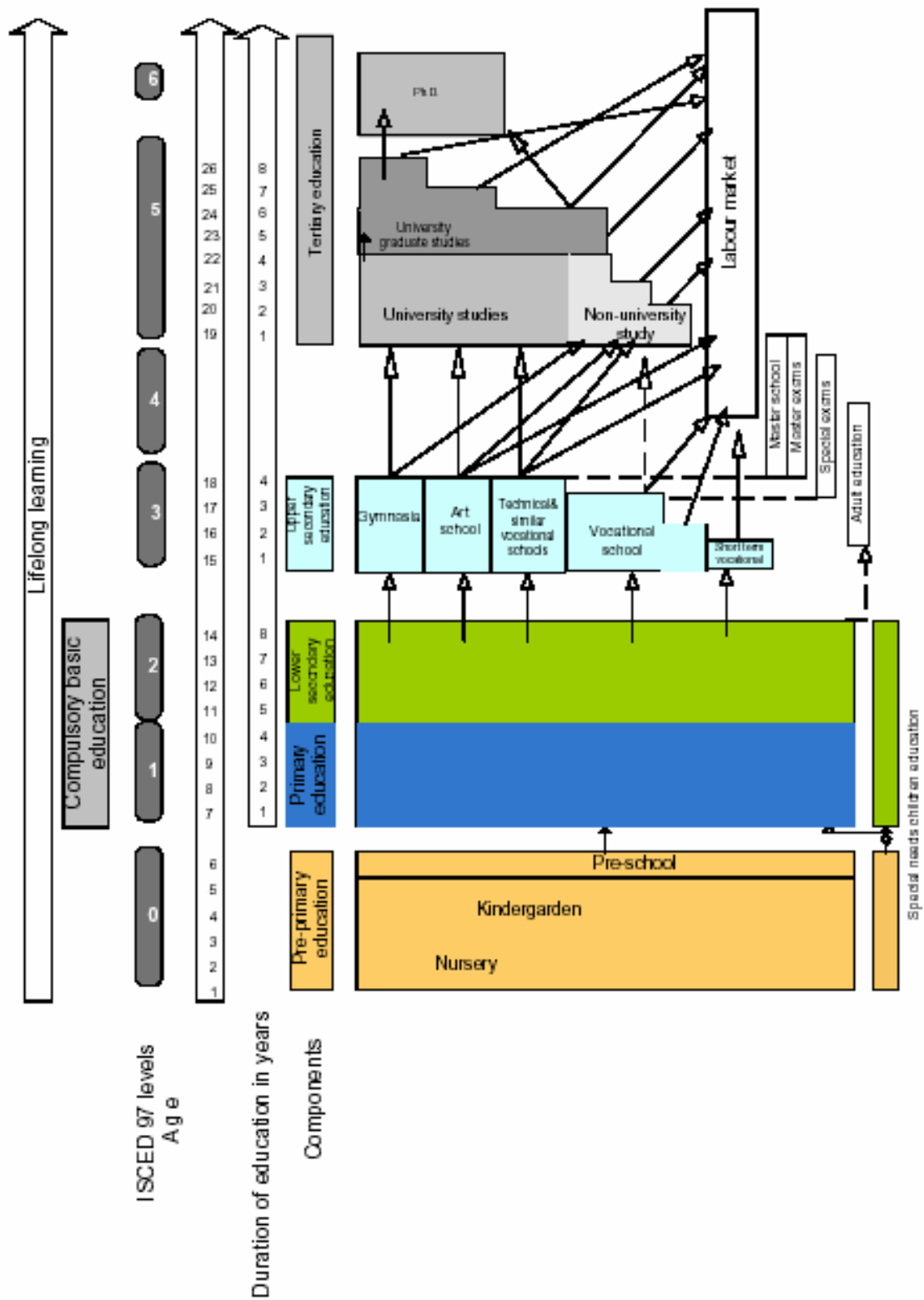
Apprenticeship which existed in Croatia until the 1960s, was started up again in 1996, despite strong opposition. The initiative came from the craft workers after the re-establishment of the Chamber of Trades and Crafts. The latter consider that it was the first example of effective social partnership in Croatia, in terms of Acts passed and implementation, since the change in regime. There are currently almost 30,000 registered apprentices and about 10,000 take their craft exam every year. Parents sign a contract with the Chamber of Trades and Crafts as do also the crafts firms. Apprentices receive an allowance of 15% of the average wage (4,000 Kuna) in the 1st year, 20% in the 2nd year and 25% in 3rd year. There are 60 different craft occupations in which apprentices can be trained.

