

RESEARCH

REPORTS

RECOMMENDATIONS

PREDRAG BEJAKOVIĆ

COLLECTIVE BARGAINING DEVELOPMENT IN CROATIA IN THE CONTEXT OF THE ADEQUATE MINIMUM WAGE DIRECTIVE (ART. 4)

INSTITUTE OF
PUBLIC AFFAIRS

PREDRAG BEJAKOVIĆ

**COLLECTIVE BARGAINING
DEVELOPMENT IN CROATIA
IN THE CONTEXT
OF THE ADEQUATE
MINIMUM WAGE
DIRECTIVE (ART. 4)**

INSTITUTE OF PUBLIC AFFAIRS
Social Policy Programme

This report is one in a series presenting the findings of research carried out in Bulgaria, Czechia, Croatia, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia as part of the project CEE CAW ‘Challenges for Organising and Collective Bargaining in Care, Administration and Waste collection sectors in Central and Eastern European Countries’, which was led by the Institute of Public Affairs (Warsaw). The other partners were the: Bulgarian Academy of Sciences (Sofia), Central European Labour Studies Institute (Bratislava), Lithuanian Centre of Social Sciences (Vilnius), and Centre for Democracy Foundation (Belgrade).



Management at the Institute of Public Affairs:
Dominik Owczarek, Małgorzata Koziarek

Proofreading: Marcus Bashford

Please refer to this publication as follows:

Bejaković, P. (2024). *Collective Bargaining Development in Croatia in the context of the Adequate Minimum Wage Directive (Art. 4)*. Warsaw: Institute of Public Affairs.

Copyright © by Instytut Spraw Publicznych, Warsaw 2024

ISBN: 978-83-7689-486-7

Publisher:

Fundacja Instytut Spraw Publicznych
00-031 Warszawa, ul. Szpitalna 5 lok. 22
tel.: +48 22 55 64 260, fax: +48 22 55 64 262
e-mail: isp@isp.org.pl, www.isp.org.pl



**Co-funded by
the European Union**

The report was co-funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission. Neither the European Union nor the granting authority can be held responsible for them.

1. Methodological preface

In preparation for the report, the author completed extensive desk research and conducted six interviews with two representatives of trade unions and one each with the following: an employers' association; a government representative; a scientist; and an expert. These interviews were conducted with individuals who were well informed on the mentioned topic and had experience with the situation and problems of collective negotiation in Croatia.

2. General characteristics of the labour market and industrial relations system

2.1. Labour market performance

In 2021, 6.8% of the employees in Croatia were active in the agricultural sector, 28.8% in industry and 64.4% in the service sector. In 2020, according to the structure of enterprises, 92.1% were micro which employed 31.5% of all employees. Small enterprises accounted for 6.6% and employed 20.9% of employees, while 1.0% of enterprises were medium-sized and employed 17.1% of employees. The share of large enterprises was very low, only 0.2%, but they employed 30.5% of all employees (Croatian Bureau of Statistics, 2022a). In 2021, the share of fixed-term employment contracts was 11.8% in the age group from 15 to 64, which is just below the EU average of 12.1%. However, by the end of September 2022, Croatia slightly exceeded the EU average (14.6% vs. 13.9%).

The current labour market situation is stable, with positive trends in increasing activity and employment rates, and a significant decrease in unemployment. In 2022, the labour force participation rate for the total population aged 15 to 64 years was 70.4%, while the employment and unemployment rates were 65.6% and 6.8%, respectively. The participation and employment rates were higher for men (74.5% and 70.0%) than for women (66.3% and 61.2%), whereas the unemployment rate was higher for women (7.6%) than for men (6.1%) (Croatian Bureau of Statistics, 2022b).

The most important challenge is a serious lack of labour force, particularly for construction, tourism and hospitality, and transport. There are several reasons for the above. First, demographic trends play a role, as due to the lower

number of new-borns at the end of the last century and the beginning of this century, fewer people have entered the labour force (population aged 15–64) than have left it. Furthermore, as a result of Croatian membership in the EU, a significant number of its citizens left the country for temporary or permanent employment abroad. It is commonly stated that around 400,000 people left, which is a large number for Croatia which has a population of around 3.7 million.

