

BARSERVICE

Towards smart bargaining in the commerce sector in Croatia

Authors:

Hrvoje Butković and Višnja Samardžija

Institute for Development and International
Relations - IRMO

2024



The project is funded by the European union, project No. 101126532

Table of contents

Executive summary	1
I. Sector identification and trends	1
II. Current state of collective bargaining	2
III. Challenges to collective bargaining	5
IV. Towards smart bargaining	6
V. European perspectives.....	8
VI. Conclusions.....	9
References	10
Annex	11

Executive summary

In recent times, the commerce sector in Croatia has been negatively affected by intense inflationary pressures and rising prices of energy and production raw materials. Because of this, the trend of low wages and their slow growth continued, which makes the sector unattractive for the employment of young people. Collective bargaining in the commerce sector takes place at the sectoral and house level. On the employers' side, the principal sectoral negotiators are the Croatian Employers' Association (HUP) and its Commerce Association, the only representative higher-level employers' association. On the trade union side, the sectoral negotiator is the Commercial Trade Union of Croatia, the only representative trade union for the commerce sector. At the end of 2024, after more than ten years, Croatia again obtained a sectoral collective agreement for commerce, which was extended to the entire activity. The importance of this agreement for working conditions in the sector is enormous because it is a labor-intensive activity that employs the largest number of workers after the processing industry. In addition, in-house collective bargaining occurs only in a very small number of larger commercial enterprises, while the number of workers covered by the house agreements does not exceed 10%. In multinational companies in the sector, in-house collective bargaining is poorly developed, although the predispositions for it exist where there is a trade union and social dialogue.

I. Sector identification and trends

For this report, desk research was conducted on collective bargaining in Croatia's commerce sector. In addition, during the second half of 2024, three interviews were conducted based on a form consisting of open and closed questions. Interviews were conducted at the sectoral level with a representative of the **Commercial Trade Union of Croatia (STH)** and the **Commerce Association of the Croatian Employers' Association (HUP)**. At the house level, an interview was conducted with an STH union representative in the department store **IKEA-Croatia**.

In recent years, the commerce sector in Croatia has been affected by the COVID-19 pandemic, strong inflationary pressures caused by geopolitical tensions, and rising energy and production raw materials prices. All this harmed this activity, with the continuation of the trend of low wages and their slow growth, which makes the sector unattractive for the employment of young people (Interview STH, 2024). According to estimates from the trade union at the state level, the sector lacks about 20% of workers for daily work. There is a high turnover of workers and high rates of sick leave due to low wages and poor working conditions (ibid.). The trade union of the department store IKEA also warns about the lack of workers. Consequently, in recent years, the timely organization of goods transported from warehouses in and outside Croatia to the department store in Zagreb has become challenging (Interview IKEA-Croatia, 2024).

The sectoral association of employers' notes that in recent years there have been certain changes in the buying habits of consumers who now increasingly buy online, which was reflected in the local demand (Interview HUP Commerce Association, 2024). However, according to the sector union, this primarily refers to the sale of textiles and footwear, where there was a small decrease in sales, while in retail food products, this trend cannot be confirmed (Interview STH, 2024). The digitization process in the commerce sector resulted in the introduction of multi-channel sales, new work aids, and automation of work processes. On the one hand, digitization reduces the "weight" of work, but on the other hand, it increases stress among workers due to the necessary training and the fear of change (Interview IKEA Croatia, 2024). According to research by the sector union in retail trade in Croatia, 72% of the workforce are women. The average worker is 42 years old and has 16 years of seniority. 87% of workers work on open-ended contracts, 13% work on fixed-term contracts, 4.4% work part-time, 0.4% work reduced working hours, and there is a significant number of retired and student workers (Interview STH, 2024).