Apprenticeship contracts can be signed up to the age of 17 only. Unemployed adults can be sent by the employment service but in this case the contract is with the school and the training is funded by the employment service. There are few students in this situation.

Two-year and one-year vocational programs are similar to industrial programs according to their organisation. Knowledge and skills are acquired in schools and companies. Students take a final exam at the end and can find employment or continue their education on higher levels after passing differentiation exams.

A National qualifications framework based on the regulations of the European qualification framework is being developed. In accordance with this framework and its descriptors occupations will fall in levels I - VIII. Four-year vocational courses will be on level IV, the Master craftsman exams and specialist trainings on level VI and three-year vocational programs on levels III i IIII.

For secondary school level the development of new curricula as well as the credits associated with them is planned.



6.4 Institutions providing adult education and training

The possibilities for adults are:

- employment services funded training for the unemployed;
- secondary school courses offered in the evenings after work;
- People's Open Universities;
- private providers
- acquiring qualifications by passing exams at Croatian Chamber of Trades and Crafts

Croatian Chamber of Trades and Crafts has public authorities in the field of further education. The Chamber organises and conducts the Master craftsman exams. Being a master craftsman is a prerequisite for establishing a craft and trade business. In order to take the exam one must have completed a three-year vocational course and have at least two years of work experience in that occupation.

The Chamber also organises and conducts Vocational qualification exams for adults who have completed basic compulsory education, as well as retraining in similar occupations.

The employment services do not directly provide training (except some labour market activation training), but have an obligation to provide training for people who have inadequate skills. For two years activation training was subsidised, formal training and work practice registered in a log book and led to a certificate. Though usually the approach would be to train people for employment that exists, it is recognised that, with the current level of unemployment, even people with good skills cannot find work. Thus, the employment services are training for some sectors even if immediate recruitment is not certain (e.g. for construction and shipbuilding) as there are long term gaps. Employers can obtain funding for training if they sign an employment contract with the person to be trained. They see it as low risk investment training. In the field of shipbuilding (previously Yugoslavia had the 4th biggest shipbuilding industry in the world), there is currently a contradictory situation in which good welders are employed in Italy but with poor work conditions, while Croatian shipbuilders request permits to bring in foreign workers. The employment services are examining how to work more closely with these firms

so that they obtain the workforce they need in the short-term but engage in training of the local workforce for the future. Depending on the course they may or may not be “verified”, i.e. recognised.

The People’s Open Universities usually run special programmes and a range of courses, such as:

1. A programme for unemployed former soldiers who need training.
2. Teacher training on IT (primary and secondary teachers).
3. Primary education for illiterate adults. In Croatia there are estimated to be 750,000 adults over 15 who are illiterate and/or do not have the first level of vocational qualification. These programmes are funded by the State with education vouchers and the programmes last for five years (25 hours/week). Quite a lot of the learners are Roma.
4. Short vocational training programmes for a broad range of sectors (hotel and catering, business, drivers, administration)
5. Programmes for students to follow the 3-year and 4-year vocational school programmes. Legally these courses have to be the same length as school courses but they can be organised more intensively. If students are registered on a “re-qualification” basis, i.e. they have already completed secondary school, then they can complete the course in a shorter time. Otherwise, it takes two years for the 3-year courses and three years for the 4-year courses which are tailored to the groups. Teaching is by blocks of subjects and the underpinning logic for the design of programmes is modular so they could fit easily into the system of levels. To pass from the 3-year to 4-year programmes, students have to make up the difference and take an exam but as their 3-year programmes are sub-programmes of the 4-year ones, it enables students to continue.
6. Further education and specialisation programmes, e.g. computer operators, computer programmers, secretarial, etc.

