4. Croatia: Public sector adaptation and its impact on working conditions

Vojmir Franičević and Teo Matković

1. INTRODUCTION

Croatia’s public sector is the focus of public debate and confrontation. Two arguments dominate public debate: first, there is an overgrown but inefficient state (see Jafarov and Gunnarsson 2008; Badun et al. 2011); second, there is overemployment in the public sector, coupled with advantages over private sector workers with regard to working conditions. The fact that the public sector is highly vulnerable, but hard to reform became clear with the recession starting in 2008. So far, however, stability has prevailed in the public sector, with modest employment adjustments, minor changes in working conditions and wage freeze but no major cuts. This outcome is due primarily to the particular political and social context, and to a lesser extent to the prevailing economic conditions (a stable banking system and relatively low fiscal deficit at the start of the recession, allowing for public debt increase). However, with worsening economic performance (including Croatia’s main trading partners) in 2012, after zero growth in 2011, stability and moderate adjustments will be much harder to sustain.

This chapter considers only general government sector employment until June 2012. It is organized as follows. Section 2 deals with the public sector’s size, structure and dynamics. Section 3 covers public sector structural reforms and adjustment policies, as well as crisis dialogue. Section 4 deals with the effects of crisis adjustments on public sector working conditions. Section 5 presents two case studies to illustrate adjustments in secondary education (Case Study 1), and conflicts and dialogue concerning public sector wage adjustments in the economic and political context of the period (Case Study 2). In the concluding section we discuss forthcoming challenges.
Croatia’s public sector comprises general government and state-owned companies. The latter are a matter of great concern, but will not be dealt with here. General government includes central government (ministries, offices, state agencies and other budgetary organizations and extra-budgetary funds, including the bulk of health care and education) and local (429 municipalities, 126 cities and 21 counties) entities.

We shall focus on general government and institutions that depend on it. Inside that ‘core’, we differentiate between public services and public administration. This is due to their different regulatory treatment and separate collective bargaining, but also differences in dynamics and the challenges they are facing.

A legacy of the late 1990s’ expansion, general government expenditures reached 48.8 per cent of GDP in 1999 (EBRD data). After efforts at fiscal stabilization, the early 2000s brought fairly stable general government revenues and expenditures relative to GDP, with a decreasing negative fiscal balance, primarily due to increasing revenues from persistent growth. However, from 2009, due to the recession, the fiscal deficit has been increasing, as has public debt as a proportion of GDP (Table 4.1). Issues of fiscal stability and public sector viability are coming to the fore, particularly if high foreign debt is also taken into account. With negative trends continuing (and forecasts expect a fall in GDP in 2012 by about 1.5 per cent) reducing public sector employment and the wage bill is again the preferred policy course.

2.1 Size and Structure of Public Sector Employment

Due to the lack of a functional state employment register, in what follows we resort mainly to Labour Force Survey (LFS) data (Figure 4.1). Since 2000, the total number of employees increased steadily until 2008, while the share of employees in state-owned organizations declined steadily, from 64 per cent in 1997 to 37 per cent in 2008. However, total employment in the general government sector (GGS) remained stable at about 250–260 thousand. A modest decline in the GGS share in waged employment from 25 per cent in 2000 to 20 per cent in 2008 was due to employment growth in the private sector. The recession swept away about 8 per cent of private sector waged employment in 2009 and 2010, while the core public sector employment numbers remained stable, leading to a rebound in the share of employees in the public sector.

The three core general government sectors maintained a fairly steady...
number of employees throughout the period. The public administration and defence workforce had declined from 114,000 to 98,000 in 1997–10, but the number of employees in central government administration remained stable at about 16,000 persons, and on average another 16,000 were employed in local administration. Employment decline was mainly due to the demobilization in the early 2000s of the large military force built up during the 1990s’ war. The number of public employees in education had increased from 72,000 to 85,000, particularly in tertiary education. Private institutions and the education workforce increased from 3 to 5 per cent during the period. Starting at about 83,000 in 1997–98, public employment in the health and welfare sector dropped by about 10,000 employees in the late 1990s, while the share of private employment in the sector increased from 6 per cent in 1997–98 to 15 per cent in 2009–10. After 2000, the number of public employees in the health-care system was

Table 4.1 Selected macroeconomic data, Croatia, 2005–2011

<table>
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<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tr>
<td>GDP change rate</td>
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<td>4.9</td>
<td>5.1</td>
<td>2.1</td>
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<td>40.1</td>
<td>41.0</td>
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<td>41.3</td>
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<td>government expenditure</td>
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<td>(as a percentage of GDP)</td>
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<tr>
<td>Consolidated general</td>
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<td>(as a percentage of GDP)</td>
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<tr>
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<td>38.2</td>
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<td>32.9</td>
<td>29.3</td>
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<td>42.1</td>
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<td>of GDP)*</td>
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<td>With government</td>
<td>45.5</td>
<td>42.9</td>
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<td>42.3</td>
<td>51.3</td>
<td>60.3</td>
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<td>guaranteed debt</td>
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<td>of GDP)</td>
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<tr>
<td>Unemployment rate – ILO</td>
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<td>11.2</td>
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<td>8.4</td>
<td>9.1</td>
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<td>13.5</td>
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<td>Unemployment rate</td>
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<td>16.6</td>
<td>14.9</td>
<td>13.2</td>
<td>14.9</td>
<td>17.4</td>
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<td>– administrative</td>
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<td>Public sector wage bill as a</td>
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<td>9.8</td>
<td>9.8</td>
<td>10.7</td>
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<td>percentage of GDP</td>
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<td>(general state)</td>
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Note: * Government Finance Statistics (GFS) 2001 including debt to pensioners.

Sources: Based on Croatian Bureau of Statistics (CBS), Croatian National Bank (CNB) and Ministry of Finance data (as of June 2012).
<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of private sector employees*</th>
<th>Total number of employees</th>
<th>% employees working in state-owned institutions (right scale)</th>
<th>% employees working in GGS (right scale)</th>
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<td>1997</td>
<td>57,000</td>
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<td>1998</td>
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<td>25%</td>
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<td>1999</td>
<td>45,000</td>
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<td>40,000</td>
<td>59,000</td>
<td>35%</td>
<td>65%</td>
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<tr>
<td>2001</td>
<td>35,000</td>
<td>56,000</td>
<td>40%</td>
<td>70%</td>
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<td>2002</td>
<td>30,000</td>
<td>53,000</td>
<td>45%</td>
<td>75%</td>
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<td>2003</td>
<td>25,000</td>
<td>50,000</td>
<td>50%</td>
<td>80%</td>
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<tr>
<td>2004</td>
<td>20,000</td>
<td>47,000</td>
<td>55%</td>
<td>85%</td>
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<tr>
<td>2005</td>
<td>15,000</td>
<td>44,000</td>
<td>60%</td>
<td>90%</td>
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<tr>
<td>2006</td>
<td>10,000</td>
<td>41,000</td>
<td>65%</td>
<td>95%</td>
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<td>2007</td>
<td>5,000</td>
<td>38,000</td>
<td>70%</td>
<td>100%</td>
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<td>2008</td>
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<td>35,000</td>
<td>75%</td>
<td>100%</td>
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<td>2009</td>
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<td>32,000</td>
<td>80%</td>
<td>100%</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
<td>30,000</td>
<td>85%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Note:** * Includes employees in companies in process of privatization; this segment declined in number from 57,000 in 1997 to 6,000 in 2010.

**The number is lower than that provided by the LABORSTA estimate, as the private sector workforce in the health and education sector is not included here.**

**Source:** LFS.

**Figure 4.1** Persons in waged employment, by sector of ownership, and in general government sector, Croatia, 1997–2010
stable at about 71,000, and there was considerable expansion just as the recession was gaining ground, growing to 81,000 in 2009–10.

As for the educational structure of the public sector, the most marked change involved upgrading. While the share of tertiary educated employees increased from 13 to 15 per cent in the private sector, in all three general government sectors the level is considerably higher and upgrading faster. The educational structure improved most in public administration and defence (from 25 to 37 per cent), while in health and education the upgrading was more modest (from 72 to 77 per cent and from 33 to 35 per cent, respectively) and the improvements took place in 2009–10, coinciding with the crisis.

With regard to the age structure, the general government workforce has aged considerably between 1998 and 2010. The mean age of employees has increased. Ageing was least evident in education (4.6 years), as the workforce was fairly old in the first place and there was a major expansion during the decade. In health and welfare the average age rose by 5.9 years. Persons employed in public administration and defence in the mid-1990s were as young as those in the private sector. However, as the army was downsized, the average age increased by 8.0 years in only 12 years.

With regard to the gender structure, in 2010 women made up about 66 per cent of the core public sector workforce, up from about 60 per cent at the turn of the century. This is substantially higher than in the private sector, where the share of women declined from 48 per cent in the late 1990s to 43 per cent in the mid-2000s, and has remained at that level since. There is variation between sectors. In health and welfare, about four-fifths of employees are female. In education, the process of feminization continued throughout the period. Pre-school and primary education is overwhelmingly feminized. The public administration and defence sectors used to employ more males than females, but parity was reached by the reduction of the armed forces, feminization of the judiciary (70 per cent) and compulsory insurance (77 per cent). Evidently, adjustments in the public sector are affecting women disproportionately.