II. Current state of collective bargaining

From 1998 to 2013, the commerce sector in Croatia had a sectoral collective agreement, which, based on the existing legal provisions, was extended to the entire activity by ministerial decision, and within which quality social dialogue was continuously developed. It was the first sectoral collective agreement concluded in Croatia, which served as a model for all other unions to initiate sectoral collective bargaining. However, in 2013, the Croatian Employers' Association and their Commerce Association unilaterally terminated this agreement, claiming that it needed to be modernized (Interview STH, 2024). The new bargaining round began in 2016 and lasted over eight years. The new sectoral collective agreement was signed only in September 2024. This new agreement came into force in October 2024 and was immediately extended to the entire activity (ibid.). The sectoral association of employers cited changes to the Labor Law and the Law of Commerce as the cause of such long negotiations. In their view, the amendments to these laws penetrated deeply into matters usually regulated by collective agreements. For example, those provisions stipulate that working on Sundays in a store is paid 50% or more and that in individual stores, a maximum of 16 Sundays can be working days annually (Interview HUP Commerce Association, 2024).

The number of employees in the commerce sector is around 200,000 (see Table 1). In 2024 the share of gross added value of wholesale and retail trade (G) activities in the gross added value of the services in Croatia was 17.4% (preliminary data), without significant changes in last five years. For a wider picture, it could be mentioned that the share of services gross value added in total gross value added in Croatia represented 72% in 2024 (preliminary data), and such relatively high share remained stable in the period of last five years.¹

¹ Information provided by Croatian Bureau of Statistics upon request.

Bargaining in the commerce sector is centralized and decentralized simultaneously because some companies also negotiate in-house in addition to the currently valid sectoral collective agreement. The sectoral trade union states that in the HUP's commerce association, over 50% of the members are multinational companies that, as a rule, do not want to bargain at the house level (Interview STH, 2024). The sector union has about 10,000 members, of which 50% are covered by the house collective agreements. The union currently has 11 collective house-level agreements, two with multinational companies. The Commercial Trade Union of Croatia (STH) is the only representative trade union in Croatia that operates in commerce. At the higher national level, STH is a member of the **Union of Autonomous Trade Unions of Croatia (SSSH)**, one of the three representative trade union confederations (ibid.).

Table 1. Wholesale and retail trade in Croatia

	2019	2020	2021	2022	2023
Number of entrepreneurs	28.814	28.615	28.507	28.323	28.297
Number of employees	195.927	192.367	190.955	192.887	197.801
Operating income (mil. Euros)	36.312	34.234	39.008	45.639	51.357
Export (mil. Euros)	3.127	2.986	3.650	4.830	4.748

Source: HUP Kompas Bijela knjiga 2025.

The Croatian Employers' Association (HUP) is the only representative employers' association in Croatia. It includes about 50% of private-sector employers. The HUP organizes 29 branch associations, including the commerce association.

As an advantage of collective bargaining at the house level in the sectoral union, they cite the ability to adapt to the specifics of business and the needs of workers at the company level. On the other hand, they highlight the slow growth of coverage by collective agreements at the house level as a weakness because the number of employers ready to bargain at this level is still relatively small (Interview STH, 2024). They conclude similarly in the sectoral association of employers, adding that one of the indirect consequences of in-house bargaining is the variability of working conditions (Interview HUP Commerce Association, 2024). On the house level, some collective agreements signed by the sectoral union have very serious provisions on wages adjusted by the annexes every year (Interview STH, 2024).

There have been no significant changes in the last ten years regarding the actors involved in collective bargaining. Likewise, it cannot be claimed that there has been a change in power relations among the actors. Both social partners emphasize that their mutual relations were correct (Interview STH and HUP Commerce Association, 2024). Social partners state that in the last ten years, the influence of large retail chains has

been strengthened, and there has been a slight increase in house-level collective bargaining (Interview HUP Commerce Association and STH, 2024).

The rate of coverage of workers by collective agreements in Croatia in 2021 was 46.5%, a decrease compared to 2014 when it was 52.7% (Bagić, 2022, 10). This decline, however, cannot be attributed to the weakening of collective bargaining practices, which is indicated by an equal number of valid collective agreements, but is primarily a reflection of changes in the structure of workers' employment with respect to activities and the size of employers (ibid.). In 2021, the coverage of workers by collective agreements in the commerce sector (wholesale and retail trade) was 9.6%.² This below-average coverage was the result of the cancellation of the sectoral collective agreement in 2013 and the fact that this is a large sector in terms of the number of employees in which in-house collective bargaining is present only in a very small number of larger commercial enterprises (Bagić, 2022, 11). For the sake of comparison, in 2014, the coverage of workers by collective agreements in the commerce sector was 9% (Bagić, 2016, 116).

