

BARGAINING FOR EQUALITY

WAGE BARGAINING AND INCOME INEQUALITY IN CROATIA

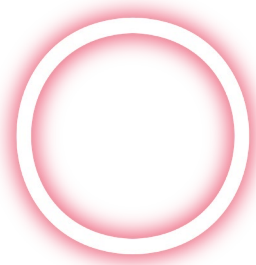
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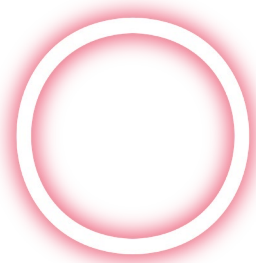
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Introduction



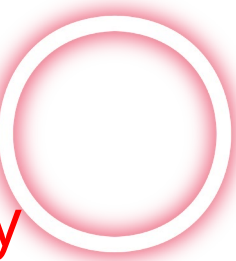
- This report presents current knowledge about collective bargaining and agreements coverage in Croatia and its impact on the wage system, particularly with respect to income inequality.
- Such an undertaking is a challenge, as there is no an comprehensive and stable system of monitoring data related to collective bargaining and industrial relations.
- Employers and workers have the right, without any restriction to establish and join an employers' association and trade unions.

Introduction



- Collective bargaining in Croatia **has been and still is mostly decentralised in the private sector and quite centralised in the public sector.**
- On the side of **employers**, the Croatian Employers' Association (CEA) is the only relevant national-level social partner, while on the side of workers there are 3 Trade Union Confederations with 234,000 members (trade union density around 20%).

The relevance of trade union density



While membership in trade unions (TU) in the public sector was generally stable (around 50%), the membership in the private sector has been continuously decreasing (now around 12% - but only 10% in SMEs and 30% in companies with more than 250 workers).

There are probably many reasons for such decrease like:

- growth of self-employment (they are not TUs members and are not included in CA)
- increased employment in SMEs while classic industry is disappearing
- many younger employees are on fixed-term contracts and less interested in membership due to fear unionisation or do not see any direct benefit from it
- around 10 thousand persons work through the agencies for temporary employment
- unfair competition and failure of individual employers: preventing professional promotion due to union membership; fear of losing work due to union membership

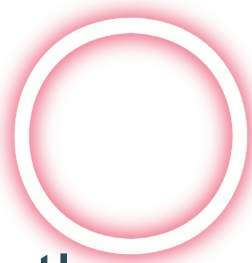
The coverage rate by collective agreements

- At the end of 2021, there were 580 valid collective agreements, which regulated the rights of about 670,000 employees (47% of all workers).
- Consequently, the number of valid collective agreements is similar to the number (570) determined in 2014.
- However, as there is **no uniform system of bargaining** regarding the type of agreement in terms of its length, bargaining cycles and dynamics of the amendments to the collective agreements.
- Thus, it is difficult to describe the main characteristics of bargaining.
- There is the possibility for the administrative extension of collective agreements to all employers in a sector
- Since 2014, branch collective agreements have been extended to all employed in 2 activities: construction, **catering and tourism**.

Minimum wage in the period 2010-2023

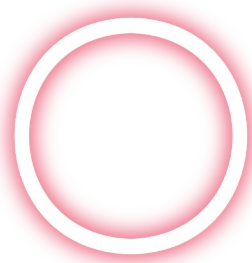


- Gross amount increased from EUR 373.48 to EUR 700 or for EUR 326,52 (87.4%).
- However, due to the present inflation pressure, even a relatively high increase of the minimum wage for 2023 will not be sufficient to protect the living standards of its recipients.
- Even though the minimum wage protects low-wage workers against poverty, these potential benefits have been rather limited, particularly for bigger families.
- The Government introduced an increase in the non-taxable part of the wage and salary, and therefore workers on minimum wages are not obliged to pay personal income tax.
- This increases their net wage and improves their living standards.



Income inequality in Croatia

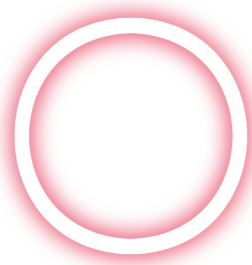
- The Gini coefficient in Croatia for 2014 was 0.30, which is exactly the same as the EU-25, EU-15 and EU-10 average.
- Since 2019 it has been 0.29, with a slight decrease in 2020 to 0.28.
- Croatia is trying to reduce inequality primarily through the tax system and the system of social insurance and welfare system, but also through minimum wages.
- Minimum wage is an important, but **not a sufficient tool** to reduce poverty and income inequality.
- Until now in Croatia, through collective agreements, almost nothing has been done to alleviate income inequality.
- Therefore, there is a need to improve collective bargaining.



Tourism: Low wages cause labour shortages

- Tourism is one of the most important Croatian economic sectors, because it contributes about 16% in GDP.
- The tourist sector is experiencing growing recruitment problems, particularly for waiters and cooks (chefs), but also for cleaners, and helpers in hotels.
- However, due to the strenuous job conditions, relatively low wages, work's seasonal nature, limited possibilities for professional promotion and limited employment possibilities out of season, young people are not willing to enrol in educational programmes for these occupations.
- For successful business results, a high level of human capital is needed, which can be achieved only by the fully respect of all employees, transparent decision making and on time information on the accepted decisions.

Conclusions and proposals for improvement



- Current institutions in Croatia are relatively weak, while the regulatory framework is prone to constant changes, which causes legal uncertainty.
- Collective negotiation on the sectoral level in Croatia is undeveloped.
- Although training and skilling are very important in modern economy, characterised by swift and constant changes, they are neglected topic collective bargaining.
- In the collective bargaining there is a need to include the topics like lowering the income inequality and other neglected issues.
- There is an obvious need to **improve collaboration and cooperation** between trade unions and the Croatian Employers' Association.
- This primarily requires **enhancement of mutual trust** which is on a low level.

THANK YOU FOR YOUR ATTENTION