3. PUBLIC SECTOR STRUCTURAL REFORMS AND CRISIS ADJUSTMENTS

3.1 Structural Reforms: Under the Impact of International Financial Institutions (IFIs) and Future EU Membership

Several IFI-inspired public sector reforms were enacted in the 1990s (for example, in the health system in 1993 and in the pension system in 1999), but in the 2000s it was the Europeanization process that became most
influential. IFI influence has remained strong, and mainly complementary to EU accession demands. While paper reformism produced a large number of strategies, as well as state agencies (some barely functional), the reformist efforts suffered from limited capacities to enforce and monitor changes. Despite this, in the process, the public sector landscape and rules have changed in many respects. The impact of reforms on public sector employment and working conditions is mainly invisible from aggregate data, but many employees have experienced substantive changes in their job, with regard to content, skill demands and intensity.

3.1.1 Public administration between delayed core reforms and outsourcing at the periphery

During the 2000s, the public administration was the focus of reform efforts. The 2001 Law on State Civil Servants and Employees, in an effort at modernization, replaced ‘the former career system . . . with classification according to job complexity’ (Koprić 2009: 12) with the intention of introducing human resource management through new payroll and personnel systems. However, even a decade later ‘the current reward system remains fragmented and too compressed to provide performance incentives to staff’ (World Bank 2009), while neither a public sector employment registry nor a new Law on Public Administration Salaries is in place.

Throughout the 2000s reform of the pay system was particularly high on the IFIs’ agenda. Despite the first draft of the new wage law written in 2005, it was submitted to the parliament only in 2008, and after the first reading it has never returned. Most controversial (and calling forth a protest petition from the public administration unions in 2008) was the change from pay based on tenure to pay based on efficiency and quality of work, in relation to measured performance and grading. While grading was introduced in public administration in 2001 its impact on promotion and pay has remained very limited. Grading is still being applied as a formality – high grades prevail and unsatisfactory ones were below 1 per cent in 1995–2000 and almost non-existent in 2002–05 (Ratković 2010).

Efficiency-led policies are focused on cost cutting, including privatization and outsourcing (Box 4.1). They have been applied unevenly and hesitantly, often contested by unions due to numerous irregularities. However, it seems that the new government will intensify the application of such practices with regard to health, education, prisons and the like.

3.1.2 Health care: reforms focused on overspending

The health sector that developed in the 1990s was characterized by centralization and ‘dirigiste’ privatization of primary health care (Box 4.2)
BOX 4.1 OUTSOURCING IN PUBLIC ADMINISTRATION: BOTH REFORM AND CRISIS ADJUSTMENT POLICY, CROATIA

Outsourcing peripheral activities in public administration is among the World Bank’s favourite cost-cutting strategies. The process started in the early 2000s as a reform measure, but became part of the government’s anti-recession policies (2010 Economic Recovery Plan). The government’s December 2010 report shows that most ministries and other government bodies either fully or partially outsourced auxiliary activities: mainly cleaning, food and drink, security and maintenance. Also, jobs in accounting and IT were at risk (interview with Petar3 from SDLsN union – trade union of state and local government employees). While the total number of affected civil employees in 2010 was not given, there were still 1,725 to be replaced by outsourcing with demands that the process ‘be continued’. An SDLsN document (November 2010) says that there are ’2,794 employees whose jobs in state bodies the government intends to … subcontract’. However, the law so far puts a ceiling on expenditure on such services at 2 per cent of the institutions’ wage bill. By the beginning of 2011, the SDLsN was campaigning for changes in the Law on Civil Servants in order to protect cleaning jobs from being wiped out and subcontracted to private firms.

Working conditions in most cases of subcontracting activities ‘have worsened’ and rights ‘decreased’ (Petar). Nowadays, he adds: ‘this is mostly a completed process’. He mentioned a case of outsourcing in one ministry in 2003, which the union reported to the state attorney under suspicion of corruption due to the ‘extremely detrimental contract’ that was signed (working rights were decreased and about half the workers whom the contractor ‘inherited’ were dismissed). The media often reports on contracts given to ‘connected persons’ or politicians’/political party cronies. Petar also reported on a good-practice model at the Ministry of Defence when a state-owned firm was established to which in-house activities (cleaning, catering and so on) were subcontracted and took over hundreds of redundant employees. A collective agreement was signed with the firm.

While scope for further outsourcing of ‘typical’ occupations in public administration is limited, it seems that much more is to be expected, particularly in the health sector.
BOX 4.2 PRIMARY CARE DOCTORS: INCREASED PRESSURE AND UNCERTAINTY, CROATIA

Substantial primary care reform in the 1990s forced a large number of doctors and nurses into private practice but existentially dependent on public financing through contracts with HZZO (public insurer). Most remained located in the health centres where they were employed before, leasing the premises. Some work on their own premises and some engage in additional private services – for example, simple surgery and diagnostics, as Boris does. With the 2010 reform, doctors became concessionaries (at county level a fixed number of concessions is offered – and paid to local government).

The 2010 reform offered a possibility for primary care staff in health centres to return to public employment. So far there has been only a modest return, despite calculations showing that doctors relying solely on HZZO contracts would have inferior earnings in comparison with public employment. A 2011 survey by the Medical Chamber showed that only about one-third of respondents were considering re-employment. Boris explains this by ‘savings’ made on different items, included in their capitation fees (uniforms, sanitary materials and so on), but also the desire to be one’s ‘own boss’. Even if the capitation fee does not cover all expenditure (‘doctors often pay themselves lower wages than are paid to the nurses’, who are protected by the collective agreement), explains Marija, they have opportunities for additional earnings (non-contracted services). However, Boris’s wife, a concessionary at a local health centre, is considering a return to public employment. And Marija, currently a health centre employee (before moving to Zagreb she used to be a lessee), is cautious: for her colleagues with concessions, things changed for the worse – she is waiting; but is positive about the potential of private ‘group practices’ with greater capacity to invest and serve patients better.

Among the main complaints are the increased administrative pressure (largely caused by HZZO monitoring and regulations, but also incompatibility with regard to the software used), uncertainty in the case of sickness (it is up to them to organize replacements; ‘those with concessions seldom take sick leave
or holidays’, Marija) and lack of funds to invest in the equipment that HZZO presses them to buy. Those in health centres, while no longer paying rent, have to pay running costs (water, electricity and so on), often far above what is included in their capitation fees, which is causing a lot of dissatisfaction.

There are considerable differences between primary care providers not only concerning status and security (private in own premises vs. private in public premises vs. those employed by health centres and covered by a collective agreement), but also concerning the number and composition of patients: it is preferable for capitation purposes to have a larger share of very young and/or elderly patients. But for many, working time has become longer (for Marija by 1.5 to 2 hours daily; she makes home visits out of working time), intensity has increased, as has stress, while satisfaction has decreased (‘I don’t see my patients for months, they just call the nurse for prescriptions’), while the worsening of working conditions is ‘evident’, she complains. The workload of many nurses has increased, too: while they are protected by collective agreements, computerization – ‘copy and paste medical practice’, as Boris put it – has led to more duties falling on nurses in many practices.

On a couple of occasions protests have been organized by primary care provider associations against unfavourable HZZO regulations and demands (leading to increased workloads but also unfavourable financial conditions). Generally, there is a lot of dissatisfaction with the state of primary medicine: while it should be responsible for some 70 per cent of the health system, in reality it is 30 per cent (with specialists and hospitals being overburdened). Primary medicine seems ripe for major reform once again.

and liberalization of private practices (Zrinščak 2008: 130–33). The main concerns of health-care reforms in the 2000s were overspending, too little private participation and ‘distorted incentives’ (for example, concerning referrals to specialists or drug prescriptions) embedded in the ‘system of flat fees per patient’ (Mihaljek 2007). This made the system’s financial sustainability questionable. The aims were to lower the first and increase the second, but reform attempts typically united providers and clients in opposition to restrictions and cuts in public health provision.

Reform efforts in 2008–11 coincided with recession, and included:
financial stabilization, hospital reorganization and reductions in non-health personnel. However, health care’s share of expenditure increased from 7.2 per cent of GDP in 2008 to 7.8 per cent in 2010 (Švaljek 2012). This explains why so far reform has not resulted in a noticeable worsening of working conditions in public health establishments. Yet, the 2012 budget, with its substantial decrease in health funding (by some 730 million HRK less than in 2011), together with a decrease in the contribution rate from 15 to 13 per cent of the gross wage, may signify the beginning of more radical changes.

Hospitals have been particularly targeted. Significant savings are expected ‘after staff rationalization and central procurement are implemented’. This should include ‘rationalization of non-medical services across hospitals’ (World Bank 2011: 44). The new health minister confirmed this (Ostojić 2012). In view of a 0.9 per cent increase in employment in hospitals from the start of 2009 to the end of 2010, and an additional 1.1 per cent in 2011 (HZZO data) and their high deficits, coupled with the reduced health budget, it is likely that in years to come outsourcing will increase. Particularly vulnerable to this will be (mostly feminized) cleaning, laundry and food services. So far, outsourcing has been modest: it started in the early 2000s with laundry services in some hospitals. Out of 500 people affected, some were transferred to other jobs – as in the hospital where Iva worked previously – and some were taken on by the private employers winning the contract. Currently, some 14,000 people are at risk of outsourcing (if all non-health personnel in hospitals are counted). While cost considerations may prevail, Iva is concerned by the risk of falling hygiene standards in hospitals and doubtful about alleged cost savings. However, she warns: ‘they cannot proceed with this without the unions; and we shall contest it’.