The conciliation process in Croatia is carried out within the Economic and Social Council (GSV), to which one of the social partners if deemed necessary, submits a request for conciliation. Based on such a request, GSV appoints a neutral conciliator to reach an agreement between the social partners (Interview STH, 2024). In the sectoral union, they have had experience with two conciliations related to collective bargaining at the house level, and both ended successfully (ibid.). They also thought about conciliation as part of the bargaining for the collective agreement in the department store IKEA, but in the end, they abandoned it due to the apparent length of this process (Interview IKEA-Croatia, 2024). The sectoral employers' association states that regardless of the length of bargaining for the last sectoral agreement, they never thought about conciliation because the social partners' positions were not irreconcilable to that extent (Interview HUP Commercial Association, 2024).

The new sectoral collective agreement that entered into force in October 2024 deals with similar issues as its predecessor repealed in 2013. For example, both agreements regulate overtime, redistribution of working hours, breaks, weekly rest, annual leave, paid and unpaid leave, salary increase for length of service, salary increase for difficult working conditions, transportation costs, awards, and severance pay. Nevertheless, the trade unions state that the content of this currently valid agreement is somewhat worse than that of its predecessor because it lacks a table of working positions with job complexity coefficients, which shows that employers do not want to negotiate wages seriously. Instead of a table in which the coefficient for the working positions such as salesman or manager would be indicated, a table was attached to the agreement in which the lowest gross salaries without allowances were indicated according to four categories of job complexity. The categories are following: i) routine work - at least 840.00 euros, ii) medium-complex tasks requiring consultation - at least

² According to the sectoral trade union data, in the first half of 2024, before the sectoral collective agreement entered into force, the coverage of workers by the house-level collective agreements in the commerce sector was 10.5% (Interview STH, 2024).

860.00 euros, iii) medium-complex tasks - at least 965.00 euros, iv) more complex tasks - at least 1,090.00 euros. The problem with such a system from the union's perspective is that it leaves it up to employers to decide in which category of complexity they will classify individual working positions (Interview STH and IKEA-Croatia, 2024).

The first house-level collective agreement was signed in 2021 for five years in the department store IKEA-Croatia. Given that the contract was signed for a relatively long period, the union managed to agree with the employer on some intermediate negotiations in which the union representatives try to influence the content of the labour rulebook adopted by the employer every year in accordance with the law. Thus, the labour rulebook from 2023 regulates material rights related to long-term sick leave, night work, and work on Sundays more favourably than the provisions of the valid collective agreement (Interview IKEA-Croatia).

III. Challenges to collective bargaining

From the perspective of the sectoral trade union, the biggest challenges facing the commerce sector are the unregulated market and the violation of workers' rights. The largest number of registered companies are active in the commerce sector, with the most significant number of registered artisans. After the process industry, the commerce sector in Croatia employs the largest number of workers. It is a highly profitable activity with high margins. Employers in this sector generally want to regulate working conditions freely without government intervention. In practice, this means that most employers do not want to bargain collectively, and that workers' rights are often violated (Interview STH, 2024). In addition to the unregulated market and violation of workers' rights, the sectoral association of employers also sees the issues of gender segregation, vulnerable groups, and digitalization as challenging. However, they are not yet on the collective bargaining agenda (Interview HUP Commercial Association, 2024).

About assessing the importance of challenges to collective bargaining, the sectoral union considers the following as important or very important: the low presence of unions, the hostility of employers, the fact that some employers are not organized, the fact that employers are often hostile to unions, the disinterest of many employers in the bargaining, the fragmentation of bargaining, the fact that many employers do not recognize bargaining as a relevant mechanism for regulating labour relations, low coverage by collective agreements at the house level, insufficient legal support for sectoral negotiations, and the practice of breaking the unions (Interview STH, 2024). The answers of the sector association of employers regarding the highlighted question are almost identical, although they neutrally evaluated the claims that employers are not organized, and that bargaining is not traditionally a relevant mechanism (HUP Commercial Association, 2024).