Programmes are offered at four levels but the term “level” is not used - just the name of the programme. The first level of courses would be for adults who only have basic compulsory education, the next levels correspond to 3-year and 4-year vocational courses, and further education is the highest level. Though they have no

official guidance procedures, their office managers discuss with students the best courses for them. It is not common for students to progress through all levels, but quite a lot do the continuing education programmes after the secondary school ones. Some students apply to university.

To give another example, the Technology Park provides training, both as a private provider and with State funding. It provides short 3-day training courses for individuals who are setting up their enterprise, with funding support from the Ministry for Economy, Labour and Entrepreneurship. It also provides training for firms seeking to obtain ISO recognition as well as IT seminars on basic and advanced IT, including courses for disabled people (the latter are funded by the employment services and the municipality of Zagreb). The Technology Park is also a provider on the programme for unemployed former soldiers (“War Veterans programme”). Its public funded courses are not approved (“verified”) and can therefore not be added to the record of achievement and work.

6.5 Assessment and certification

Under the law, the Education Ministry delegates the responsibility for organising exams, marking them and issuing certificates to individual schools.

The Matura is taken at the end of the 4-year *Gymnasium*, while in the 4-year and 3-year vocational schools students take Final Exams. For the Matura the regulations are defined by the State so that all students take an exam in Croatian (written and oral), some take a foreign language exam, but it is not obligatory for all streams. There is a third subject which depends on the type of *Gymnasium*. Students can also undertake an optional project.

The exam questions are designed by schools taking account of recommendations from the Education Institute based on the syllabus. The exam board is the responsibility of the school though there are regulations on its composition; it must include teachers of the subject, one teacher who has not taught students and the class teacher. There is also a central Matura board for each school. The schools set the exams, mark exams papers and award the certificates. The Education Institute is responsible for monitoring the exams and receiving information on the outcomes, but it would appear that they only intervene in case of a problem.

In 4-year vocational schools (technical, medical and business streams), the students are examined for their practical work and for the general education subjects. The practical task must be dealt with in theory and through practice. Students chose their subjects in February or March and prepare the exam for the end of the school year. If they pass, they then take the written and oral in exams in Croatian and a specific subject from their field (written and oral). The basic process is the same for vocational schools.

The failure rate appears to be very low which is one of the disadvantages of an internal system of exams and does not improve credibility with higher education institutions and employers. Universities do not consider the Matura or the Final Exam results a sufficient basis for selecting students and all have entrance exams.

The amendments to the Law on Secondary Education passed in 2005 envisage introduction of State Matura to *Gymnasiums* and 4-year vocational schools.

The preparations for the introduction of the State Matura are very intensive. At state level National Centre for External Evaluations and National Council for State

Matura were established. It is expected that the first State Matura will be conducted in 2009.

Concerning apprenticeship assessment, the Chamber of Trades and Crafts is in charge of the exams for the practical training. Following the terms of the Act, apprentices take an interim exam after 1½ years for the practical training (including both theory and practice). There are no marks; it is to check progress and determine if they are capable of continuing. The Final Craft exam is taken at the end of three years. The practical exam can be taken in the firm or in the school and lasts about 35 hours so that students can demonstrate the whole process from design to implementation and there is also a written exam. The exam boards are nominated by the Chamber and, where possible, the same one is responsible for the interim and final exams for a cohort of apprentices. There is also a permanent body nominated for each school and each trade within the school made up of craft workers, teachers, and a representative of the Chamber for the particular trade. The Chamber describes their strategy as standardising procedures and content as much as possible. Thus, they have standardised questions for 26 occupations for the theoretical part and is in the process of doing it for the others. It also includes scoring for some fields. There is also standardisation for the practical exams. On completion of the practical training, the Craft Certificate is awarded by the Chamber and it allows students to take the Final Exams. Students can obtain their craft certificate without taking the exams for the general subjects. They are issued one certificate for general subjects and one for the craft.

