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# Croatia: Industrial relations profile

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Area: 56,594 square kilometres

Population: 4,425,747

Language: Croatian

Capital: Zagreb

Currency: Croatian kuna (HRK) (€1 = HRK 7.43 as at 15 July 2011)

### *Economic background*

	Croatia	EU27
<b>GDP per capita</b> (in purchasing power standards, index: EU27=100)	61 (2010)	100
<b>Real GDP growth</b> (% change on previous year) (annual average 2006–2009)	1.54%*	0.62%
<b>Inflation rate</b> (annual average 2006–2009)	3.50%	2.12%
<b>Average monthly labour costs, in €</b>	€1,275 (2007)*	€3,028 (2007)
<b>Gross annual earnings, in €</b>	€9,634 (2005)	€31,302 (2006)
<b>Gender pay gap</b> (difference between average earnings of male and female employees as percentage of earnings of male employees)	10.6% (2009)*	17.6% (2007)
<b>Employment rate</b> (15–64 years) (2009)	56.6%	64.6%
<b>Female employment rate</b> (15–64 years) (2009)	51.0%	58.6%
<b>Unemployment rate</b> (15–64 years) (2009)	9.1%	8.9%
<b>Monthly minimum wage</b>	HRK 2,814 (2010)* (€385)	n.a.

Sources: *Croatian Bureau of Statistics (indicators marked by \*) and Eurostat*

### *Industrial relations, pay and working time*

	Croatia	EU27
<b>Trade union density</b> (%) (trade union members as percentage of all employees in dependent employment)	35%*	n.a.
<b>Employer organisation density</b> (%) (percentage of employees employed by companies that are members of an employer organisation)	25%–30%	n.a.
<b>Collective bargaining coverage</b> (%) (percentage of employees covered by collective agreements)	60%*	n.a.
<b>Number of working days lost through industrial action per 1,000 employees</b> (annual average 2006–2009)	No data	31.78 days (estimate)
<b>Collectively agreed pay increase</b> (%) (annual average 2008–2009)	n.a.	4.6% (not weighted)
<b>Actual pay increase</b> (%) (annual average 2008–2009)	4.7%	1.7% (not weighted)
<b>Collectively agreed weekly working hours</b> (2009)	No data	38.7 hours (not weighted)
<b>Actual weekly working hours</b>	40.2 hours (2008)	39.3 hours (2009) (not weighted)

Sources: *Estimates for Croatia based on Croatian Bureau of Statistics and Bagić (2010) (indicators marked by \*); Eurostat*

## Background

Industrial relations in Croatia are essentially regulated by statute law while collective bargaining is of limited importance in spite of a notable coverage rate and trade union density. A widely used extension mechanism and well established bargaining in the public sector explains the high coverage rate of collective agreements, whereas autonomous bilateral dialogue is relatively weak. The state plays an important role in regulating labour relations, as well as in setting the economic and social policy. Social partners are, however, included in the decision-making process through the Economic and Social Council, a tripartite counselling body.

The accession process and prospective EU membership have influenced industrial relations in Croatia by legislative changes aimed to adopt the *acquis communautaire*. The accession negotiations were wrapped up in June 2011 and the accession treaty was signed on 9 December 2011. Croatia is likely to become the 28th EU Member State in mid-2013.

## Economic context

Croatia had a GDP of around €10,300 per capita in 2009, or about 61% of the EU27 average in purchasing power parity terms. The economy is characterised by a substantial tertiary sector accounting for almost 70% of GDP, while the secondary sector (industry, mining, energy supply and construction) accounts for more than 25%. Inflation has remained low while the exchange rate of the Croatian kuna against the euro has been stable for years. The recent economic crisis affected the economy quite strongly. The annual growth rate, which averaged 4.3% over the period 2000–2008, turned negative in 2009 (-6.0%) and 2010 (-1.2%). The recession continued in the first quarter of 2011 with a negative year-on-year growth rate of -0.8%. Some analysts, including the IMF, see rigidities in the labour market and the relatively high level of wages as reasons for the weak external competitiveness of the economy. The employment rate (15–64 years) is one of the lowest in Europe; around 57% in 2009, it declined further to 54% in 2010. Employment in Croatia's small private sector has decreased markedly. The unemployment rate rose from 8.4% in 2008 to 11.8% in 2010 and 14.3% in the first quarter of 2011. The average gross wage remained more or less unchanged in nominal terms from 2009 to 2010.