For medical staff, the harmonization of working time in line with European Directive 2003/88/EC is particularly important. Its provisions require treating all kinds of work as working time (duty and work on-call) with a 48-hour weekly limit, longer working time being possible only with the signed consent of the employee (‘opt-out’). Based on government regulations of August 2011, from 2012 such work will be considered overtime, which is financially beneficial in comparison to the previous system, particularly when fully applied in 2013. This change highlighted a lack of doctors in hospitals (Marko). However, Iva warns that, particularly in major centres, doctors’ working time is underused, while many are simultaneously working for private establishments. Opt-outs may cause additional problems if not universally adopted, as those who opt out will find themselves disproportionately burdened with duty hours and on-call work. On the other hand, for those who stick to the 48-hour limit, it will
take fewer days than before to fully comply with working hours requirements, potentially leading to many problems once the new system is fully applied in 2013.

3.1.3 Education: uncertainty as expansionary structural reform push loses momentum

A set of structural reforms in the 2000s introduced a number of changes in all segments of the education system, leading to some decentralization and increasing standardization. The acceptance of major EU education-related documents was enshrined in the Education Sector Development Plan 2005–2010, which scheduled a major expansion and comprehensive reforms. Between 2003 and 2009 basic laws regulating all levels of education were adopted, creating several regulatory and oversight agencies, a performance evaluation framework and standardized final exams in upper secondary education, substantially increasing performance pressure on teachers. Several surveys (Krištof et al. 2011; Prijić-Samaržija et al. 2011) indicated decreased autonomy and increased work intensity in tertiary education due to the introduction of an additional year of study and the more demanding standards of the Bologna reform package.

However, the crisis caused a funding contraction in 2010, as total education expenditure from central government decreased by 2.4 per cent and local government education expenditure declined by 4.4 per cent. Consequently, several reforms have lost their momentum, such as the implementation of national pedagogical standards improving pupil/teacher ratios and introducing one-shift schools, while promotion and training opportunities for teachers have shrunk (see Case Study 1). The crisis has hit job security particularly hard in tertiary education, where in the mid-2000s expansion was largely founded on hiring large numbers of non-tenured assistants. Budgetary constraints emerging from the crisis, coupled with the sheer volume of recruitment in the mid-2000s (total number of assistants in the system grew by 29 per cent in the two years prior to 2009), meant limited promotion opportunities and many assistants were offered only temporary post-doctoral posts (senior assistants). Anxieties are increasing as those contracts will shortly expire, and not many tenured positions are being offered.

3.2 Crisis Adjustments in the Public Sector: 2009–2012

By autumn 2008 the recession was coming. While no cuts in public expenditure were made in the 2009 budget – spending was increased by 6 per cent – a hard landing came quickly: three months later, the first budget revision was necessary and others followed. The context has changed,
favouring policies that reduce expenditure while postponing or slowing down financially demanding reform projects. Measures targeting public sector employment, wages and benefits were imposed and/or negotiated with public sector unions during 2009 and renegotiated in 2010 and 2011. The base wage was cut by 6 per cent in May 2009 (effectively negating the 6 per cent increase in January 2009) and frozen later on, while reductions in other benefits were modest (withdrawal of the 2010 Christmas supplement and restrictions on travel allowances) (Table 4.2).

In addition, some groups were targeted with token restrictions just to increase the government’s popularity (for example, cuts in public officials’ wages and ceilings on managers’ wages in state-owned companies). Measures restricting employment included a hiring freeze in public administration (2009), which was replaced by a ‘one-for-two’ system in 2010, allowing for one new employee to replace two leaving employment (primarily due to retirement). Data on the effects of ‘one for two’ are not available, but evidence is accumulating that it was not adhered to firmly.

Another avenue of public sector adjustments is achieved indirectly through the reduction of non-wage budgetary items. Reductions in investment, materials and services for budget-financed organizations have affected the working conditions of certain employee groups (see Case Study 1).

As of 2012, there is, a renewed sense of urgency as registered unemployment has been growing quickly (peaking at 343,000 in February, a number expected to be surpassed once the tourist season ends), while the economic outlook for 2012 and 2013 is bleak. The new government is under conflicting pressures: to stop fiscal degeneration and avoid a rating downgrade, but also to avoid a deepening of the recession and social conflicts, including with public sector unions.

Second phase adjustments are taking place. The first nominal cut in the state budget (by 3.4 billion HRK) was made in the 2012 budget, followed by measures to increase revenues (a VAT increase from 23 to 25 per cent). Its regressive impact is, similar to the 2009 VAT increase, somewhat corrected by income tax changes, which have become increasingly progressive. This will adversely affect the wages of senior civil servants and professionals (in particular, in health and higher education), while increasing income compression. In addition, some measures with respect to employment practices were announced. First, reductions in public sector employment through cuts in temporary service and fixed-time contracts, affecting younger people (for example, trainees) and former employees (now retired) engaged on service contracts. Second, an early retirement scheme for some 5,000 employees in the public sector is being considered, but not realized yet. Altogether this would amount to some 10,000 (4 per cent) job cuts in
### Table 4.2 Crisis adjustment measures and public sector employees, Croatia, 2008–2012

<table>
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<th>Policy area</th>
<th>Measures</th>
<th>Implementation</th>
<th>Objectives</th>
<th>Reach</th>
<th>Impact on public sector employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public expenditure</td>
<td>Budget revisions</td>
<td>2009, 2010</td>
<td>Fiscal consolidation and stability; ensuring social expenditure</td>
<td>State ‘clients’ and employees, public procurement actors from private sector</td>
<td>Differential, nominal wage cuts avoided after May 2009</td>
</tr>
<tr>
<td></td>
<td>Budget – spending reduced by 3.4 billion HRK</td>
<td>February 2012</td>
<td>Fiscal stability, preventing rating downgrade</td>
<td></td>
<td>Working conditions negatively affected (e.g., training funds)</td>
</tr>
<tr>
<td></td>
<td>Cost cutting in ministries and state/public companies</td>
<td>2009–12</td>
<td>Reducing expenditure</td>
<td></td>
<td>Working conditions negatively affected (e.g., training funds)</td>
</tr>
<tr>
<td>Revenue</td>
<td>Solidarity tax on wages, pensions and other income, with exemptions and two rates (2 and 4%)</td>
<td>Aug 2009 (until July/Nov 2010)</td>
<td>Increasing revenues</td>
<td>Universal – all incomes</td>
<td>Negatively affecting wages and incomes</td>
</tr>
<tr>
<td></td>
<td>VAT increase from 22 to 23%</td>
<td>Aug 2009</td>
<td></td>
<td></td>
<td>Negative, regressive</td>
</tr>
<tr>
<td>Employment measures</td>
<td>Freezing of new employment in public administration</td>
<td>2012</td>
<td>Efficiency/savings</td>
<td>Public administration and public companies</td>
<td>Minor effects</td>
</tr>
<tr>
<td></td>
<td>Downsizing by 5%; ‘one-for-two’ system</td>
<td>Sept 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsourcing</td>
<td>2000s, with a push in 2010</td>
<td>Public administration, health</td>
<td>Mostly negative, inferior working conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
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<td>-------------------------------</td>
<td>-------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restrictions on overtime, temporary service contracts and fixed-time contracts</td>
<td>February 2012</td>
<td>Public administration</td>
<td>Negative on those affected, so far minor effects on expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage measures</td>
<td></td>
<td></td>
<td>Minor effects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuts by 10%</td>
<td>April 2009</td>
<td>... and increasing legitimacy</td>
<td>State officials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuts by 5%</td>
<td>July 2009</td>
<td></td>
<td>Management in public companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ceiling put at 3.2 × April average net wage</td>
<td>July 2009</td>
<td></td>
<td>Negative, particularly with regard to senior employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenure supplement reduction (from 0.5 to 0.3%), and no 2.2% supplement in education for 2012 (currently under negotiation)</td>
<td>June 2012</td>
<td>Expenditure</td>
<td>Public sector (core)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuts in benefits</td>
<td></td>
<td></td>
<td>Negative, particularly the low paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christmas bonus; some restriction in travel allowance</td>
<td>2010</td>
<td>Expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christmas, tenure and holiday bonus for 2012/13; daily travel allowance reduction (under negotiation)</td>
<td>June 2012</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Source:** Prepared by the authors from multiple sources.
the public sector (*Jutarnji list*, 11 April 2012). Furthermore, restrictions on overtime payments hurt earnings, particularly in public administration where it was an important tool to ‘stimulate’ the underpaid skilled workforce. Also, budget cuts in education (by some 0.3 billion HRK) and health (by some 0.7 billion HRK) will increase pressure in the direction of outsourcing (in health care) and force all those reaching the age of 65 out of higher education (so far, an extension to 70 was widely applied). Reduction of the disposable workforce and service contracting will likely increase intensity of work in the public sector. However, by the end of June 2012, it seemed that the government’s savings plans had failed to catch on at the implementation level. While the employees’ compensation reduction for 2012 was set at 2 billion HRK (a reduction of 6.5 per cent), in the first five months of 2012 it actually increased by 170 million HRK compared to 2011. This prompted the government, which was firmly dedicated to the announced savings benchmarks (including a 21.6 billion HRK wage bill ceiling; and reducing government expenditure to 37 per cent of GDP by 2014), to attempt to negotiate revisions of collective agreements in the public sector, with the possibility (but also the threat) of taking some drastic and unilateral (for example, changing pay coefficients and/or base wage; cancelling collective agreements) measures if negotiations fail. Importantly, in the proposed collective agreement changes, sent to unions in June 2012, the government included pulling out of commitments to wage increases promised in the 2009 agreement and the 2011 addition to it. (See Case Study 2.) After the first two rounds of negotiations, there is no sign of a new agreement – the unions seem ready to accept one-off cuts in benefits only, conditional on future compensation (information provided by a union leader over the phone). The trade unions are dedicated to opposing cuts in the tenure supplement (from 0.5 per cent a year to 0.3 per cent) and the 2.2 per cent supplement for employees in education; but it is this measure’s fiscal effect that is the biggest. The unions have threatened strikes and legal action in response to any unilateral measures. Despite pronounced differences between unions, it is likely that they will remain united in defending wages and previous favourable agreements. However, the government seems dedicated to making cuts, to avoid otherwise necessary budget revision and a rating downgrade to ‘junk’ status (compromising fiscal stability and pro-growth investment plans). In the face of that, unions’ readiness to compromise on cuts in various benefits may vary.

