

RESEARCH

REPORTS

RECOMMENDATIONS

PREDRAG BEJAKOVIĆ

THE CENTRAL PUBLIC ADMINISTRATION SECTOR IN CROATIA

CHALLENGES OF ORGANISING AND COLLECTIVE BARGAINING

INSTITUTE OF
PUBLIC AFFAIRS

PREDRAG BEJAKOVIĆ

**THE CENTRAL PUBLIC
ADMINISTRATION SECTOR
IN CROATIA**

CHALLENGES OF
ORGANISING AND
COLLECTIVE BARGAINING

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). *The Central Public Administration Sector in Croatia: Challenges of Organising and Collective Bargaining*. Warsaw: Institute of Public Affairs.

Copyright © by Instytut Spraw Publicznych, Warsaw 2024

ISBN: 978-83-7689-477-5

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

During the spring of 2024, in preparation for this report, a desk search was conducted, as well as five interviews conducted with representatives of a trade union, employers' representatives, scientists and other experts. All of them have been involved for a longer period with the mentioned topic and know the issues in this sector very well.

2. General characteristics of the sector

State administration in Croatia is an integral part of the broader concept of public administration, which includes state administration, local and regional self-government, and public services, whose common goal is to satisfy general interests and public needs. Public services according to the Law on Salaries in Public Services (OG 27/01) are public institutions and other legal entities whose salaries are provided from the state budget. This includes the Croatian Institute for Pension Insurance, the Croatian Employment Service, the Croatian Health Insurance Fund and those public institutions whose salaries are provided from the funds of the Croatian Health Insurance Fund.

In central public administration (CPA) there are 27,000 employees in the Ministry of Internal Affairs, 3,000 in the Customs Administration, 4,000 in the Tax Administration, 2,500 in the prison system, 900 in the State Inspectorate, 10,000 in the judiciary and 17,000 in ministries, state administrative organisations and state administration offices. As the total number of employees in Croatia is 1.64 million (Croatian Bureau of Statistics, 2024), the share of employees in CPA in total employment is 1.65%.

Almost all the employees of central public administration are civil servants and therefore have specific legal rights and obligations. Their legal rights and obligations are defined in the 2024 Law on Civil Servants (OG 155/23), which provides a degree of formal legal protection. There are strong provisions in the law for merit-based recruitment and the promotion of civil servants, job security, and high levels of remuneration.

Public administration reform has been a fundamental aspect of Croatia's path towards EU accession. The country initiated its inaugural public administration overhaul in 2000, marked notably by the constitutional revision. This kickstarted a process aimed at modernising and decentralising public

administration, rooted in two key principles: embracing the new public management doctrine and fostering good governance practices. Croatia recognised the need for significant reforms in various areas, which were also highlighted as priorities within the EU accession framework. These areas encompassed subsidiarity and decentralisation, combating corruption, enhancing the quality of public services, promoting horizontal coordination, digitising administration processes, and fostering entrepreneurship, competitiveness, and market orientation.

3. Major problems and challenges in the sector

Efforts to meet EU standards and implement legal and administrative reforms necessitated proactive and coordinated endeavours among different ministries and institutions. However, the effectiveness of structural and policy reforms during the EU accession phase faced challenges due to the entrenched rigidity of political and administrative systems inherited from the past. Despite Croatia's relatively rapid economic development, compared to other Balkan countries, its administrative system is often characterised as authoritarian, featuring centralised governance structures, relatively low efficiency and social norms inherited from historical contexts. Additionally, the system has been noted for its lower levels of expertise and professionalism.

A major challenge of public administration in Croatia has been the bloated, fragmented and inefficient administration structure inherited from the past. Croatia is a unitary state with three governance levels: national, territorial (20 counties and the city of Zagreb) and local levels (428 municipalities and 128 cities, 17 of which have the special status of large cities). The total number of local governments is 576 (counties included). The Croatian capital — the City of Zagreb (with 790,000 inhabitants) — has a special status, having the competencies of both a town and a county.

A strong and constant impact of politics on administrative procedures, coupled with extensive state intervention in the real economy, worsens the adverse effects of frequent policy shifts. Croatia has undergone numerous government reorganisations since 2008, leading not only to cabinet alterations but also significant turnover at lower governmental tiers. These shifts have impeded the continuity and execution of policy reforms, while also diminishing the collective experience within the public administration.