## Legal context

The Constitution guarantees the right of employees and employers to associate. This right is further elaborated in the Labour Act (*Zakon o radu*), the key labour legislation in the country. The degree of statutory protection of workers' rights seems high. Croatia has among the most rigid employment protection regulations in Europe (Tonin, 2009). However, actual protection is much lower due to non-compliance and weak enforcing institutions.

Although freedom of contracting is the general rule, only working conditions that are more favourable for the worker than working conditions stipulated in the Labour Act or another law can actually be concluded in the collective agreement, the agreement between the works council and the employer, and the employment contract. The Labour Act does not allow workers to opt out, unless such an option is clearly specified by the Act or another law. Also, the most favourable norm for the worker is applied if the same subject is regulated by various instruments.

## Main industrial relations trends

There have been certain improvements in social dialogue in the past decade. An adequate legal and institutional framework has been established, the social partners are increasingly willing to participate in collective bargaining and numerous collective agreements have been concluded (Office for Social Partnership, 2006). However, notable shortcomings remain. There have been no important changes in the number of collective agreements concluded and their coverage in recent years. Trend union density is declining. Social dialogue is characterised by a low degree of confidence between partners and the conflict resolution mechanisms are still weak.

The impact of the economic crisis on industrial relations in Croatia remains unclear. In the private sector, especially in some larger companies, trade unions and employers have had rather productive dialogue in order to reduce labour costs and preserve employment when possible. In certain cases short-time working was agreed. The government tried to support such an arrangement through the Act on Job Retention Subsidies (*Zakon o potpori za očuvanje radnih mjesta*), but eligibility criteria were so restrictive that only a few employers received the subsidy. At the national level, tripartite dialogue became heated because of disagreements over the proposed changes in the Labour Act, so that meetings of the Economic and Social Council were temporarily called off, but tension eased in 2011. The conflict arose because the government intended to limit the prolonged application of collective agreements, i.e. the rule stating that a dissolved collective agreement is still valid until another one is signed, but trade unions strongly opposed this and the proposal was eventually withdrawn from parliamentary procedure.

## Main actors

### Trade unions

#### *Trade union density*

One study (Bagić, 2010) reported a trade union density of 35% and found a large difference between density in the private sector (17%) and in the public sector inclusive of state-owned enterprises (70%). The density is higher in large companies, companies established before 1990 (i.e. established in the socialist time) and among older workers, and lower among those with fixed-term contracts. Nestić and Bakarić (2010) estimate that trade union density declined from 40% in 1999 to 34% in 2008–2009. The total number of union members declined slightly, but employment has meanwhile increased considerably.

#### *Main trade union organisations*

The trade union scene is highly fragmented. There are around 550 registered trade unions, most of them operating at the company level, others in particular sectors, while occupational and regional trade unions are rare. There are five major trade union confederations, which accounted for around 90% of total union membership in 2008–2009:

- the Union of Autonomous Trade Unions of Croatia (Savez samostalnih sindikata Hrvatske, **SSSH**), with 165,000 members in 2008–2009;
- the Independent Croatian Trade Unions (Nezavisni hrvatski sindikati, **NHS**), with 114,000 members;
- Matica – the Association of Croatian Unions (**Matica hrvatskih sindikata**), with 80,000 members;
- the Croatian Trade Union Association (Hrvatska udruga sindikata, **HUS**), with 42,000 members;
- the Association of Workers' Trade Unions of Croatia (Udruga radničkih sindikata Hrvatske, **URSH**), with 24,000 members.

Membership data are taken from the Ministry of Economy, Labour and Entrepreneurship and are only available for the main trade union confederations every four years as result of the representativeness assessment for participation in the Economic and Social Council. Membership in each confederation is open to trade unions in all industries, so there is no formal specialisation, although some trends are observable. For example, trade unions affiliated with Matica are mostly from the public sector while those with the SSSH are largely from the private sector. There are no major differences in political ideology between the main confederations.