Finally, jobs in the mentioned sectors are mostly difficult and tiring: in construction, working at heights, in noise, cold in the winter and high temperatures in the summer; in catering and tourism, jobs are often seasonal and/or over weekends as well as physically demanding; while in transport, jobs can be dangerous and stressful, especially for professional drivers. The causes of such a situation are systemic — the lack of a labour force has existed for a long time — so it can be expected that this challenge will also be present in the future.

In Croatia, there is a strong growth in the number of self-employed, who are mostly not trade union members and generally do not participate in collective agreements. Platform work constitutes a separate challenge since it could be performed via different kinds of contracts: an employment contract (according to the Labour Act), self-employment, or a service contract. While work with an employment contract falls within the category of dependent work and enjoys the protection of labour legislation, the work of those self-employed or on a service contract represents independent work regulated only by civil and commercial law provisions. The number of persons working on a platform has been increasing, and the amendments to the Labour Act (OG 151/22) regulate such forms of work. In 2021, the Trade Union of Digital Platform Workers (Sindikata radnika digitalnih platformi — SDRP), was established and it has been affiliated with the Union of the Autonomous Trade Unions of Croatia (Savezu samostalnih sindikata Hrvatske — SSSH). Unfortunately, due to inactivity, the SDRP union was closed.

Discrimination is relatively rarely reported in the labour market, based on age, gender, nationality, or sexual orientation, but without doubt, it exists. The share of civil law contracts in the labour market is very low and it does not present a serious problem. It is hard to estimate exactly if there is a risk of wage dumping by migrant workers, but probably this is not a significant problem because migrants mostly work in a segment of the labour market where jobs are not particularly attractive for the domicile population. Until

now there has been no classic wage dumping, but the uncontrolled import of foreign workers, at least in some sectors and jobs, can slow down the wage increase. Croatia recorded dramatic changes with a huge increase of many foreign workers in only a few years, which is probably unprecedented in any other European country in such a short period. However, without migrants, the Croatian economy would have serious problems.

2.2. Industrial relations at a glance

The current industrial relations system as a whole — the role of trade unions and employers’ organisations — is generally efficient enough, but it could be improved. To achieve this, there is a need to increase social partners’ capacity, particularly their mutual respect and trust. There have been no significant changes in collective bargaining patterns and practices in the last 10 years.

Table 1. Trade union density in Croatia according to the type of company and ownership in % in 2015.

Sector	Trade union density in %
Private companies	12
large companies (250 workers and more)	30
medium-sized (10–250 workers)	15
SME (fewer than 10 workers)	≤10
Public companies	53
public services and state administration	46

Source: Bagić (2016).

In Croatia, **as there is no unique model of collective bargaining**, it is difficult to describe its main characteristics. Sectoral collective bargaining in the private sector is quite underdeveloped. Across different economic sectors, collective bargaining covered all employees in construction, accommodation and food service activities, the wood and paper industry, and commerce. This was due to the Minister of Labour’s decision to extend sectoral collective agreements to all companies and employers. However, the coverage was significantly lower in administrative and support service activities and other **service activities**, standing at only 2.8%. The manufacturing industry, which employs around one-fifth of those employed in the private sector, had coverage of about 25.2%, while the coverage in wholesale and retail trade was 9.6%.

Regarding the right to strike, Article 61 of the Constitution of the Republic of Croatia guarantees the right to strike with some restrictions as follows: ‘The right to strike shall be guaranteed. The right to strike may be restricted in the armed forces, the police, the civil service, and public services as specified by law.’ Applicable regulations on strikes are found in Article 205(1) of the Labour Act (OG 93/14, 127/17, 98/19, 151/22, 46/23, 64/23), which stipulates that: ‘Trade unions shall have the right to call and undertake a strike in order to protect and promote the economic and social interests of their members or due to the non-payment of remuneration or compensation, or a part thereof, if they have not been paid by their maturity date.’

Strikes are not very common, and there are no statistics on their duration and the number of workers involved. The number of strikes is stable at a relatively low level, but in recent times there has been an increasing number of conciliations and announcements of strikes.