To overcome the challenges, the sector union believes that it is necessary to promote social dialogue, develop a system of sectoral collective bargaining, develop a wage policy, monitor the application of collective agreements, strengthen labour inspection,

and increase fines related to irregularities (Interview STH, 2024). They also believe it is important to study other countries' legislation and best practices, consult with external experts, and cooperate with civil society (ibid.). In the sectoral association of employers, among the important tools for overcoming the challenges facing collective bargaining they counted strengthening organization, raising awareness about the importance of collective bargaining, educating workers, training negotiators, securing the necessary financial resources, using mediation, creating better legal frameworks and more active involvement of trade unions in solving open issues (HUP Commercial Association, 2024).

The IKEA-Croatia trade union believes that it would be good for collective bargaining in Croatia if the country would adopt the so-called Austrian model of financing certain activities in the domain of work and labour relations. In Austria, all workers set aside certain funds from their incomes in the so-called workers' fund managed by the state. Workers' education about their rights and industrial relations is financed from this fund, and in some extraordinary situations, workers have the right to receive some aid (Interview IKEA-Croatia, 2024). In addition, the IKEA-Croatia union states that the unions that negotiate collectively should be aware that large multinational companies try to pre-empt specific demands to neutralize the unions (ibid.).

IV. Towards smart bargaining

The representatives of employers and trade unions in the sector agree with the definition of smart collective bargaining, which "should provide improvements, meet expectations, and ensure a high rate of coverage by collective agreements". Among the potential improvements that could increase the coverage of collective agreements through smart bargaining, all three interviewees stated the following: strengthening of trust between social partners, greater frequency of negotiations, and better content of collective agreements. Disagreements exist only on the issue of the establishment of new employers' associations, which was highlighted as important only by the representative of the sector union. Regarding the expectations that should be met to increase the coverage of collective agreements through smart bargaining, all interviewees considered it important that the bargaining always ends in an agreement, that all involved parties have confidence in the bargaining, and that bargaining is recognized as the best way to regulate working conditions.

In order to increase the coverage of workers through collective agreements in the commerce sector and in Croatia in general, the sectoral union considers it important to strengthen trade union organization, strengthen the culture of negotiation in society, strengthen employers' willingness to bargain, strengthen the organization of employers into higher-level associations, more extensive use of existing mechanisms for expanding collective agreements and improving the content of collective agreements (Interview STH, 2024). The sectoral association of employers gave the same answers; they only neutrally evaluated the strengthening of trade union organizations (Interview HUP Commercial Association, 2024).

The employers' sector association representatives reject the idea of legally binding employers to collective bargaining. They state that the Labor Law prescribes the obligation of collective bargaining in good faith, which implies having a free choice regarding engagement in the bargaining (Interview HUP-Commercial Association, 2024). Representatives of the sectoral association of employers believe that awareness of collective bargaining as the best way to regulate working conditions can be strengthened through education activities (ibid.). Trade unions believe that collective bargaining in Croatia could be significantly improved if collective agreements were allowed to specify more favourable rights for trade union members. This possibility was foreseen in the amendments to the Labor Law in 2022, but the Constitutional Court annulled it, judging that it would lead to discrimination against non-union members (Interview STH and IKEA-Croatia, 2024).

The IKEA-Croatia trade union notes that smart bargaining is also focused bargaining. It is a negotiation in which both parties agree that time and resources should not be spent on banal issues but should be concentrated on the topics that are objectively important (Interview IKEA-Croatia, 2024). In the sectoral association of employers, they point out that smart collective bargaining is systematic. As an example, they state that in the Scandinavian countries and Austria, it is known exactly which sector in what period of a year starts to bargain. Croatia has no such structured approach, which significantly complicates the bargaining process (Interview STH, 2024). All interviewees agree that there is no "one size fits all" approach to collective bargaining but that sectoral and company-level adjustments are necessary. The sector union notes that at one time, there was an initiative at the level of the SSSH representative confederation to which they belong to conclude the so-called basic collective agreement. Such an agreement would guarantee some workers' rights above the legal norms but below the rights of the sectoral agreements. The STH union did not support this proposal then because they feared it could deter employers from in-house and sectoral bargaining (Interview STH, 2024).