Fiscal problems are increasing in 2012 at local level, too, leading to pressures on employees in local administration and locally funded public services. Decreases and late payment of salaries and benefits, also employment cuts, are spreading, as a number of counties, municipalities and cities find themselves in a fiscally unviable position (due to decreasing revenues and/
or high indebtedness). By June 2012, the City of Zagreb was on the brink of cancelling the collective agreement for 10,500 city employees, after two rounds of failed negotiations with unions on reducing wages and benefits. Also, the City holding company (including local utilities) is deadlocked over similar management attempts. As at national level, conflicts with unions, including strikes, are increasingly likely.

3.3 Crisis Dialogue

Both the public sector reforms of the 2000s and crisis adjustments are played out in a formally consolidated institutional setting. While social dialogue in the private sector has characteristically been weak (Franičević 2011: 170–72), in the public sector formal bargaining has been a major avenue for negotiations. In addition, informal bargaining and deals made with relevant ministries have also been important (for example, concerning pay coefficients and various supplements). Despite a frequently confrontational discourse and major difficulties in pursuing dialogue, the formal institutions of dialogue constrained both sides in their actions. Although interwoven with conflicts, it was the negotiation process between PSE (public service) unions and the government/ministries that led to the 2009 May agreement on a wage freeze and its renewal in 2011, as well as to the basic collective agreement in the PSE (October 2010). During the crisis period collective agreements protecting most benefits were agreed in public administration (2008 with amendments in 2010), health care (October 2011) and education (primary in April 2011, secondary in December 2010, higher and science in October 2011 – detailed in Case Study 2).

Behind this outcome is the strength of the public sector unions. Trade union density in the public sector is about 60 per cent (Bagić 2010), with a high concentration of membership in strong national unions. The falling share of the private sector in total trade union membership – down to about 30 per cent (ibid.) – has negatively affected their ability to influence policies towards more austerity in the public sector, also advocated by employers. Moreover, the PSE unions’ mobilization capacity, including massive strikes, is much stronger, particularly in education, than in the private sector. Finally, regulations concerning renewal and cancellation of collective agreements in the Labour Code proved to be quite favourable for public sector unions, enabling unlimited extension of rights after a collective agreement’s expiry. This is about to change, as the new government has sent to the parliament the new law⁸ that would make further adjustments easier by limiting the duration of collective agreements to three months after expiry and by changing the trade union representativeness criteria (but also that of the employers). A new area of conflict (including
between unions and their federations) is emerging. Some PSE unions see the draft law as an attack on their unity, by privileging unions in particular professions (Josip, PSE union leader); others see it as privileging the ‘big players’; the big confederations differ on local representativeness criteria. Certainly, with the new law enacted, both the incentives that actors are facing and the rules of social dialogue will change, with effects that remain unclear.

Three major protest actions have been crucial for understanding the period’s dynamics and outcomes: the 2006 and 2009 strikes in public services, and the mass signing of the referendum petition organized by five national trade union confederations in summer 2010 (as detailed in Case Study 2) (Table 4.3). The rare occurrence of autonomous and locally based strikes and other protests during the period could be attributed to centralization of bargaining and very modest recession adjustments in the public sector. However, several localized protest actions have emerged in various parts of the public sector as the crisis has unfolded.

Some protest actions were related to reforms. In 2008, public administration employees signed a petition against pay reform, demanding that tenure remains a factor in pay determination. In higher education a student movement against tuition fee increases in 2009 caused mobilization leading to the creation of the alternative union Academic Solidarity which was at the forefront of resistance against proposed reforms in higher education and science that were seen as paving the way for marketization and privatization. Industrial action escalated into strikes and lockouts in several faculties and institutes in July 2011. In primary health care doctors engaged in protest action, too.

Some actions emerged from unfavourable wage developments in certain niches, such as the October 2011 public protest by uniformed police against regulations on pay coefficients, and the strike of foreign-language readers at Zagreb University, March 2011 due to the deterioration of pay coefficients. Both managed to fulfil most of their goals.

While the largest public sector trade unions did not go beyond verbal support for the wave of public discontent in spring and autumn 2011, manifested in large civic protests and ‘town walks’, a few unions (including two from the public sector) have actively participated, albeit with only modest member attendance (Kunac 2011).

Will the coming period see a new wave of protests and strikes in the public sector? Three factors point in that direction: (i) unions’ discontent with the new government’s attitudes towards social dialogue (too many ‘messages’ and ‘spin’ in the media instead of dialogue); (ii) there is a lack of mutual trust and a failure to build a partnership around policies and
Table 4.3 *Strikes and protests, Croatia, 2009–2011*

<table>
<thead>
<tr>
<th>When</th>
<th>Who</th>
<th>What</th>
<th>Organized by</th>
<th>Cause</th>
<th>Demands</th>
<th>Participation</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 May</td>
<td>Public service employees</td>
<td>Strike</td>
<td>PSE unions</td>
<td>6% wage cut</td>
<td>Restoring wages after recession ends</td>
<td></td>
<td>Agreement on PSE wages</td>
</tr>
<tr>
<td>2010 June</td>
<td>Citizens, union members</td>
<td>Referendum initiative</td>
<td>Five union confederations</td>
<td>Changes to the Labour Code’s provisions on collective agreements</td>
<td>To prevent that change</td>
<td>Massive: more than 700,000</td>
<td>Government withdrew the amendment</td>
</tr>
<tr>
<td>2011 March/April</td>
<td>Citizens, some unions’ members</td>
<td>Citizens’ protests</td>
<td>Citizens’ groups (few unions took active part)</td>
<td>Dissatisfaction with the government and conditions in the country</td>
<td>Diverse, economic, social and political</td>
<td>Between a few hundred and about 10,000 on different days</td>
<td>Strong media impact, some impact on political actors</td>
</tr>
<tr>
<td>March–May</td>
<td>Foreign-language readers, Zagreb University</td>
<td>Strike</td>
<td>NSZ union (independent union of research &amp; higher education employees)</td>
<td>Low pay coefficients, degradation</td>
<td>Increase in coefficients; injustice undone</td>
<td>About 60</td>
<td>Coefficients increased</td>
</tr>
<tr>
<td>When</td>
<td>Who</td>
<td>What</td>
<td>Organized by</td>
<td>Cause</td>
<td>Demands</td>
<td>Participation</td>
<td>Outcome</td>
</tr>
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<td>--------------------------------------------</td>
<td>-----------------------</td>
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<td>----------------------------------------------</td>
</tr>
<tr>
<td>2011</td>
<td>Students and faculty</td>
<td>Lock-out/struggle</td>
<td>Academic Solidarity</td>
<td>Proposed laws on higher education and science</td>
<td>Abolition of reforms</td>
<td>Several faculties</td>
<td>Laws were not put in front of parliament</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Very limited</td>
</tr>
<tr>
<td>October</td>
<td>Citizens’ groups, union members</td>
<td>Citizens’ protest</td>
<td>Citizens’ groups with unions support</td>
<td>Dissatisfaction (as above)</td>
<td>Broad and diverse</td>
<td>4,000 in Zagreb, 1,000–1,500 in Split and 300 in Rijeka</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>Police employees</td>
<td>Protest on Zagreb main square</td>
<td>Police union</td>
<td>Decrease of wages for 2,800 employees due to proposed coefficient changes</td>
<td>To prevent wage decrease and job degradation</td>
<td>About 1,000 uniformed employees</td>
<td>Compromise, regulation cancelled</td>
</tr>
</tbody>
</table>
reforms; and (iii) inherent difficulties in agreeing on cuts to wages and benefits that are presently being discussed by two sides.