2.3. Collective labour agreements

Freedom of Association and the Right to Organise are stipulated by the Constitution of the Republic of Croatia (Articles 43 and 60), as well as by the Labour Act. Employers can, without any restriction, form and join an employers’ association. Associations may establish federations or other forms of association to represent their interests at a higher level. According to the Act on Representativeness of Employers’ Associations and Trade Unions (OG 93/14, 26/15), the threshold for a trade union to participate in negotiations in collective bargaining is 20% of trade union members in a company, while for signing a collective agreement the threshold is 50% of representative trade union members. Slightly different specific rules of representativeness apply to public and civil service.

According to the same act on representativeness, higher-level representative trade union organisations that participate in tripartite bodies at a national level must cumulatively fulfil several requirements. These include, firstly, prior to demanding recognition of a representative position, an organisation must be registered as a higher-level trade union organisation for at least six months. Second, its member trade unions must represent at least 50,000 unionised employees. Third, a higher-level trade union needs to have at least five trade unions as members and be active in diverse economic sectors determined by the National Classification of

Activities. Fourth, a higher-level representative trade union organisation or its affiliate unions must have regional offices in at least four counties (there are 21 counties altogether in Croatia). Fifth, it must have the adequate material conditions necessary to perform its activities, as well as employ at least five employees with full-time employment contracts, concluded for an indefinite duration.

There are three representative trade union confederations in Croatia: The Union of Autonomous Trade Unions (UATUC) (*Savez samostalnih sindikata Hrvatske — SSSH*); the Independent Trade Unions of Croatia — ITUC (*Nezavisni hrvatski sindikati — NHS*), and Matica — the Association of Croatian Trade Unions (*Matica hrvatskih sindikata -Matica*).

Only trade unions can negotiate collective agreements on the workers' side and management or employer associations on the employers' side in the private sector, or the government at various levels for the public sector. After signing, collective agreements at the national level are registered at the Ministry of Labour, Pension System, Family and Social Policy, or for collective agreements at a local and regional level, at the respective body of the local and regional government. There is no public statistical data on collective bargaining agreements. Relatively rarely are collective agreements available in the public domain, such as on websites of companies, organisations, or governmental agencies, but for the public sector, they are often published in the national Official Gazette or similar publications of local and regional governments. The Union of Autonomous Trade Unions has a webpage with around 220 collective agreements of the affiliated trade unions. This webpage is available on demand to trade union members.

The Act on Representativeness (OG 93/14, 26/15) defines that a representative employers' organisation or association for participation in tripartite bodies at a national level has to be included in the register of higher-level employers' associations for at least six months; it must unite at least 3,000 employers or have affiliated employers that employ at least 100,000 workers; it must gather at least five employers' associations active in various sectors; have regional offices in at least four counties; have proper premises and other necessary conditions; and employ at least five full-time employees with permanent employment contracts. Since 1993, there has been only one employers' association called the Croatian Employers' Association — CEA (*Hrvatska udruga poslodavaca — HUP*), which affiliates sectoral and interest

employers' organisations. The CEA has 30 branch associations with slightly more than 4,000 members which employ around 300,000 workers, which is around 25% of the total employment in the private sector. However, the number of CEA members and membership density have decreased over the past ten years.

At the last meeting of the Working Group for the Development of the Action Plan for the Promotion of Collective Bargaining, representatives of the Ministry of Labour, Pension, Family and Social Policy expressed their idea of making collective agreements public. However, representatives of the Croatian Employers' Association expressed their opposition. One can assess that the idea and intention exist, but it will depend on which direction it develops further. There are no people in the labour market who are excluded from the right to collective bargaining.

2.4. Opinions on the state of collective bargaining

There are various, even opposite, opinions of key stakeholders: trade unions, employers organisations, and public authorities on the state of collective bargaining and its current/potential role in achieving socio-economic objectives (economic growth, modernising the economy, improving the quality of employment, twin transition, workforce upskilling, etc.). Trade unions complain about the lack of interest in collective bargaining among employers (and especially the Croatian Employers' Associations), while employers argue that the legal regulation is too rigid and therefore not supportive of collective negotiation.