### *Trends in trade union development*

All trade union confederations are characterised by a low level of centralisation and the affiliated trade unions have high degree of autonomy, including financial affairs. Strong competition for influence has resulted in conflicts between affiliated trade unions and large changes in composition and membership of the major confederations in the past few years. The SSSH has lost the largest number of trade unions and members, including the Trade Union of Employees in Agriculture, Food Processing and Tobacco Industry, and Water Management (Sindikata zaposlenih u poljoprivredi, prehrambenoj i duhanskoj industriji i vodoprivredi Hrvatske, **PPDIV**), one of the largest trade unions in the country with around 30,000 members. Trade unions covering the textile and clothing industry, the health and social care sector, police officials and some others have also departed from the SSSH. Some of them joined other confederations and some remained autonomous. Matica has managed to attract a number of autonomous trade unions and significantly increase its membership, but in mid-2011 there was an internal dispute where five trade unions left the confederation. As a result its membership fell to about 65,000. It appears that the NHS is the only confederation to increase its membership recently. With around 125,000 members in mid-2011, it is probably the largest confederation. It is not yet clear what will be the result of the ongoing changes in the trade union scene. It seems that de-concentration will be a growing trend because most of the 'rebel' trade unions currently operate autonomously, but it is also possible that new integrative forces will emerge soon.

### **Employer organisations**

The Croatian Employers' Association (Hrvatska udruga poslodavaca, **HUP**) is by far the most important employer association in Croatia and the only that is representative for participation in tripartite dialogue at the national level. Its membership comprises around 25 branch associations from the private sector. The HUP claims to represent the employers of around 400,000 workers, meaning that its coverage is close to 30% and similar to that of the five major trade union confederations. Some other employer associations have challenged the dominant positions of the HUP by demanding more relaxing criteria for the representativeness for participation in national tripartite dialogue, but they are still rather small and lack influence.

## **Industrial relations**

### **Collective bargaining**

The dominant level for setting pay and working time is the company level in the private sector, while sectoral collective agreements prevail in the public sector. There are no national intersectoral agreements.

The coverage rate of collective agreements is estimated at 60% (Bagić, 2010). Public administration has almost 100% coverage, while the wider public sector including state-owned enterprises has more than 70% coverage. In the private sector, coverage is estimated at 45%, most of which is due to extension of sector-level agreements.

Sector-level agreements in the private sector are often concluded for an indefinite period and some of them are quite obsolete due to irregular updates.

Collective agreements between trade unions and employers are voluntary instruments that legally bind the signing parties. However, they are applied to all employees in the company concerned, not only to trade union members, because the practice of differentiated pay would be considered as discrimination. In the public sector where sector-level agreements dominate and the government acts as an employer, all the employees in the sector are automatically covered by the agreement.

Most of the sector-level collective agreements in the private sector are subject to legal extension. Up to 2009, extension was implemented by the decision of the minister responsible for labour affairs in case of 'the public interest', as

stipulated in the Labour Act. In 2009 there were 10 sectoral collective agreements in the private sector, eight of which were extended, often without clear explanation of the public interest behind the minister's decision. Sectors with extended collective agreements were: accommodation, construction, distributive trade, mine clearing, security, travel agencies, unincorporated entities (crafts and trade), and the wood and paper industry. The 2010 Labour Act is slightly more stringent on extension criteria. It stipulates that the tripartite commission appointed by the Economic and Social Council should carry out an impact assessment of each agreement proposed for extension. If the assessment confirms the public interest and if the agreement is concluded 'by the trade unions with the highest number of members and the employer association with the highest number of employees in the area intended for extension', the minister responsible for labour affairs will sign the decision on extension. Currently there are three sectoral agreements that are candidates for extension: accommodation, security and travel agencies.

In Croatia, there is rule on the prolonged application of a collective agreement if it expires without cancellation. In this case, all the terms of collective agreements related to the material rights of workers such as hiring, termination of employment, as well as wages and benefits, remain valid until the conclusion of a new agreement. In 2010, the government initiated amendments to the Labour Act aimed to limit the prolonged application, but the trade union side strongly opposed these amendments and called for a national referendum on the issue. In the end, the government withdrew the draft proposal from parliamentary procedure.

It appears that there is a trend towards more decentralised bargaining although tripartite dialogue at the national level remains important. Sector-level dialogue is relatively poor. A fragmentation of trade unions and mismatch in definitions of 'sector' and 'representativeness' between trade unions and employers' associations have made sector-level dialogue difficult. In the public sector, collective bargaining remains centralised.

In Croatia, there is no explicit wage bargaining coordination. However, wage bargaining in the public sector is largely based on past wage developments in the economy, as observed in the official statistics. The wage increases agreed for the public sector provide important information which influence wage bargaining in the private sector. Direct causality from the private to the public sector wage bargaining is not common.