4.1 **Job Security and Contractual Arrangements**

It is worth examining whether there have been any crisis-related changes in job security and unemployment risks. The tenure structure in the public sector is indicative of high stability. The proportion of general government employees working in their current job for more than 10 years increased from 40 per cent in 1997–98 to 62 per cent in 2006–07 and 66 per cent in the crisis years of 2009–10. Through the 2000s average job tenure has been increasing slightly in the private sector, but significantly faster in the public sector (Table 4.4).

An increase in the proportion of ‘high tenure’ employees seems not to be a result of layoffs of ‘recent arrivals’ or limited input of fresh workforce in the public sector during the crisis. The extent of recent recruitment, approximated by the proportion of employees with fewer than two years’ job tenure, actually increased since the mid-2000s in all public subsectors and has not declined in the crisis period (unlike in the private sector). This would not be the case if the employment ban (or one-for-two replacement) within the public administration was being imposed consistently. Furthermore, there was a noticeable increase in recruitment into the health-care sector just as the crisis stuck.

Job exit indices (Table 4.5) confirm stability. Through the 2000s, only about 5–6 per cent of the short-term unemployed were formerly employed

**Table 4.4** Average tenure duration (in years) and share of short-tenure employees (in %), Croatia, 2003–2010

<table>
<thead>
<tr>
<th></th>
<th>Private employees</th>
<th>Public administration and defence</th>
<th>Education</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average tenure</td>
<td>&lt;2 yrs</td>
<td>Average tenure</td>
<td>&lt;2 yrs</td>
</tr>
<tr>
<td>2003–04</td>
<td>7.7</td>
<td>29</td>
<td>11.0</td>
<td>7</td>
</tr>
<tr>
<td>2006–07</td>
<td>8.1</td>
<td>28</td>
<td>12.6</td>
<td>10</td>
</tr>
<tr>
<td>2009–10</td>
<td>8.7</td>
<td>22</td>
<td>14.3</td>
<td>11</td>
</tr>
</tbody>
</table>
Public sector shock

in the public sector, with no noticeable increase in 2009–10 (A). The relative risk of losing one’s job is approximated as a ratio of short-term unemployed and total sectoral employment. In mid-decade the number of short-term unemployed that used to work in the public sector decreased to about 1.2 per cent of the public sector workforce, and there has been no substantial increase since (B). In the private sector this ratio is much higher and strongly contingent on the economic cycle (C).

However, recent unemployment register data (Table 4.6) show increased turnover and insecurity with regard to public sector entry. While the number of unemployed recruited to the public sector increased greatly between 2009 and 2011 in all three subsectors (A), there was also a large increase in outflow into unemployment from the public sector (C). This turnover mostly affected young people, as increasingly recruiting was done through fixed-term contracts (B), while persistently about 90 per cent of persons who entered unemployment from the public sector had less than three years’ tenure in total (D). Therefore, the increase in the 0–2 years’ tenure category from LFS might indicate the emergence of a secondary labour market segment within the public sector, disfavouring new entrants.

In the early 2000s job shifts from the public to the private sector were very low: less than 1 per cent of public sector employees annually made this shift (Table 4.6, row D). During the boom period (2006–07), such shifts doubled, but diminished substantially again during the crisis. As public-to-private transition is about twice as high among secondary educated and intermediate occupations, this indicator might primarily stand for outsourcing of auxiliary services to the private sector providing some

### Table 4.5 Share in short-term unemployment stock, flows into unemployment and private sector employment, Croatia, 2003–2010 (%)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Former public sector employees among the short-term unemployed</td>
<td>6.1</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>(B) Short-term unemployed who used to work in the public sector as a percentage of total public sector employment</td>
<td>1.9</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>(C) Short-term unemployed who used to work in the private sector as a percentage of total private sector employment</td>
<td>7.9</td>
<td>4.8</td>
<td>6.1</td>
</tr>
<tr>
<td>(D) Job shifters from the public sector</td>
<td>0.6</td>
<td>1.2</td>
<td>0.5</td>
</tr>
</tbody>
</table>
numerical support for examples (see Box 4.1) of subcontracting affecting public sector employment. There was a substantial decline in job change intentions (Figure 4.2): in 2009–10 it is the lowest on record, which points to increased risk aversion stemming from the crisis. However, this change is only a continuation of a long-term declining trend, in both the private and public sectors. Nevertheless, tertiary educated workers in the public sector seem increasingly dissatisfied with their job during the crisis. While the intention to change job all but disappeared among public sector employees without tertiary education, among the tertiary educated the share of those who sought another job had not declined since 2005. In fact, there was a 1–2 per cent reversal in declared intention to change job in 2009–10. This is consistent with findings on wage compression in the public sector, but also shows that perception of job-loss risk is much higher for those with lower education.

4.1.1 Limited flexibility in public sector employment
In view of the recent increase in the proportion of people with short tenure in the public sector it is worth examining whether the core workforce has been fenced with auxiliary temporary or fixed-term employees (Figure 4.3).
The LFS data provide evidence for this only in the public administration, where the share of fixed-term workers increased from the pre-crisis 4.9 per cent to 7.8 per cent. The growth of temporary contracts (including trainees) in public administration is also visible from administrative
employment statistics, increasing from 6.2 per cent in 2007 to 7.3 per cent in 2010. However, such an increase in temporary work arrangements has not been observed in education (decline from 8 to 6 per cent) or the health-care sector (stable at 7–8 per cent). In general, neither pre-crisis reforms nor early crisis adjustment caused a major push towards the use of fixed-term contracts in the public sector in general; but employment register data (see Table 4.6) indicate that such arrangements are common for new entrants, and as of recently often lead back to unemployment. Substantial cuts in fixed-term contracts announced by the government in February 2012, if carried out as planned (about 5,000 workplaces) would decimate this peripheral (mostly young) segment of employees and endanger the common recruitment route, but even if carried out, the total room for reducing the public sector workforce through this channel is very limited.

While private sector employees are twice as likely to work on fixed-term contracts, temporary employment had not really caught on in the public sector prior to the crisis, apart from a traineeship mechanism with the implicit promise of upgrading to a permanent contract. As the crisis emerged, however, the situation deteriorated somewhat, as return to unemployment became a more likely outcome for public sector fixed-term employees (and trainees) than progress to a permanent contract (Table 4.6; also see Subsection 3.1.3 for non-tenured positions in higher education). However, such flexibility at the periphery so far affects only a minor part of the workforce, as work on a secure permanent contract has remained a standard.

4.2 Wages

Public sector wages\textsuperscript{11} are based on job complexity coefficients, introduced by the 2001 Law on Wages in Public Services. The base wage is subject to collective negotiations. If no agreement is reached, the government can decide unilaterally. Negotiations are commonly preceded by union pressure and strikes. Importantly, coefficient values are determined by government regulations.

This has focused the sectoral unions’ efforts on (re)negotiating various supplements to coefficients and supplements for working conditions or tenure, as well as various benefits, mostly formalized through collective agreements. Coefficients and supplements have also been a subject of public pressure and informal lobbying, leading to their frequent changes: in education this happened 13 times and for state employees 20 times during the 2000s (Frane, union expert). All this resulted in a complex and non-transparent web of supplements to wages and coefficients,
Public sector shock

Table 4.7  Real wage trends in main industrial sectors, Croatia, 2001–2011

<table>
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<tbody>
<tr>
<td>Total</td>
<td>2.6</td>
<td>3.2</td>
<td>4.0</td>
<td>3.7</td>
<td>1.5</td>
<td>1.9</td>
<td>2.2</td>
<td>0.8</td>
<td>0.2</td>
<td>−0.5</td>
<td>−0.4</td>
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<tr>
<td>Manufacturing</td>
<td>6.5</td>
<td>4.3</td>
<td>4.5</td>
<td>2.1</td>
<td>2.6</td>
<td>3.2</td>
<td>1.6</td>
<td>0.8</td>
<td>−1.2</td>
<td>−0.1</td>
<td>−0.6</td>
</tr>
<tr>
<td>Construction</td>
<td>6.5</td>
<td>10.8</td>
<td>6.4</td>
<td>1.7</td>
<td>−0.6</td>
<td>2.9</td>
<td>4.5</td>
<td>0.5</td>
<td>−1.5</td>
<td>−3.8</td>
<td>−0.6</td>
</tr>
<tr>
<td>Trade</td>
<td>4.9</td>
<td>7.5</td>
<td>4.9</td>
<td>3.4</td>
<td>1.4</td>
<td>1.5</td>
<td>2.3</td>
<td>0.8</td>
<td>−1.7</td>
<td>0.6</td>
<td>−0.6</td>
</tr>
<tr>
<td>Real estate,</td>
<td>0.7</td>
<td>1.4</td>
<td>4.9</td>
<td>4.8</td>
<td>3.2</td>
<td>3.5</td>
<td>0.3</td>
<td>0.5</td>
<td>−0.2</td>
<td>−3.6</td>
<td>−2.6</td>
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<td>services*</td>
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<tr>
<td>Public</td>
<td>−6.1</td>
<td>0.1</td>
<td>5.0</td>
<td>1.0</td>
<td>−0.3</td>
<td>1.3</td>
<td>4.4</td>
<td>3.1</td>
<td>1.9</td>
<td>−0.7</td>
<td>−0.7</td>
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<td>administration</td>
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</tr>
<tr>
<td>Education</td>
<td>1.7</td>
<td>0.6</td>
<td>4.3</td>
<td>3.3</td>
<td>−0.5</td>
<td>0.7</td>
<td>3.1</td>
<td>1.6</td>
<td>0.7</td>
<td>−0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Health</td>
<td>−0.9</td>
<td>−1.2</td>
<td>2.6</td>
<td>2.7</td>
<td>3.5</td>
<td>0.8</td>
<td>2.7</td>
<td>0.3</td>
<td>0.0</td>
<td>−1.2</td>
<td>−1.5</td>
</tr>
</tbody>
</table>


Source: CBS.

differentiating remuneration far beyond what is laid down in the law. Disentangling this is currently a policy focus.