3. Collective bargaining dynamics in recent years

In Croatia, there have been no significant changes in collective bargaining dynamics in recent years. Collective bargaining in Croatia has been and still is mostly decentralised in the private sector and comparatively centralised in the public sector. It is possible to collectively negotiate on every level — that is, on the conclusion of the collective agreement that will apply to employees of a single employer, several employers or an employers' association. Bagić (2022) estimates that there were 580 valid collective agreements in Croatia at the end of 2021, which regulated the rights of about 670,000 employees. Therefore, the number of valid collective agreements is almost the same as it was in 2014 (570).

4. State of play after the adoption of the directive

4.1. Discussions and legal preparations

All three trade union confederations in Croatia believed that the EU Directive on the Adequate Minimum Wage (AMW) was the right way to achieve real change: prevent the exploitation of workers and ensure that all workers avoid poverty. However, they also deem that the mentioned directive needs to be further strengthened to fulfil its intention, which is to ensure fair working conditions, support collective bargaining, and reduce the gender pay gap.

The Government of the Republic of Croatia (Vlada Republike Hrvatske, 2024) in its 277th session held in January 2024, adopted its Programme of the Government of the Republic of Croatia for the takeover and implementation of the acquis of the European Union for the year 2024. The programme defines the obligation of the government to adjust the Minimal Wage Act to the stipulation of Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on Adequate Minimum Wages in the European Union. Planned work on the acceptance of the directive goes in two directions. The first includes minor changes to the Minimum Wage Act, primarily related to the abolition of the provision allowing a lower wage than the legally determined amount. The second, more demanding activity, includes the proposal of the Action Plan for the Implementation of the Directive, related to the increase in the coverage of collective bargaining. Such a plan should be completed by the end of 2025. According to some conclusions of the expert team dealing with the issue, it would be useful if, in public procurement tenders, additional points were given to competitors who have signed collective agreements. Furthermore, it is suggested there is a need to strengthen the analytical capacity of social partners and improve the monitoring and reporting of productivity and wage trends in Croatia.

4.2. Any trade union' activity dedicated to promoting/ familiarising the audience with the directive

In the interviews related to this report, representatives from trade union confederations stressed that unions in Croatia are fully aware of the importance of the AMW Directive. Its primary goal is to create a framework to improve the adequacy of statutory minimum wages and enhance the effective access

of workers to minimum wage protection, but also to support collective bargaining in the EU Member States. The directive supports effective collective bargaining on wages and stresses its importance, which is a particular problem in Croatia because there is a large share of collective agreements without provisions on wages or with only partial wage stipulation.

The trade unions hope that the directive will contribute to collective bargaining in Croatia and strengthen collective agreements, particularly keeping in mind that there are also some foreign companies, for example, in telecommunications, which are active in Croatia and are not willing to begin collective bargaining (although in their domicile countries, they are well-known for such activities and as signatories of collective agreements). Finally, trade unions would also like to reiterate that strong and inclusive collective bargaining systems have an important role in ensuring adequate minimum wage protection as well as contributing to macroeconomic stability, social cohesion, and the rule of law. Even though the directive states that ‘minimum wage protection provided for in collective agreements in low-paid occupations is adequate and therefore provides a decent standard of living in most cases and has proven to be an effective means by which to reduce in-work poverty,’ this is not the case in practice.

5. Action plan

As is well known, the AMW Directive has two objectives: the fair setting of minimum wages and the development of collective agreements. With regard to the former, the representative of the Union of Autonomous Trade Unions of Croatia believes that there is no need for any additional transposition because the Minimum Wage Act already meets all the requirements of the directive. Therefore, Trade Union Confederations expect the primary effect of the obligation to create an action plan to promote collective bargaining. Furthermore, after a discussion at the National Economic-Social Council, a working group was established, which started working with one meeting held in June 2023 and another in March 2024. Social partners submitted their initiative ideas to the Ministry of Labour, Pension, Family, and Social Policy. The next meeting was held in April 2024, and social partners were obliged to deliver their opinions and proposals to the ministry. In their opinions, the social partners, especially the trade union confederations, support the aforementioned directive and emphasise its importance in strengthening

collective bargaining. However, they stressed that for the effective implementation of the directive, there is a need to increase the analytical capacity and negotiation skills of social partners, as well as their mutual trust and willingness to negotiate, which are all currently suboptimal and should be improved. Unfortunately, since then, there have been no further activities on this issue by the ministry.