The Matura prepares students for further study, while the Final Exam (3-year and 4-year vocational courses) leads to the labour market. However, it should be noted that after the 4-year vocational school Final Exam, students can take entrance exams for university which is currently the main progression route. There are no mechanisms for comparing learning outcomes from different schools which can be only judged informally.

The social partners are only involved in the practical exams for the dual system and in a limited way for some sectors, more because individual schools work closely with them, rather than for more systemic or structured reasons. There are plans to involve the social partners more, especially in the frame of the CARDS project.

In the field of adult learning, the results of exams can be put into the individual record of achievement of qualifications and work experience only when programmes have received Ministry approval. Adult learning institutions carry out all exams in their institution, like schools do, with no external moderation. They write both the programmes and the assessment.

6.6 Quality assurance and accreditation of education institutions, programmes or trainers

There is no systematic data on quality. The main source of information for schools are the results of the Final Exams and the Matura. Another indicator for *Gymnasiums* and 4-year vocational schools is the success of students in the university entrance exams.

One way in which schools measure quality at their level is through the national and international competitions they enter. There is a general feeling that this is a useful sort of evaluation of how good one schools is in comparison with others. These competitions tend to be for practical work, of the Craft Olympics type, and only allow for the comparison of the best students. However, schools have no other external method at present.

As concerns adult learning, no mechanisms are available, for example, for Open Universities, either, for comparing the results of their adult students with those in schools. They observe that adults have to show a high level of motivation to undertake courses and think it has an effect on the way they work after. They would welcome a national exam system.

Schools get licences from the Education Ministry for the courses they can offer in initial and continuing VET. However, the licences for young people's and adults' courses seem to be awarded separately from each other. There does not seem to be a well-established link programmes offered through the public school system and the provision of training for adults. Licensed schools can change their sectoral focus over the years (e.g. building industry, medical sector, agriculture), and it is not certain whether such change reflects a higher responsiveness to changing needs on the labour market.

Adults can take formal qualifications in 3-year and 4-year vocational schools. There are two types of students: those sent by the employment services and those who pay themselves. They follow the same programmes as 3-year and 4-year vocational schools, but they tend to be of a shorter duration as the schools take into consideration previous studies. Courses are in the evening after working hours and students have classes for about 20 hours/week. Standard programmes leading to school qualifications may be too long for adults who nevertheless undertake them,

motivated by higher level qualifications and better wages and despite the considerable cost involved.

Adult learning institutions have to seek approval by the Ministry for the short courses they want to offer (called “verification”); otherwise students’ certificates would not be recognised. Approval includes the list of teachers for the course. However, currently most short courses, including private courses such as Microsoft training or the European Computer Driving Licence, do not have formal recognition and so cannot be put into a student’s record.

10-15 years ago there were problems of a lot of low quality adult training on offer, but these providers did not survive. Currently, there does not seem to be much difference between the different providers in terms of quality, but it would be a step forward if they could give recognised certificates.

Starting from the school year 2004/2005, a modified system has been introduced in secondary VET which aims at ‘unifying’ the school-based and dual system so that there is one structure and programme to learn a certain trade, but different pathways. The practical training can be taken in crafts businesses, large firms or in schools. Students will no longer have to make an a priori choice between the two systems. Whereas the school-based programme included 400 hours of work practice and the dual system 1,100 hours of practical training, under the new system all students will have 360 hours in school and 540 in the workplace or workshop. They will all take the same exam. Under the new system the Chamber of Trades and Crafts will be responsible for pupils who sign their contract with the Chamber. For larger firms the school will take this responsibility, which means there will not be any standard practice for allowances. However, despite the good intentions, it is likely that there will not be enough places for all pupils, and not all regions have the same opportunities for practical training. So it will be left up to the local community to find a pathway that is within the standards set down.