4.2.1 Real wages: public sector catching up and holding on

Table 4.7 illustrates trends of real net wages by selected ISIC sectors. Until 2007, real wage growth in the public sector was slower except for election years (2003 and 2007). However, between 2007 and 2009 the trend was reversed, in line with the 2006 Agreement. With basic wages raised by 6 per cent at the beginning of three consecutive years (in 2007, 2008, 2009), the public sector ‘was faring better than manufacturing’ (Nestić 2010), and most business sectors. Despite the 2009 cut and consequent freeze of the base wage in the public sector, the impact of the recession was much stronger and earlier in the private sector (Matković 2010). Consequently, LFS data indicate that the public–private sector net wage gap increased from 24 per cent in 2008 to 30 per cent in 2009 and remained at this level in 2010.

However, incorporated business data (Table 4.7) indicate that in 2010 and 2011 wage moderation was slightly more pronounced in the public sector, as real wages decreased faster there than in manufacturing or trade. The exception of the education sector is to be understood by a negotiated annual supplement increase (2.2 per cent) still in force. The relative improvement in wages of public sector workers is to be understood
via belated application of wage brakes in 2009 and the ability of public sector trade unions to negotiate against further wage cuts by settling for increased taxation of all employees (see Case Study 2).

4.2.2 On a different path: income inequality and low pay in the public and private sectors

The occurrence of low pay is far lower in the public sector. There is a major difference between the private and public sectors in the shares of employees earning below 60 per cent of the mean wage (Figure 4.4). This is consistent with the estimate of Nestić and Bakarić (2012: 12), which shows that only 2 per cent of full-time employees in the core public sector were receiving the minimum wage in 2008, but 11 per cent in the private sector. The gap had narrowed between 2000 and 2008, but increased again with the onset of the recession. As the crisis emerged, the share of employees with low pay increased in the private sector, but in the public sector it became even less prevalent.

The estimation of the Gini coefficient (Figure 4.5) in the public and private sectors yields consistent findings. First, wage inequality in the public sector is significantly lower. Second, a long-term gentle decrease in inequality is evident in the private sector while in the public sector inequality remained stable throughout the period. Third, a slight increase in inequality emerged within both the public and private sectors as the crisis struck.
Public sector shock

Low-income inequalities have been a major argument in favour of pay reforms in the public sector, in particular in public administration, founded on claims that high wage compression adversely affects people’s motivation (Budak 2011). Such an adverse effect should be particularly strong among those with considerable human capital, as they can expect low rewards under the current system. The wage premium of academically educated employees over their peers with only an upper secondary education is fairly low in the public administration (57–62 per cent through the past decade) and in education (46–49 per cent). Only in the health sector is the premium for tertiary educated employees (91–96 per cent) comparable to the private sector. Those differences are reflected in Gini coefficients over the 2000s, which were lowest in the education sector (16–18), followed by public administration (17–20) and highest in health care (20–23). Not much change in within-sector compression is evident through the 2000s, either from LFS or administrative data.

However, the public–private differences in remuneration of the tertiary educated had emerged from high within-sector compression, coupled with lagging of public sector wages in the early 2000s. By 2006, academically educated employees in public administration earned 3 per cent less, and in education even 28 per cent less than their tertiary educated peers in the substantially similar business services sector. Discontent in 2006, resulting

Source: LFS, full-time employees.

Figure 4.5  Gini coefficients for public and private sectors, Croatia, 2000–2010

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in a massive strike starting from the education sector was therefore not surprising. However, the attractiveness of wages in public administration and education for the tertiary educated is likely to have improved since then, due to the catch-up of public sector wages both in the boom (from negotiated public sector wage growth in 2007–08) and at the outset of the recession (from earlier and stronger downward adjustment of wages in the private sector).

4.3 Workplace Conditions

4.3.1 Steady decline of number of hours worked and no recourse to part-time work

Average reported working hours (Figure 4.6) have declined slightly during the crisis, but this development does not depart from the long-term trend, as the number of weekly working hours has fallen steadily in both the public and private sectors since the late 1990s. As the austerity measures of 2012 have set a target of doing away with overtime compensation, it is likely that the trend of working-hour reductions in the public sector will continue.

Part-time work is very uncommon in the public sector (at about 1 per cent) and declining except in education, where such arrangements are stable at about 5 per cent. The crisis has not changed this pattern.
Institutional failure to facilitate such employment is constraining opportunities for improving the work–life balance of public sector employees.

With the exception of the health sector, in which weekend and night shifts are common, the public sector offers better opportunities than the private sector for work–life balance with regard to working unsocial hours. Within the public sector, female employees in all subsectors are less likely to work unsocial hours or weekends than their male peers, in particular in public administration and defence. However, working from home is an infrequent arrangement, in both the public and private sectors with only about 2–3 per cent of employees reporting it everywhere except in education (where about 10 per cent report at least sometimes working from home). During the crisis, the share of employees reporting working from home had declined by about a third, but as initial levels were very low, this is unlikely to affect work–life balance in general.

4.3.2 Training participation as the first victim of austerity

The level of Croatian workforce training participation is persistently among the lowest in Europe. Some improvement was evident between 2004 and 2006 – as LFS-reported participation in training during the last month increased from 0.8 to 2.0 per cent in the private sector, from 0.8 to 3.3 per cent in public administration, 3.2 to 5.1 per cent in education and 1.8 to 2.4 per cent in health care. However, as the crisis developed, among both public and private sector employees it became the lowest on record (only 0.6 per cent in the private sector, 0.7 per cent in public administration and 0.9 per cent in health and education). Before the crisis, participation in training was more common among public sector employees (very much related to EU accession demands and training funding), but since 2008 it has plummeted to levels observed in the private sector. As nothing much had happened with respect to wage compression through the period, it is likely that lack of training opportunities (and funds) is more important for understanding the scope of training participation in Croatia than (de)motivation due to wage level.

5. CASE STUDIES

5.1 Case Study 1: Structural Change and Austerity Pain in Vocational Secondary Education

This case study portrays the crisis-related development of working conditions at a technical secondary school located in a less-affluent county. It is
based on examination of sector-based reforms and indicators, and interviews with trade union officials and employees.

5.1.1 Cuts in expenditure and coping strategies
Between 2002 and 2008 public upper secondary education expenditure was stable, wavering between 0.87 and 0.93 per cent of GDP. In reaction to the crisis, the education budget was severely limited. In 2010, central government budget expenditure on education decreased by 22 per cent in services, by 67 per cent in furniture and equipment and by 52 per cent in software. Moreover, local government expenditure for upper secondary education stagnated in 2009 and then declined by 15 per cent in 2010. Schools were ordered to cut their operational expenditure by 10–30 per cent. Consequently, in many schools headteachers imposed strict rationing of office resources and expenditure for teacher training. Secondary schools can also collect their own income through courses, renting facilities or other activities, but not much is generated in that fashion.

The school we visited has managed to make ends meet so far. Much refurbishment and equipment renewal was done before the recession. As payments from the county got reduced and delayed, non-critical acquisitions were put on hold and essential purchases were arranged via instalments. No major hindrances in daily work were noted by the teachers, apart from rationing of training travel allowances and arrears in reimbursements. Some resources and equipment were acquired through donations, projects and EU funds. The struggling business sector in the region is not in a position to help the school, as was the case in ‘better times’. At the beginning of 2012 all finances had to be transferred to the County Treasury (and the school bank account closed). There is a lot of uncertainty with regard to this move, undermining schools’ operational autonomy, possibly leading to stringent rationing.

5.1.2 Negative impact on human capital and career development
There has been a reduction in human capital investment at the national level as education agencies have decreased the number of places in courses and seminars for teachers. There has been a slowdown in professional promotion procedures towards the status of teacher-mentor or adviser (accompanied by 7 or 12 per cent wage increases, respectively), with about 2,000 candidates waiting from 2008 to 2010. Such restrictions were also felt in the school we visited, with increased rationing and delays in reimbursements.
5.1.3 Cuts in wages and persistent personal indebtedness
The wage reduction of 2009 and weak growth since has hit the living standards of school employees. There is a sense of personal stagnation concerning income and training. However, employees are aware that they are more fortunate than most in a region with low average wages and high unemployment. Hardship is more serious among younger and middle-aged teachers, many of whom took out loans (especially mortgages) during better times. There are several coping strategies through additional earning: by mentoring pupils for their final vocational project or tutoring for state final exams, within the school; or by engaging in adult education, provision of IT or language courses within firms (although this has dried up due to the crisis), and informal private tutoring.