Regarding the relationship between legislation and collective bargaining in Croatia, trade unions agreed with the statement that legislation is the basis for more specific regulations in collective agreements. However, the sectoral association of employers answered this question neutrally. The claim that the legislation in Croatia is too detailed, which leaves little room for bargaining, was supported by the employers' sector association but not by the trade unions that disagree with it. Both sectoral social partners responded neutrally to the claim that the social partners should simultaneously support changes in legislation and bargaining. At the same time, the trade union representative in the department store IKEA-Croatia agreed with her. Finally, the sectoral association of employers agreed with the statement that collective bargaining should be used as the dominant mechanism for determining working conditions in the sector, which the trade union representative in the department store IKEA-Croatia also supported. In contrast, the representative of the sectoral trade union gave a neutral answer.

The sectoral association of trade unions and the sectoral association of employers agree that more time should be devoted to wage bargaining within collective bargaining in the commerce sector.

V. European perspectives

The European Directive on adequate minimum wages, adopted in October 2022, aims to promote social convergence and combat wage inequality and poverty. This goal is to be achieved through two main approaches: i) obliging Member States with legal minimum wages to establish clear criteria for the adequacy of their levels and ii) obliging Member States to develop policies to strengthen autonomous collective bargaining so that the coverage of employees by collective agreements reaches a threshold of at least 80% (IndustriAll, 2024).

According to the sector union, the European Directive on adequate minimum wages in the commerce sector has a counterproductive effect. In recent years, the legal provisions have significantly increased the minimum wage, and now, with this latest harmonization with the European Directive. Because of this, employers now refuse to bargain collectively, saying they have no room for further wage increases (Interview STH, 2024). The employers' association states that paying less than the minimum wage is difficult to implement in practice because, in that case, the tax administration and other state institutions would react. However, they say they cannot know if any of their members pay a salary that is less than the minimum (Interview HUP Commercial Association, 2024). The trade union at the department store IKEA-Croatia confirms that salaries in the commerce sector vary. In their company, a global project aimed at ensuring wages that meet the needs of employees has been implemented for years. Because of this, the employees of IKEA receive wages that are more than the minimum, so the impact of the European Directive is not noticed (Interview IKEA-Croatia, 2024).

The sector union at the European level is a member of **UNI Commerce, UNI Global Union, and the European Trade Union Confederation (ETUC)**. All these associations have a certain lobbying power when adopting European directives. One of the more recent directives that the sector union considers particularly important is the Directive on salary transparency. It gives every worker the right to request and receive information about the salaries of workers who perform the same or jobs of equal importance (Interview STH, 2024). The employers' association is a member of **Business Europe**, which they consider extremely important, given that it can draft regulations and directives at the European level (Interview, HUP Commercial Association, 2024). The possibility of influencing European legislation through membership in supranational associations is also considered important by the sectoral trade union (Interview STH, 2024).

The sector union believes that the social partners at the EU level could, with the consent of the national unions, initiate the creation and coordination of union applications for each multinational company. Through these applications, workers in

different countries could connect, exchange information, and help each other organize (Interview STH, 2024). The sectoral association of employers' notes that social partners at the EU level could do more regarding presence on social networks and the organization of interactive workshops (Interview HUP Commercial Association, 2024). The results of research conducted in Croatia in 2021 show that European Works Councils can indirectly aid the development of trade unions in countries where they are not sufficiently organized (Butković et al., 2021). By this conclusion, the IKEA-Croatia trade union pointed out that trade unions in multinational companies are connected through their European Works Council, and valuable information on collective bargaining is exchanged in this way (Interview IKEA-Croatia, 2024).

VI. Conclusions

In 2024, after more than ten years, Croatia again received a sectoral collective agreement for the commerce sector, which was extended to the entire activity. This significantly strengthened collective bargaining in the sector, as the coverage of workers with collective agreements increased from some 10% to 100%. The new sectoral collective agreement improves many workers' rights, but in terms of wages, it is somewhat worse than its predecessor because it lacks a table of working positions with job complexity coefficients. Unions therefore conclude that employers still do not want to negotiate wages seriously. The trade unions notice that at the in-house level, there are companies whose collective agreements have elaborated provisions on wages, but in-house bargaining is generally insufficiently developed. It is particularly underdeveloped in multinational companies because out of 11 valid house agreements signed by the sectoral union, only two were concluded with multinational companies.