Further problems in central public administration are related to the low salaries and discriminatory processes in their determination. Nestić, Rubil and Tomić (2015) analysis of jobs in the public and private sectors, showed that in 2000 the average salary in the public sector in Croatia was almost 40% higher than in the private sector, probably due to a better educational structure which increased the salaries of those in the public sector. However, this difference decreased to about 25% in 2008 and 2012. According to Mačkić (2020), this trend reversed in 2017 and now the average salary in the public sector has recorded a significantly lower increase than in the private sector, meaning these sectors are a lot closer than they previously were in terms of pay.

Salary policy in public administration aims at making the remuneration system more transparent and keeping it at the same level in different public authorities and services. In practice, governing bodies use salary policy to demonstrate their priorities in managing the entire public administration. According to Zovko (2023), such an approach frequently carries particular inequitable features and causes discriminatory differences in salaries between civil servants of the same educational level and job complexity who work in different parts of state administration.

4. Characteristics of social dialogue organisations in the sector

According to Bagić (2019), in Croatia, there is no: dominant model of collective bargaining cycles; collective bargaining process regarding the level at which it is realised; content of collective agreements; and relationship between collective agreements contracted at different levels. Therefore, there is one model which dominates state administration, where collective negotiating takes place entirely at a sectoral level, almost without additional agreements at lower levels. In this model, wage provisions are generally not strictly defined. Social dialogue in state administration that occurs is realised between the government as an employer and representative trade unions.

The biggest trade union is the Union of State and Local Government Employees and State Employees of the Republic of Croatia (USLGESE of the RC). USLGESE is an independent and non-partisan association of voluntarily and interest-associated state employees employed in state and local government bodies and other institutions. These are state employees

in ministries, the Government of the Republic of Croatia, the Croatian Parliament, counties, courts, the prosecution and the attorney general's office, enforcement bodies, the judicial police, the police, the fire department, customs, tax administration, state institutions, local administration in cities and municipalities, chambers, the Croatian Employment Service (CES), and other institutions. The USLGESE has organised membership in around 400 branches, which operate within 20 counties and the City of Zagreb. USLGESE is one of the numerically largest and financially strongest trade unions in Croatia with almost 7,000 members. However, it does not fully meet the legal criteria, and there are problems with its representativeness in collective negotiations (Gotovac, 2023). Therefore, this trade union is not a signatory of the national collective agreement for state employees and civil servants. There are also two trade unions for the police, which are representative, and one for employees in the customs office.

4.1. Challenges of organising employees

In Croatia, the right to freedom of trade union organisation and activity is guaranteed by the Constitution of the Republic of Croatia and Labour Law, i.e., international conventions of the ILO (International Labour Organization). Trade union members cannot suffer any repercussions for being a trade union member. Any pressure by the employer on the employee to prevent him or her from organising a trade union or to resign from a trade union organisation is considered a violation of the right to organise a trade union. According to the interviews, trade unions face several challenges when organising employees in the central public administration of Croatia. Firstly, bureaucratic hurdles and stringent regulations (primarily related to the trade union representativeness) can impede the process of union formation and engagement. Secondly, the political landscape may influence union activities, with government interference or favouritism posing obstacles. Thirdly, differing interests and priorities among employees within the public sector can make it difficult to garner unified support for unionisation efforts. Additionally, cultural factors and historical contexts may shape attitudes towards collective bargaining and union membership. Membership in trade unions is sometimes (wrongly) equated with the achievements of socialism, which creates the impression among certain politicians and those responsible for public administration that such organisations are undermining today's government. Overcoming these challenges requires strategic planning, effective communication, and collaboration with both employees and policymakers.

4.2. Good practices for organising employees

On 22 April 2024 in the Police Union of Croatia, the activities began to establish general coordination for all state bodies that do not have separate coordinators (such as coordination for the prison system, the judiciary, the fire service, the Ministry of Defence, etc.) to define all current problems in further collective negotiations. One of the main tasks of the coordination is an efficient implementation of the Law on Wages and the Law on Civil Servants, especially finding the optimal model that would value and reward the best workers and would not hinder or limit the possibility of achieving the best result to any worker at any level of work or management. In Croatia, the coverage ratio of trade union membership is directly connected to the number of collective agreements. Due to the existence of the Collective Agreement for State Employees and Civil Servants (Kolektivni ugovor za državne službenike i namještenike, OG 56/22), the highest bargaining coverage was recorded for employees in public administration. As the rights are equal for unionised and non-unionised workers, for a trade union in central public administration it is very demanding to attract new members, so they have almost ceased such activities in the recent period.

4.3. Characteristics of employer representation

As the government is the employer in the sector of central public administration, the Ministry of Justice and public administration is responsible for its organisation and functioning. The ministry is responsible for resolving problems related to legal and organisational barriers, employers' hostility, adequate spatial dispersion of workers, mobility of workers, and any other issues identified by national stakeholders.