5.1.4 Is segmentation emerging?
Once they have obtained a permanent employment contract, teachers’ job security is assured. The majority spend their entire career in the school (‘when I became a teacher here, 80 per cent of my colleagues were my teachers when I was a pupil’) and interviewed teachers do not see lucrative job alternatives at the moment. Several new teachers were employed on permanent contracts during 2011 (some part-time) as old teachers reached retirement age.

Administration and maintenance personnel feel replaceable and less secure. In the case at hand, accounting was made largely redundant with the introduction of a county treasury, prompting the accountant to re-qualify as a vocational teacher for business subjects in the same school. Ideas on outsourcing cleaning services in education predate the crisis, and cleaners are well aware of their precarious position. They try to cope by being ‘on good terms’ with decision-makers (thus not participating in strikes), putting in extra effort when told and performing additional duties (such as making coffee).

5.1.5 Defensive position prevails
In line with the secondary education unions’ militant legacy, the school participated in both the 2006 and the 2009 public service strikes and is highly unionized. However, the trade union does not play a major role in the school’s day-to-day affairs, as most issues are resolved through informal consultations. At the beginning of 2012, there was a nominal readiness to participate in further strikes but most interviewees expressed scepticism that there is anything to be gained, as general austerity gets under way. A defensive position prevails: the best interviewees hoped for was that things remain as they are.
5.1.6 No way forward: peripheral cuts and core anxieties
In this particular case the impact of the crisis is not yet overwhelming, reflecting the broad patterns discussed earlier. Opportunities for training and advancement have become limited. Since the 2009 wage cut, there have been no major income setbacks and some wage increment was maintained, but debts incurred during the boom are a major concern to many teachers. However, job insecurity is mounting in the auxiliary workforce and those with non-permanent contracts, without much attention from the trade unions. Cuts in local funding have reduced procurement and maintenance capabilities, as well as the financial autonomy of schools. Despite employees’ active coping practices, many are facing real financial constraints and there is pessimism about future wage and working conditions.
Underinvestment in human capital, promotion, equipment and maintenance, coupled with the prospect of outsourcing non-core workers and reducing the influx of teachers might have negative mid-term effects on working conditions, school community cohesion and education quality. Maintaining non-wage expenditure – too heavy a burden for impoverished local governments alone – training, recruitment and advancement pathways, as well as promoting the interests of ‘non-essential’ workers should be given at least the same priority in social dialogue as wage issues and benefits – so far the unions’ main focus – if the education system is to overcome its structural challenges.

5.2 Case Study 2: Moderation on Wages and Benefits in Public Services: Between Conflict and Cooperation
This chapter will not focus on recession period adjustments per se, but the relative lack of them: a largely unplanned outcome of actors’ conflicts and dialogue on wages and benefits within the particular political context. It is based on interviews, documentation and media reports.

5.2.1 Prologue: relative wages and fairness coming to the fore
In November 2006, PSE unions demanded negotiations on the base wage increase, due to a relative fall in wages in the previous period (‘our policy is exclusively based on relative values, we are interested in dignity and status’, explains Josip, a union leader). After negotiations failed the unions organized a three-day strike. It was a big success as 80,000 members participated. The agreement was reached about increasing the base wage (by 6 per cent each January over three years), as well as additions to coefficients in education and science by 2.2 per cent a year from 2007 to 2013. The three education unions are the backbone of the public sector action, with the ability to ensure particular advantages for their members.
5.2.2 Rocky road to sharing the burden of the crisis

In autumn 2008, when the global crisis struck, the prime minister asked the public sector unions to accept a freeze on the third tranche of the 6 per cent wage increase. The unions rejected this demand; public sector employees should not be shouldering the crisis burden alone. While public sector employees received their scheduled January 2009 rise, very soon budget revision became necessary. PSE unions, faced with demands for wage cuts, raised the issue of fairness again, demanding guarantees that wages will be restored once recovery sets in. Unions rejected the government’s offer that wage cuts will be annulled after GDP increases by 2 per cent for two consecutive quarters: ‘We didn’t want to accept an ultimatum without knowing what would happen to our wages once we are out of recession’ (Josip). In response, the new Law on Basic Wages was passed unilaterally, resulting in a 6 per cent wage cut. The unions denounced this as an assault on the institutions of social dialogue.13

It was critical to restore credibility among membership and the public: unions chose to react with a strike in the week before the May 2009 local elections. The strike started with an 80 per cent turnout, strengthening unions’ bargaining power amid dramatic three-day negotiations. The key to the agreement reached was the prime minister’s decision to cut a deal before the strike was joined by tens of thousands of others and prevent a massive protest scheduled in Zagreb’s main square a day before the election. The government committed itself to (i) increasing the base wage by inflation by January 2010; (ii) restoring public/private sector 2008 wage parity (existing before the 6 per cent cut) even in the absence of GDP growth by 31 December 2011; and (iii) in order to improve the public sector’s relative standing, convergence to a new target level by 2016.14 Criteria for revision were defined, in case the economic situation continues to deteriorate.

Both sides claimed victory but Luka, a government official, felt it untenable to link a freeze with an obligation to achieve parity and convergence, when ‘we don’t know what will happen tomorrow’, but ministers said that they ‘must sign’. While the government happily turned to local elections, a new crisis broke in June 2009 – budget revision became necessary again. The government asked for a further 6 per cent wage cut and withdrawal of Christmas and holiday bonuses. This was supported by employers and private sector unions. But this time the government – led by Jadranka Kosor after Ivo Sanader had surprisingly stepped down – faced confident unions threatening lawsuits and strikes: ‘we have already made our contribution . . . and have a sacrosanct agreement’ (Josip in the media). The government could not afford a major conflict. The trade union position that everybody should take on their fair share of the burden prevailed:
a progressive ‘solidarity tax’ was imposed on all but the lowest incomes, and VAT was increased by 1 per cent. Employers and private sector unions were dissatisfied and economists pointed to the negative effects. However, measures contributed to fiscal stability and regular payouts to public sector employees and clients.

5.2.3 From major conflict to pragmatic compromise: moderation consolidated

Since no recovery was in sight, in March 2010, public sector unions were asked to agree to cuts in Christmas and holiday bonuses and gifts for children. The finance minister exclaimed: ‘all rights from collective agreements are on the table’. However, the unions once again raised the thorny issue of fairness. In May, both sides were still locked-in and the government turned to the Labour Code changes to undermine the PSE unions’ comfortable bargaining position. Namely, the Labour Code stipulates that after expiry, rights laid down in collective agreements last until a new collective agreement has been agreed (in practice, this may go on for years). The proposed changes would make it possible to cancel basic collective agreements for the public administration (signed until 2012), and to disable invoking the extended rights clause when the PSE basic collective agreement expires, which was due in June 2010.

While aimed at PSE employees, this move galvanized all trade union confederations into fighting against reductions in employees’ rights, whether in the private or the public sector. The unions decided to initiate a referendum on the proposed law change, making it a political issue. For both sides the stakes increased enormously. Significantly, over the summer of 2010, negotiations on changes to the law, basic collective agreement and revisions to the May 2009 agreement went on in parallel with the referendum initiative.

In two weeks of June 2010, more than 720,000 citizens had signed the petition (well above the necessary 450,000) turning it into a ‘referendum on the government’. This gave the unions a major boost but an ambiguous mandate. The government’s attempt to deny its legality provoked public outrage, further weakening its bargaining position. The government backed off and withdrew the proposal from the parliament. In such a context a favourable new basic collective agreement for PSE was reached in October, guaranteeing continuation of most rights for the next three years. Concessions were modest: no Christmas bonus for 2010 and withdrawal of rights to a commuter supplement for those living less than 1 kilometre from their workplace. Clearly, the government lost, at high political and reputational cost. However, it was not a clear victory for the unions: the political mandate given by the
Public sector shock

referendum was beyond the unions’ basic agenda and deemed too risky a path to follow.

This emerged clearly in October 2010 when the Constitutional Court decided that the referendum could not be held. The unions’ first reaction was hostile: threats of strikes, protests and early elections; ‘this was a shot in democracy’s chest’ (one union leader in media). However a readiness to negotiate on compensation will soon prevail: ‘knocking down the government is not our role’, explained Josip. Indeed, in November the following was agreed: (i) a ‘referendum on referendums’ (to reduce the number of necessary signatures to 200,000); (ii) the establishment of labour courts; (iii) the cancellation of collective agreements only in the case of fundamentally changed economic conditions (and one year extended application after expiry); (iv) the abolition of firms’ work regulations15 (the last two points call for changes in the Labour Code). Negative reactions were widespread. Some commentators had seen the compromise as proof of the power of social dialogue, but disappointed ones saw it as opportunistic support for the failing government whose public approval ratings were sliding. Frane states openly: ‘in the end, this has destroyed the unions’ political power’. What remains were understandable attempts to capitalize on government weakness in the election year of 2011 to protect the working conditions of public sector employees.

In 2011, both sides initiated talks on revision of the 2009 agreement. Parliamentary elections were an important part of both sides’ strategy (Josip and Luka confirm ‘political calculation’). Indeed, throughout the campaign the ruling party ‘boasted about keeping fiscal stability without cutting wages’ (Josip) (while the opposition led by the Social Democratic Party was promising not to cut wages and employment in the public sector; a promise that lost its credibility just a couple of months later). Finally, in October 2011 ‘changes and additions’ to the 2009 agreement brought: (i) a continuation of the wage freeze to December 2012; (ii) no inflation indexation; and (iii) more favourable convergence criteria. If all unions signed, those additions would have become legally enforceable about two weeks before the December elections. However, a major health sector union declined to sign. This led to arbitration, which gave the green light to the agreement, making it legally enforceable, but too late for the outgoing government to benefit from it politically.