In general terms, there have been no significant changes in the last ten years regarding the actors involved in collective bargaining. Likewise, there was no change in power relations among the actors. The low coverage of house agreements and the lack of interest of many employers in house-level bargaining are recognized as the main challenges by both unions and employers. Among the main tools for overcoming these challenges, the sectoral union mentioned the development of the sectoral bargaining system and the development of the wage policy. For the sectoral association of employers, the challenges can be overcome, among other things, by strengthening the organization and raising awareness among social partners about the importance of collective bargaining.

The social partners agree that smart collective bargaining should deliver improvements, meet expectations, and ensure a high coverage rate through collective agreements. The social partners believe that the strengthening of mutual trust, the greater frequency of bargaining, and the better content of collective agreements represent improvements that can lead to an increase in the coverage of collective agreements. Regarding the expectations that need to be met to increase the coverage with collective agreements, the social partners agree that bargaining should always end with an agreement, that all parties must have confidence in the bargaining, and

that the bargaining should be recognized as the best way for regulating the working conditions.

However, for smart bargaining and an increase in coverage, a certain consensus should be established among the social partners:

Regarding representativeness, they believe that the current threshold is satisfactory

- on understanding the relationship between legislation and collective bargaining. This is not the case for now because employers believe the legislation is too detailed, leaving little room for bargaining, while the unions disagree.
- on adopting best practices from other countries such as structured sectoral bargaining timelines which generally improve the bargaining frequency.

The report proposes a few elements for smart bargaining strategies based on the interviews:

- strengthening the culture of negotiation in society,
- strengthening of mutual trust between social partners,
- strengthening the willingness of private employers to bargain,
- increasing bargaining frequency based on predetermined timelines,
- improving the content of collective agreements.

References

Bagić, D. (2016) Obilježja kolektivnog pregovaranja u Republici Hrvatskoj: usporedba javnog sektora i gospodarstva, in Lucija Barjašić Špiler and Igor Radeka (eds.) *Utjecaj kolektivnih ugovora na prava radnika u Republici Hrvatskoj*. Zagreb: Matica hrvatskih sindikata.

Bagić, D. (2022) *Kako unaprijediti kolektivno pregovaranje u Hrvatskoj*. Zagreb: Friedrich Ebert Stiftung.

<https://library.fes.de/pdf-files/bueros/kroatien/19611.pdf>

Butković, H; Samardžija, V; Puljiz, J; Rukavina, I. (2021) *European Works Councils in Croatia: Experiences and Opportunities for Further Development*. Zagreb: Institute for Development and International Relations.

Collective Agreement in the Commerce Sector OG 041/1998.

Collective Agreement in the Commerce Sector OG 117/2024.

HUP – Hrvatska udruga poslodavaca (2024) *HUP Kompas Bijela knjiga 2025*. Zagreb: Hrvatska udruga poslodavaca.

IndustriAll (2024) *Povećanje plaća i povećanje obuhvata pregovaranja*. Zagreb: Friedrich Ebert Stiftung.

https://news.industrial-europe.eu/documents/upload/2024/11/638671837674180765_241101_Industrial_ALL_Brosch%C3%BCre_HR_final_online.pdf

Interview HUP Commercial Association, 25.09.2024.

Interview Trade union IKEA-Croatia, 30.09.2024.

Interview Commercial Trade Union of Croatia, 20.06.2024.

Labour Law OG 93/14, 127/17, 98/19, 151/22, 46/23, 64/23

Law of Commerce OG 87/08, 96/08, 116/08, 76/09, 114/11, 68/13, 30/14, 32/19, 98/19, 32/20, 33/23

Annex

Abbreviations

ETUC –European Trade Union Confederation

GSV - Economic and Social Council

HUP – Croatian Employers Association

STH – Commercial Trade Union of Croatia

SSSH – Union of Autonomous Trade Unions of Croatia