Levels of collective bargaining summarised	National (intersectoral)	Sectoral	Company
Principal or dominant level			✓
Important but not dominant		✓	

### Other issues in collective agreements

Collective agreements in Croatia deal mostly with pay-related issues and working time. They often contain the same legislative as the Labour Act but defined somewhat more favourably for the worker. The Office for Social Partnership (2006) reported on the 'uninventive content of collective agreements'. In this regard, issues of training, lifelong learning and health have been weakly covered in agreements. Redundancies are included slightly more frequently, especially in agreements covering stable and successful companies. The same goes for the protection of workers' dignity. Issues of gender equality have rarely been directly addressed in collective agreements.

### Industrial conflict

There are no official statistics on strikes and other collective actions in Croatia. Some indication of industrial conflict can be collected from data on mediation in collective industrial disputes. The government's Office for Social Partnership (**Ured za socijalno partnerstvo**) is the main body involved in mediation, which is mandatory, according to the Labour Act, before a strike is declared. The number of mediation cases increased during the crisis. The Office reported on 52

such cases in 2008 (25 of which were settled), 88 cases in 2009 (29 settled or conditionally settled) and 122 cases in 2010 (65 settled or conditionally settled). Most of mediation cases were disputes in the construction sector, the food processing industry, the metal industry and the clothing industry. Around two-thirds of cases were so-called 'legal disputes', most often concerning pay-related issues and dismissals.

Another indication of industrial conflicts in Croatia is a study by Bagić (2010). Based on a survey of employees concerning industrial action that they had taken in 2007 and 2008, it found that around 3% of workers were involved in strikes with an average duration of two days. That would mean that about 60–70 days per 1,000 workers were lost in strikes, which is a relatively high number indicating the presence of substantial industrial conflict in Croatia. Strikes in the public sector account for the majority of days lost.

Newspaper reports indicate that strikes in the private sector are triggered by wage demands, but most often only in cases where wages have not been paid for months and in companies that are insolvent; suggesting that strikes are used as a last resort. There have been some extreme cases of hunger strikes. In the public sector, strikes have been used for more substantive demands related to collective bargaining, but again mostly relating to the material rights of employees.

### Tripartite concertation

Tripartite social dialogue is well established in Croatia and its influence on policymaking is considerable. The Economic and Social Council was established in 1994 as the central body for social dialogue between the government, employers and trade unions. The aim was to provide opinions, suggestions and evaluations on various issues of common interest. The work of the Council was characterised by conflicts in the beginning, but its operations stabilised in the 2000s, implying regular consultations and significant policy impact. The government's Office for Social Partnership was formed as a professional and logistic support to the Council. In order to develop tripartite dialogue at local level, economic and social councils are also founded at the regional (county) level.

In spite of the Economic and Social Council's strong consultative role, the results of tripartite social dialogue in terms of formal agreements have been poor. At the end of 2001 the Partnership for Development Agreement was concluded, but it did not last for long as certain trade union confederations withdrew in early 2002. No other national agreements have been reached since then.

In mid-2010, trade union confederations raised objections to certain procedures and voting rules within the Economic and Social Council. These confederations suspended their participation in this body until March 2011, when new rules of procedure were adopted. Trade unions have also insisted on statutory definition of the representativeness criteria for participation of trade unions and employers in collective bargaining, which is an issue to be discussed as soon as a draft of the proposed act is prepared. Another highly relevant issue for the Council has been late/irregular payment of wages and salaries and measures to alleviate this practice. On the positive side, three national sectoral councils have been set up, while economic and social councils have also been established at regional (county) level.

Representatives of the social partners are actively involved in the work of governing councils of various institutions such as the Croatian Pension Insurance Fund, Croatian Health Insurance Fund, Croatian Employment Service, Croatian Institute for Health Insurance of Health Protection at Work and Croatian Privatisation Fund.

### Workplace representation

Croatia has established a dual system of workplace representation involving trade unions and works councils. The system was introduced in 1996, inspired by the German model, but subsequently modified slightly in favour of trade unions. The works council has rights to information and consultation and plays a significant co-determination role. Works councils can be set up in companies with more than 20 employees. All employees have the right to stand as candidates and all employees can vote. The council has the right to appoint a workers' representative on the supervisory

board of the company, but has no right to bargain on issues that are subject to collective agreements. Trade unions have a monopoly on collective bargaining and calls for strikes and other industrial actions.