5.2.4 Social dialogue matters
Stability of employment, moderate wage adjustment and one-off cuts in some benefits were the dominant effects of conflicts and negotiations during 2009–11. Stjepan recalls the education unions’ conference in Warsaw: some ‘looked upon us as heroes’. Indeed, public sector
employees in Croatia have suffered much less than many of their peers in other countries. How can this outcome be explained in the face of prolonged recession? Why has the government backed off at critical junctures? One answer is the public sector unions’ strength. The public sector unions’ strike capacity is considerable. Furthermore, there was a more specific hindrance on the government side as a public governance crisis (due to corruption scandals involving the government) struck at the same time as recessionary effects on the budget had to be dealt with (summer 2009). Also, the political cycle, with 2009 local and 2011 parliamentary elections was influencing actors’ behaviour, increasing the government’s readiness to compromise. One could add the weaknesses of the state as a ‘party to collective agreements’ (Potočnjak 2010: 18), due to contradictory incentives that sectoral ministers typically have as negotiators. However, all this would hardly have been possible if Croatia had not had, on the eve of recession, quite a comfortable fiscal situation regarding public debt and fiscal balance (Table 4.1), giving the government room to manoeuvre. Yet, in 2012 this room is much smaller.

Policy choices are inherently political, leading sometimes to unstable yet contested ‘equilibria’; particularly when they touch upon redistribution issues. The functioning social dialogue institutions are thus especially important in periods of conflict, encouraging compromise solutions and providing more stability and legitimacy to the choices made over inherently painful social dilemmas. In addition, while this case shows the importance of fairness in sharing the burden of adjustment policies, the policies of fairness turned out to be a matter of conflicting interpretations, as the 2009 conflicts over the crisis tax show.

5.2.5 Can moderation last?
Is the public sector’s status cemented and beneficial moderation set to last? Hardly so, as the economic situation has changed for the worse since 2011, both at national and European levels. Thus there is much greater and urgent pressure on both sides to devise both viable and fair solutions. Josip believes that the unions’ moderation will be sustained, as the 2011 amendment to the agreement ‘is signed and legitimate’, but hard to revise if economic conditions do not deteriorate dramatically. ‘So far, the May 2009 agreement has not inflicted any costs . . . which puts the new government in a more comfortable position’, explains Luka. However, he agrees that the ‘hot potato’ is only delayed by one year. Attacking benefits and rights in collective agreements may necessitate (inherently controversial) labour law changes but also lead to new rounds of social dialogue with public sector unions. Could the long, hot summer of 2010 be repeated? The political strength and unity of the PSE unions has been weakened. The atmosphere
Public sector shock

in society has changed, too, in favour of more radical cuts in the public sector (as public opinion surveys attest). However, the unions’ capacities are still high and the education unions in particular are determined to fight for fair distribution of the burden once again, threatening protest actions and strikes, as in 2009, if unilateral cuts are enforced. While it is still unlikely that the new government will turn its back on social dialogue and resort to one-sided austerity measures, risking open conflicts with unions and public sector employees – it is not impossible. Structural, fiscal and ideological pressures, as well as IFI recommendations all call for more radical changes in employment and working conditions. Again, the key to the policies chosen will reside in actors’ relative powers, incentives and bargaining skills, opening up considerable scope for unintended effects.

6. CONCLUSIONS

The public sector in Croatia has not experienced dramatic changes in recession years. So far, stability and moderation have prevailed. This was in major part due to the successful efforts of the public sector unions. Reforms, modernization and Europeanization in the public sector seemed to have a limited impact on job content and intensity, but were hard to discern at aggregate levels. However, the government has not seriously challenged basic employment and working conditions, even when such a course was strongly advised by IFIs. Several potentially far-reaching reforms so far have been ineffectual, because they were partial, delayed or withdrawn (public administration reform, recent higher education and science reform). However, some reforms did have important effects on working conditions (including unintended ones), such as the ‘Bologna’ reform and primary health-care reforms.

Public sector employees have avoided strong austerity measures so far, while their unions have signed a number of agreements protecting existing working conditions and committing the government to future improvement. But with prolongation of the recession, pressures to impose austerity, much beyond the wage freeze (at the 2008 level) enacted since 2009, are on the increase again, and previous commitments are called into question by the current government. However, so far – and probably in times to come – it is employees exposed to subcontracting and privatization of non-core activities in the public sector (for example, cleaning and food services), as well as those on various sorts of non-permanent contract, who have turned out to be particularly vulnerable. While the public sector has been vital for preserving female employment security and income, this might not remain so, as a continuation of austerity may reduce training
and advancement prospects (already visible) and early career transitions to permanent posts.

After the pre-electoral intermezzo of 2011, and further economic deterioration, is a new phase of austerity unavoidable? The future is uncertain, despite pre-election promises (of the former opposition) that public sector wages and employment will not be cut. This commitment is vacuous and not credible, as the new government’s declarations and moves attest. The possibility of much deeper cuts is increasing. However, the effect of austerity on the relative wage level of public sector workers is uncertain, as deepening of the private sector crisis may put downward pressure on its wages as well.

Finally, the crisis is also creating a ‘window of opportunity’ for deeper reforms in the public sector, putting social dialogue and actors’ credibility to their greatest test. Public administration reform is the most imminent, but also the most challenging; as is pay-system reform in the public administration and PSE, at both national and local levels, to which the current government has committed itself. New regulations are currently being negotiated on unions’ and employers’ national representativeness and on a radical shortening of collective agreements’ validity after expiration, opening a new arena for contestation and protest. They may significantly change the playing field for social dialogue, making it substantially different from the present one. While the reform tasks seem formidable, public opinion surveys show a high level of readiness for public sector reforms. However, it is questionable how long this support will last after reforms start to affect livelihoods at a personal level. Once the winners and losers of the reforms start to emerge the political field might become more contested, and policy manoeuvring more complex. Stalling strategies might lead to the waste of another opportunity to find a fair and efficient solution. Weathering the reforms is a challenge, with uncertain consequences for both public sector employees and Croatian society itself.

NOTES

1. Local government units have a certain autonomy over communal activities, education, pre-school, culture and so on. However, the 2001 move towards decentralization remained partial (Rogić-Lugarić 2011: 63). For example, primary and secondary education employees’ wages and benefits are financed from the state budget, while material expenses and capital investments fall upon local budgets.

2. In terms of public sector employment, Croatia is not a European outlier. The exception is employment in state-owned companies, which stands at 12 per cent of total employment, twice the EU average (Bejaković et al. 2010).

3. The identities of all the interviewees were substituted with generic Croatian names.

4. According to Poslovni.hr (1 December 2010), in practices with a large number of
patients, between 60 and 110 patients are dealt with a day; and only such practices tend to be profitable. Marija confirms that after e-medicine was introduced she deals daily with a workload of 80, sometimes up to 120, patients. She finds it ‘terrible’.

5. We interviewed Marko from the Croatian Medical Chamber; Iva from the health union; Vinka a hospital internist; Boris a primary health-care doctor active in the private doctors’ association; and Marija a primary health doctor.

6. Nevertheless, many higher education institutions contract out a substantial part of the teaching workload via civil contracts to professors employed in other institutions. In 2010, up to 44 per cent of professors working via an employment contract had such teaching stints.

7. A high-ranking government official explained this change in an e-mail communication. In addition to its fiscal effects, it also corresponds to Croatia’s commitment (in the EU negotiations) to reform the tenure-based pay system.

8. In order to avoid changes in the Labour Code the government prepared a separate law, which some find controversial in legal terms.

9. In local administration and pre-school education, dialogue and bargaining take place at local level, but very much informed by the outcomes of national dialogue.

10. This was a sign of increasing disputes inside the major PSE union confederation: two unions left Matica during the summer of 2011 (social care and health).

11. We thank Jurica Zrnc for assistance with wage data.

12. In 2010, compared to academically educated employees in business services, their peers in public administration had a 7 per cent higher wage and those in education a 20 per cent lower one.

13. However the public administration unions agreed in March on a 6 per cent decrease, and their collective agreement was left intact. Petar, from the major public administration union, explains the union’s weakness: (i) low strike capacity (‘we strike directly against our employer and chief . . . most members have secondary education and low labour market competitiveness’); (ii) the government ‘has direct instruments to put us in order: ministers are harsh on their employees, but not so on their constituencies’; (iii) ‘it is hard to get public support for PA . . . only those in uniforms get any sympathy’. And there was a ‘secret agreement’ struck: ‘it guaranteed that if PSE eventually gets more, it will be granted to PA as well’ (SK). This defensive and subdued position is typical of most public administration unions, their arrangements being largely dependent on PSE unions.

14. Parity was defined in terms of ratio between gross wage for an academically educated beginner in public services and average gross wage in the country. Target level for 2016 was set up as 92:100, up from 85:100 in 2008.

15. A company document that employers use to regulate in-firm work organization and conditions. Unions, however, complain that many employers use it as a substitute for collective bargaining over working conditions.

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