The Directorate for the Civil Service System, part of the Ministry of Justice and Public Administration, oversees legal aspects and salary systems for civil servants at all levels. It collaborates with unions, monitors the system, and proposes improvements, while also drafting laws, providing professional opinions, and approving internal ordinances. Furthermore, it supervises the application of regulations, cooperates on strategic documents, manages human resources, reports on collective agreements, cooperates domestically and internationally, supports tribunals, and handles exams, training, and HR development. It also participates in civil service training; and analyses needs and plans of human resources development. Finally, it manages personnel

selection, promotions, and terminations, as well as handling payroll system functions, proposing improvements, and monitoring data.

There are rather contradictory views on how much the government and the ministry are interested in collective bargaining, particularly for central public administration. While the interviewed representatives of the government state that they are very interested and have a strong will for collective bargaining, interviewed trade unions' representatives deem that the government does not have sufficient interest in collective negotiation, but rather often wants to make unilateral decisions. The trade unions asserted that their inclusion in the decision-making process has been merely nominal, as the government predominantly has taken swift actions without genuinely seeking input from the trade unions, in formulating and executing various economic measures and policy choices.

5. Collective bargaining and other forms of social dialogue in the sector – characteristics

Employees in central public administration enjoy the right to collective bargaining mostly on equal terms with other employees. One of the most important issues in collective bargaining in central public administration is the salary increase. Under normal conditions, the salaries of civil servants are the result of collective bargaining, but in special circumstances, the government has the possibility of unilateral decisions on salary determination. The system of determining wages in the public administration in Croatia is very complex and subject to very frequent changes, which does not contribute to the creation of legal and economic security and predictability. Bagić (2022) points out that the form of wage determination in public administration in Croatia is highly centralised, and that there is no coordination with the private sector economy.

The new Law on Wages in State and Public Services (OG 155/23) which came into force in 2024, gives more power to the government in determining wage increases and thus, indirectly significantly limits the role of trade unions in negotiations. Furthermore, the law stipulates that the procedure, criteria and method of evaluating the efficiency of employees' work are prescribed by a decree of the Government of Croatia. Moreover, all the specifics of the work

of particular activities within public services will be additionally structured by regulations for individual activities, which will also prescribe special criteria for evaluating the work of public servants. Central public administration employees have a right to strike and no specific groups of employees are excluded from collective bargaining and/or the right to strike. For all employees in public administration, there is a national collective agreement—the Collective Agreement for State Employees and Civil Servants (*Kolektivni ugovor za državne službenike i namještenike*, OG 56/22). The latest analysis by Glas radnika (2023) assesses that in Croatia there are about 580 collective agreements which cover about 670,000 workers, or about 47% of all employees.

5.1. Content analysis of collective agreements

The national Collective Agreement for State Employees and Civil Servants (*Kolektivni ugovor za državne službenike i namještenike*, OG 56/22) covers all employees in the observed sector. This collective agreement has been signed by the government and two representative trade unions: the Police Union of Croatia and the Independent Trade Union of Employees in the Ministry of Internal Affairs. The collective agreement defines employment relations (Articles 3–7), working hours, holidays and leaves (Articles 8–33), and health and safety at work (Article 34). Remuneration is regulated by Chapter 5 titled, Wages and Salary Allowances (Article 35–60). Thus, Article 35, stipulates that the salary of civil servants and state employees consists of the basic salary and supplements to the basic salary. The basic gross salary is the product of the job complexity coefficient of the position to which the employee is assigned and the basis for salary calculation, increased by 0.5% for each completed year of service. Chapter 7 deals with the protection of the rights of officials and officers, Chapter 8 with the protection of officials, while the majority of the other texts regulate the protection of the dignity of civil servants, with Chapter 11 regulating the functions and working conditions of the trade unions.

5.2. Other forms of social dialogue

The Economic & Social Council consists of representatives of trade unions confederations, representatives from the Croatian Employers' Association and government ministers. The council primarily provides advisory input on

various laws, political and economic measures, and strategies. It also plays a role in collective bargaining and the approval of collective agreements.

5.3. Impact of European sectoral social dialogue

Croatian public administration has been trying to meet European Union standards since joining in 2013. The impact of European sectoral social dialogue has been pivotal, fostering collaboration between employers and employees to shape policies that also affect CPA. This dialogue promotes consensus-building, enhances social cohesion, and ensures fair labour practices. In Croatia, European sectoral social dialogue facilitates the alignment of administrative practices with EU directives, contributing to efficient governance and sustainable socio-economic development. However, there is a need to increase the knowledge and awareness of European social dialogue among social partners in Croatia, particularly to improve the low level of their mutual trust and willingness to cooperate. Trade unions in central public administration in Croatia are involved in European social dialogue bodies. The impact of agreements at a European level (e.g., on restructuring, right to information and consultation, digitisation, right to disconnect) on sectoral dialogue in Croatia is still insufficient and should be strengthened.