Summary and conclusions

The above-presented discussions show that the collective bargaining system on wages in Croatia needs to be boosted. The opinion of Croatian trade unions is that the Directive on Adequate Minimum Wages in the EU, aimed to establish a framework ensuring fair and decent wages for workers across member states, can support boosting the collective bargaining system. Additionally, the directive seeks to reinforce collective bargaining systems and ensure effective enforcement mechanisms. Ultimately, the directive reflects the EU's commitment to fostering inclusive and sustainable economies, where all workers receive fair compensation for their labour, regardless of their geographical location or occupation while having access to an environment for improving wage bargaining. Such stipulations are of crucial importance for Croatia in its further economic and social development, yet there needs to be more attention from domestic politicians.

References

Bagić, D. (2016). Obilježja kolektivnog pregovaranja u Republici Hrvatskoj: usporedba javnog sektora i gospodarstva, [The characteristics of the collective bargaining in the Republic of Croatia; the comparison between the public and private sector]. In L. Barjašić Špiler & I. Radeka (eds.) (2016). Utjecaj kolektivnih ugovora na prava radnika u Republici Hrvatskoj (pp. 107–161). Matica hrvatskih sindikata.

Bagić, D. (2022). Kako unaprijediti kolektivno pregovaranje u Hrvatskoj [How to improve collective bargaining in Croatia]. Friedrich Ebert Stiftung and Savez samostalnih sindikata Hrvatske.

Croatian Bureau of Statistics (2022a) Structural Business Indicators of Enterprises, 2020, <https://podaci.dzs.hr/2022/en/29181> (access on 7.3.2024).

Croatian Bureau of Statistics (2022b) Labour Force in the Republic of Croatia, Fourth Quarter Of 2022, <https://podaci.dzs.hr/2022/en/29253> (access on 7.3.2024).

Hrvatski sabor (2020). Stajalište Republike Hrvatske o Prijedlogu direktive Europskog parlamenta i Vijeća o primjerenim minimalnim plaćama u Europskoj uniji COM (2020) 682 [The Opinion of the Republic of Croatia on the Proposal for a Directive of the European Parliament and of the Council on adequate minimum in the European Union, COM (2020) 682]. Hrvatski sabor.

Nezavisni hrvatski sindikati (2021). *Europski parlament podržao međuinstitucionalne pregovore o Direktivi o primjerenim minimalnim plaćama* [European Parliament supported Interinstitutional Negotiation on the Directive of Adequate Minimum Wages], 28 October 2021. Nezavisni hrvatski sindikati.

Savez samostalnih sindikata Hrvatske—SSSH (2021). Europski parlament izglasao pokretanje pregovora o Direktivi za primjerene minimalne plaće! [European Parliament supported Interinstitutional Bargaining on the Directive of Adequate Minimum Wages], 26 November 2021.

Vlada Republike Hrvatske (2024) [Program Vlade Republike Hrvatske za preuzimanje i provedbu pravne stečevine Europske unije za 2024. godinu](#) [Program of the Government of the Republic of Croatia for the takeover and implementation of the acquis of the European Union for the year 2024], Vlada Republike Hrvatske.

About the Author

Predrag Bejaković, PhD, took his doctorate at the Economics Faculty in Zagreb and worked full-time at the Institute of Public Finance, Zagreb. He has more than 30 years of professional experience, particularly in evaluations related to active labour market programmes, analysis of the labour market situation and trends, and social security programmes among others. He publishes in scientific and professional journals, and he is the author and co-author of a number of books from the areas of the economy, pension system, education (particularly VET and adult education), policy planning, public finance and labour economics. He has been a team leader and leading expert in various national and international projects (i.e. The study on the cost and benefits of vocational rehabilitation for persons with disabilities) and the Republic of Croatia in 2009 awarded him the annual prize for his contribution to social science. His main fields of interest are labour economics, health economics, pension system, public administration, industrial relations and education.