The Chamber Trades and Crafts who initiated the reform are satisfied with the outcomes based on a common programme but different pathways. On the other hand, there are doubts whether this reform will work in all schools due to insufficient training places in companies and poorly equipped school workshops (especially outside the bigger urban centres). In addition, it is questionable whether the revised education and training programmes, for which the number of lessons has been re-

duced and some subjects been changed, prepare for the highly qualified, multi-skilled, adaptable workforce which is required today.

6.7 Outcomes/relevance of VET

At the moment, schools are producing graduates in a rather closed circuit where the main influencing factors are the availability of teachers and the choice of students. A typical supply-based system, where administrative considerations have first priority and the needs of the labour market ranking much lower. The result is clear: VET provision and economic development strategies are not linked. The result is frustrated students with a VET system that does not provide employability and a labour market, which does not consider VET relevant for their development strategies.

Employers are very disgruntled by the competencies of young people who have just left schools and the dialogue between schools and employers exists to a lesser degree. The Employment Services who have made a pilot survey on first destinations survey takes account of the time needed to find employment (after 6 months and after one year) breaking down the data by region, occupational field and the school course. The conclusion of the Employment Services is that young people's jobs have a very high turnover and many are in the shadow economy.

The Chamber of Trades and Crafts considers that labour market entry is good for apprentices who are often kept on by the training firm and about 10% work in family firms.

As there is no data on labour market entry after 3-year VET it is not possible to know whether or not employers have a preference for young people who have trained in the apprenticeship system. There is a perception that craft firms would like more apprentices but since the Chamber of Trades and Crafts only enrolls the number of apprentices for whom firms will definitely provide training places, it is not possible to estimate shortages.

6.8 Social dialogue

In Croatia there is quite an elaborate structure of social partnership arrangements at national level, which includes the Economic and Social Council (GSV). The sub-groups of this Council, including one on education, are consulted, for example, on new draft legislation.

There are several levels at which the social partners are involved in labour market governance. The governing council of the PES is tripartite, i.e. there are three members from trade unions, three members from employers' associations and three members from the government. Additionally, the social partners are members of advisory councils in regional employment offices and they are, as a rule, involved in all the important decisions being made at the regional level.

The Chamber of Trades and Crafts plays a key role in implementing (the practical part of) VET for crafts trades involving small and medium-sized crafts businesses in apprenticeships. However, this picture may be somewhat misleading in the context of workable partnerships in education and training.

The management board of the VET Agency, for example, does not include representatives of employers' organisations nor the economic trade unions. This is despite the fact that the Croatian Association of Employers (HUP), the Chamber of Commerce (HGK) and the Autonomous Trade Unions of Croatia (SSSH) had declared their keen interest in becoming involved in a tripartite dialogue with the government on human resource development policy planning and implementation. Also, the adult education commission whose members were appointed by the Minister of Science, Education and Sports in February 2004 to elaborate an adult learning strategy did not consider social partner representatives.

Current provisions regulating education neither stipulate nor encourage the establishment of effective partnership structures involving both the economic and education actors at regional and local levels. In the light of Croatia's aim to make education and training more responsive to the labour market, the lack of such structures is particularly strongly felt. It can be concluded that the importance of involving the social partners at all levels in the design and implementation of education and training policies for both young people and adults has not yet been fully recognised.

A number of proposals have been tabled which it is hoped will be taken forward by the national institutions and relevant CARDS projects. One concerns the inclusion of partnership structures at the various levels in the new laws on VET and adult education. CARDS VET projects all involve social partner representatives alongside experts in all working groups. One of them focuses on sector committees whose task will be to analyse skill needs and profiles by sector and to develop new standards of competence and framework curricula. The CARDS 2002 and 2004 Local Partnership projects managed by the Croatian Employment Service were or are geared to design human resource development strategies and deliver training, amongst others, through effective local partnerships in selected counties.

The expected major influx of pre-ESF funds in Croatia's run-up to accession to the European Union will make it inevitable to have in place effective regional structures who are able to plan and implement, monitor and evaluate human resource development measures.

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