6. Conclusions and recommendations

The presented analysis suggests that the system of collective bargaining in central public administration is not flexible enough. Such a system should be flexible to changes in the macroeconomic environment or microeconomic indicators. The initial step involves reforming the collective bargaining patterns for employees directly employed by the government, placing a greater emphasis on negotiating the basic wage while reducing the focus on negotiating various wage supplements and other material benefits. Accomplishing this would necessitate amendments to the legislative framework to limit the government's ability to unilaterally modify the basic wage. Such negotiations would also facilitate the establishment of precise criteria for aligning public sector wages with macroeconomic trends, leading to an automatic alignment of fiscal capacities and employee expenses.

Establishing such criteria would send a clear signal to other labour market sectors regarding the preferred direction and method of wage adjustments. Shifting the bargaining emphasis from wage supplements and material

benefits to the basic wage would mitigate the influence of these supplements on the actual wage paid. In that way, it would be possible to mitigate potential adverse effects on employee motivation and reward systems within public administration. Finally, an essential aspect of this improvement process involves fostering mutual trust and respect between social partners that until now have been lacking between partners, allowing for a better relationship and more positive results.

References

Bagić, D. (2019). Croatia: stability amidst heterogeneous collective bargaining patterns. In T. Müller, K. Vandaele & J. Waddington (ed.), *Collective bargaining in Europe: towards an endgame* (pp. 93–108). Bruxelles: The European Trade Union Institute.

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

Croatan Bureau of Statistics (2024), *The number of persons in employment in March 2024 increased by 1.7% compared to the same month of the previous year*, Zagreb: Croatan Bureau of Statistics.

Glas radnika, 2023. Kolektivni ugovori donose veća prava svakom drugom radniku, *Glas radnika*.

Gotovac, V. (2023), *Otvorena pitanja reprezentativnosti sindikata za kolektivno pregovaranje: Pravni ekscesi ili izgradnja nove arhitekture kolektivnog radnog prava u Republici Hrvatskoj* (Open issues of trade union representativeness for collective bargaining: legal excesses or building a new architecture of collective labour law in the Republic of Croatia), *Zbornik Pravnog fakulteta Zagreb*, 73 (2–3), pp. 333–371.

Mačkić, V. (2020), *Plaće u privatnom i javnom sektoru — inicijalno modeliranje efekata u razdoblju 2003.-2017.* In Radeka, I., Šepak-Robić, I., (ed.). *Odnos plaća u javnom i privatnom sektoru u Hrvatskoj*, Zagreb: Matica hrvatskih sindikata, pp. 97–111.

Nestić, D., Rubil, T., Tomić, I. (2015), Analiza razlike u plaćama između javnog sektora, poduzeća u državnom vlasništvu i privatnog sektora u Hrvatskoj 2000.-2012. (Analysis of the difference in wages between the public sector, state-owned enterprises and the private sector in Croatia 2000–2012), *Privredna kretanja i ekonomska politika*, 24 (1), pp, 136.

The World Bank (2019), National Development Strategy Croatia 2030 Policy Note: Public Administration Modernization, Zagreb: The World Bank.

Zovko, V. (2023), Discriminatory aspects in public sector salary policy in the Republic of Croatia with reference to selected categories of employees in public authorities and public services—doctors, university teachers and associates, judges and court counsellors, *Pravni vjesnik* 39(1), pp. 53–77.

Interviewed persons

State Secretary at the Ministry of Labour, Pension System, Family and Social Policy, responsible for the regulation of collective negotiation in the public administration, participates in negotiations for public administration from the government's side.

Executive Secretary at the Nezavisni Hrvatski Sindikati (Independent Trade Unions of Croatia), This trade union federation includes mostly public sector administration and public sector companies. The interviewee participates in negotiations for public administration from the trade unions' side.

Former Senior Advisor at the Ministry of Labour, Pension System, Family and Social Policy, expert for labour law and collective negotiation (now expert for the labour market and collective negotiation at the Ombudswomen Office).

A professor at the Faculty of Teacher Education, expert for wages and collective negotiation in the public sector.

A professor at the Faculty of Law, University of Zagreb, Department for Labour Law and Social policy, expert for the topic related to collective agreements and representativeness of trade unions and employer's organisations.

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.