An important feature of the system in Croatia is related to the situation when a works council is not established. Then, the trade union representative in the company can take over all the rights and duties of the works council except on appointment of a workers' representative on the supervisory board. This representative should be elected in an immediate and secret ballot of all employees, where each employee has the right to stand as a candidate. The works council can be formed on the request of either 10% or more of all employees in the company, or of the trade union. In larger companies, the 10% rule is rather hard to satisfy. By contrast, a trade union can be formed by as few as 10 employees. In such a setting, the road is open for the trade union representative to take over the role of the works council.

There is no reliable information on the incidence of works councils. Potočnjak and Gotovac (2007) report that works councils are present in 90%–100% of larger companies, while in smaller companies this percentage is lower at 20%–50%. However, it should be noted that it is quite common for a trade union to take over the function of a works council.

Employee representation at workplace also includes the health and safety commissioner, who has to be elected in companies with at least 20 employees and in all companies regardless of the number of workers where working conditions call for the presence of such a commissioner. The election procedure and the number of commissioners is the same as for the works councils. The trade union can appoint its own commissioner. An employer with more than 50 employees needs to establish the health and safety committee as an advisory body consisting of workers' representatives and experts. The employer has to provide for training of workers' representatives.

Lack of competence of the works council and the trade union representatives, and especially the workers' representative on the supervisory board, is seen as an issue which could hamper employees' ability to take full advantage of their representation at workplace.

The Labour Act is the fundamental legislation on employee representation in the workplace, while collective agreements in practice add little. The Workplace Health and Safety Act (*Zakon o zaštiti na radu*) defines the role of the worker commissioners in that area.

### Employee rights

Implementation of legal obligations is supervised by the State Inspectorate (**Državni inspektorat**) and its inspectors specialised in the fields of labour relations and of workplace health and safety. The State Inspectorate is a dedicated body of the state administration directly responsible to the government. In 2006 the European Commission assessed that the State Inspectorate's administrative capacities need to be strengthened in the process of Croatia's accession to the EU (European Commission, 2006, p. 9). The situation has improved since then, with a substantial increase in the number of labour inspectors, improvement of their skills by training, education and international cooperation, as well as the provision of better technical equipment. In spite of this, enforcement is still seen as relatively weak. In the case of legal dispute a long period elapses between the time when action is taken by the inspectorate and a court ruling. Some elements of labour inspection, especially of pay-related issues, are carried out by the tax administration.

There are no courts specialised in labour disputes in Croatia. However, in July 2011 the government began the process of establishing the Municipal Labour Court in Zagreb. The aim was to increase the efficiency of legal proceedings arising from labour disputes at the Municipal Civil Court in Zagreb, which deals with around a half of all such cases in the country. An initiative is also underway to establish special court departments and court councils for labour disputes within selected regional courts.



## Pay and working time developments

### Minimum wage

Croatia introduced statutory regulation of the minimum wage by adopting the Minimum Wage Act (*Zakon o minimalnoj plaći*) on 1 July 2008. Previously, a generally binding national minimum wage was in place from 1998 to 2008 when it was based on legal extension of the National Collective Agreement on the Lowest Wage. In the current legislation, the minimum wage is defined as a single monthly rate for full-time work. A temporary derogation is allowed for employees in low-paid labour-intensive sectors, specifically in the textile, clothing, wood and leather processing industries, as to limit possibly negative employment effect of a minimum wage increase brought about by the Act. In these industries, a sub-minimum rate could be paid amounting to 94% of the national minimum in 2008–2009, 96% in 2009–2010, 97% in 2010–2011 and 98% in 2011–2012.

The minimum wage valid from June 2011 to May 2012 amounted to HRK 2,814 per month, or around €380. It is 36% of the average gross wage in June 2011 and this ratio has been roughly stable since the implementation of the Minimum Wage Act.

The initial level of the minimum wage in July 2008 was set as result of negotiations between trade unions and employers within the Economic and Social Council. The Minimum Wage Act stipulates regular annual updates as an automatic mechanism and the Central Bureau of Statistics is obliged to compute and publish the minimum wage. The minimum wage rate should be up-rated each year in June ‘in such a way that the minimum to average wage ratio from the previous year increases by a percentage equal to the real GDP growth in the previous year’. Unfortunately, this adjustment rule is somewhat ambiguous and has already provoked discussion among social partners that is expected to continue around the time of the next adjustment.

### Pay developments

According to the Croatian Bureau of Statistics, the average gross wage rose by around 2.5% per year in real terms between 2000 and 2008. In 2009 it rose by 1% and in 2010 by -0.2%. In the first quarter of 2011, it amounted to HRK 7,672, or around €1,040 per month.

In 2009, the average monthly gross wage of women stood at 89.4% of the average wage of men (CBS, 2011). This was almost the same proportion reported in 2003 (89.5%).

### Working time

The Labour Act sets weekly working time at maximum of 40 hours. An exception is overtime work of 8 hours per week at the most and not more than 32 hours per month or 180 hours per year. Some flexibility is given by allowing working time to be unequally distributed by week if required by job specificities. In such cases, the average weekly working time for four months is taken into account, but weekly working time cannot exceed 48 hours in any event. If the work is organised according to rescheduled working hours, then average weekly working hours in a calendar year should not exceed 40 hours.

Daily breaks must last at least 30 minutes for work longer than 6 hours and they are included in working time. Daily rest lasts at least 12 consecutive hours, and weekly rest at least 24 consecutive hours. Annual leave is at least four weeks in a calendar year. Holidays and non-working days established by law are not included in the duration of the annual leave.

In collective agreements only working hours equal to, or shorter than, 40 hours a week can be determined as full time and there is no possibility for the worker to opt-out and decide to work more than the statutory maximum working hours. Working time of 40 hours a week is a kind of standard in Croatia and agreements on shorter full-time hours are rare.

Nonetheless, working time is an important issue in collective bargaining in Croatia. Collective agreements contain provisions for working time schedule, shift work, rescheduled working hours, overtime work, daily breaks and annual leave.

There are no statistical data on collectively agreed weekly working hours, but the figure could be close to the statutory maximum. The Croatian Bureau of Statistics reports on actual yearly working hours of 2,089 per person in paid employment in 2008. When divided by 52 weeks, the resulting actual weekly working hours stood at 40.2.

## Research on working conditions

Croatia was covered by the fourth and the fifth waves of the European Working Conditions Survey (**EWCS**) carried out in 2005 and 2010. However, there was no country analysis of the survey results for Croatia. A quick look at the 2005 EWCS results (Eurofound, 2007) suggests, for example, that Croatian workers work longer hours than the average EU27 worker and have relatively inflexible working schedules. Autonomy in the workplace is low and consultation about work organisation rare. Physical risk exposure, as well as threats of various forms of physical violence and harassment, is higher than in the EU27. Croatian workers assess wages and job security more favourably than workers in new Member States, but less favourably than workers in the EU15.

An important line of research is related to the Job Satisfaction Survey conducted by the Faculty of Humanities and Social Sciences (Department of Psychology) at the University of Zagreb. The survey has been carried out annually since 1993. Although it applies convenience sampling, its findings give interesting insights into changes over various dimensions of job satisfaction in Croatia over almost two decades. The topics considered are wages, working conditions, job security, quality of management, relations with co-workers, promotion opportunities and participation rights. Survey results, summarised in Šverko and Galić (2009), reveal general improvement in the quality of working life since the early 1990s, especially in the areas of wages and working conditions, but the progress is much less evident in other areas. Promotion and training opportunities have consistently ranked low.

## Main trends in restructuring

In 2010–2011 there were only a few cases of restructuring for which any information was available. Pliva, a pharmaceutical company, has reduced employment by some 800 employees, out of 2,800, since the beginning of 2010, but at the same time has adopted very ambitious investments plans. Kamensko, a troubled clothing company where wages were not paid for months and taxes for years, was a case well covered in media because workers went on a hunger strike. Bankruptcy proceedings are in progress and around 600 workers may lose their jobs. Other cases are less well known, especially in the construction industry, where employment has fallen by more than 25,000 in the past three years. The process of privatisation has slowed significantly. Although the government holds majority ownership in a number of companies, only sales of minority shares are observed. An important case is the restructuring of five shipyards in majority state ownership. Four of them (Brodotrogir, 3. Maj, Brodosplit and Kraljevica) are loss-making, while one (Uljanik) operates at a profit. State-owned shipyards with around 10,000 employees have accumulated around €1.5 billion of state-guaranteed debts. The privatisation process initiated in 2010 is not yet finished and restructuring has been delayed. The number of redundancies is not known, but could be large.

No large-scale investment projects or expansions took place in the past few years. The situation is well illustrated by the net foreign direct investment (FDI) figure, which stood at 0.7% of GDP in 2010, mainly due to reinvested profit. By comparison, net FDI was 4.9% of GDP in 2000–2008. Some larger private investments are scheduled for the near future (IKEA, Pliva, Violeta, Kalcit), possibly encouraged by Croatia's impending EU membership.

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