



SOCIAL GREEN DEAL – Role and prospects for industrial relations and social dialogue in green transition management of local economic systems

WP 3 Country report: Croatia

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2023.

Summary:

1. General overview of the current state of industrial relations and social dialogue in Croatia	3
2. Analysis of the case study research: Five cases of social dialogue in action	5
2.1. Holcim.....	5
2.2. TE Plomin	6
2.3. Rockwool Adria	7
2.4. Calucem.....	7
2.5. Hempel	8
3. Analysis of the focus group research.....	8
4. Synthesis.....	9

1. General overview of the current state of industrial relations and social dialogue in Croatia

The main legal framework regulating social dialog in Croatia is the Labor Act and the Act on the Representativeness of Employers' Associations and Trade Unions. In Croatia, there is no prevailing pattern of collective bargaining in terms of the level at which it takes place, the cycle of collective bargaining, the content of collective agreements and the relationship between agreements concluded at different levels. Instead, there are three forms of collective bargaining:

- Collective bargaining exclusively at sector level, with no additional agreements at lower levels. This pattern is prevalent in the public sector, including education, health and government.
- Collective bargaining characterized by negotiations at industry and company level. This is particularly prevalent in the construction and tourism sectors, where collective agreements are concluded in a large number of companies in addition to sectoral agreements.
- Collective bargaining only at company level. It is found in public and private companies outside the sector, where collective bargaining at industry level is traditional.

At the end of 2021, 580 individual collective agreements were in force in the Republic of Croatia, regulating the rights of around 670,000 employees. The number of collective agreements in force is similar to the number recorded in 2014 (570), which clearly shows that collective bargaining practice has remained stable over a long period of time. The number of employees covered by collective agreements increased slightly between 2014 and 2021 (from around 640,000 to around 670,000), but the rate of employees covered by collective agreements has fallen significantly, which is primarily due to the significantly higher growth in total employment. Thus, the coverage rate for all employees was 52.7 % in 2014 and 46.5 % in 2021. While the aforementioned decline is significant, it does not reflect the weakening of collective bargaining practice, as the number of collective agreements in force shows, but primarily shows the trends of changes in the employment structure of employees in terms of activities and the size and type of employers. Obviously, the proportion of employees in sectors and companies in which collective bargaining is practiced stagnated or grew only slightly during the period in question, while employment in sectors and companies (e.g. small and medium-sized enterprises) in which collective bargaining is not practiced or never existed grew much faster.

In the Republic of Croatia, the main problem for the labour market is the emigration of Croatian workers, but also the negative demographic trend. All this, together with many technological changes, will affect the development opportunities of employers. The greatest challenges for all partners in the social dialog (government, trade unions, employers) are the precarization of work and the shortage of labour. In the future, an even stronger shift towards bipartite social dialog and an increase in the role of direct negotiations and the employer-employee relationship is expected. The majority of trade union federations are still not thinking about the green

transition and the need to educate their members, employers and legislators on this important issue.

However, one of the largest trade unions, the Association of Independent Trade Unions of Croatia, has prepared and issued a publication entitled Green transition and waste management - effects on jobs and trade union activities. This research provides an insight into the state of the waste management sector and the current and future impact of the green transition on the utilities sector. The document analyzes workers' perceptions, outlines the key factors that will affect employment in the sector during the transition, and analyzes the need and opportunities for adapting trade union strategies, policies and activities, particularly in the areas of collective bargaining, union organization and training. The document concludes that the waste management sector is one of the sectors most vulnerable to climate change and needs to significantly reduce the mentioned emissions, which requires a transition from a linear to a circular model of waste management and comprehensive climate adaptation measures through the implementation of the green transition. The green transition, i.e. the process of moving to a sustainable, low-carbon economy, should lead to a "greening" of jobs and an increased demand for labor in green jobs, i.e. jobs related to protecting or restoring the environment, whether in traditional sectors such as manufacturing or construction or in new green sectors such as renewable energy and recycling. The study also concludes that there are still no projections of the expected changes caused by the green transition, particularly in terms of job loss and creation and the changes in job description and working conditions of existing jobs, including in the waste management sector. Similarly, there are no plans to train workers to strengthen their resilience to change.

The green transition has become an indispensable part of both European and Croatian strategies, and the trade unions, especially through the trade union centers, are in contact with it through bodies working within the framework of social dialog. Thus, trade unions are involved in tripartite bodies, in the work of various committees and working groups that discuss or prepare documents related to the green transition. For example, through the Economic and Social Council and the adoption of the National Plan for Recovery and Resilience, which includes the green and digital transitions, through CSF commissions that adopt laws and regulations, through meetings of the EU Council for Employment, Social Policy, Health and Consumer Affairs, the Committee monitoring the Competitiveness and Cohesion Program 2021-2027, the Committee monitoring the Effective Human Resources Program 2014-2020 and 2021-2027, the Parliamentary Committee on Labor, Pensions and Social Partnership, etc. However, most green transition strategies, especially those of the European Union, are submitted to these bodies almost ready-made and trade unions do not have much influence on them. In this case, we can speak of a trade union dialog that only serves its purpose on paper. When adopting national documents prepared in tripartite working groups, it is already possible, but not in all situations, to speak of partnership and the contribution of all stakeholders, as was the case with the adoption of the National Development Strategy of the Republic of Croatia until 2030.

2. Analysis of the case study research: Five cases of social dialogue in action

This section analyzes the business activities and negative environmental impacts of several companies involved in the production of construction materials and electricity generation. In the future, these companies will have to make considerable efforts to reduce their negative impact on the environment. Some of them have recognized the need for change and are already investing great efforts and financial resources in greening, while others are not yet taking any significant steps.

2.1. Holcim

Holcim Hrvatska is part of the Holcim Group. Holcim in Croatia has one cement plant, two cement terminals, four aggregate quarries and five concrete plants (of which two are active, two are leased and one is inactive). Holcim is a company engaged in the production of cement, concrete and aggregates, with production and sales growing year on year. Cement is produced at the cement plant in Koromačno, aggregates (crushed stone) are produced at quarries in Plovanija, Šuber, Vranja and Očura, while concrete is produced at concrete plants in Kukuljanovo and Karlovac.

In view of the fact that the world is changing rapidly and posing new challenges for the construction and building materials industries, such as population growth, urbanization, climate change and environmental protection, the company bases all its activities on the principles of sustainable development. Holcim strives to build long-term cooperation with customers by delivering quality while meeting the most stringent environmental protection requirements. The quality of the product is directly related to the quality of the raw materials used for production and the care taken at every stage of the value chain. Despite all this, this company has been identified as one of those that must make significant efforts to transition to a green economy. In accordance with the European Union's legislative framework, which provides for the decarbonisation of Europe by 2050, investments in numerous technologies that reduce CO₂ emissions, i.e., the carbon footprint, must be promoted in the coming years. In addition, the European Union Green Plan provides for better management according to the waste management hierarchy, which promotes the use of waste or by-products of an industrial process in the creation and production of a new product. This is made possible by the European standard for cement production, which is also applied in Croatia.

For example, Holcim plans to improve technology, switch from coal and petroleum coke to alternative and renewable energy sources, and reduce greenhouse gas emissions per ton of cement. The company is conducting research into carbon capture and storage. Holcim plans to upgrade technology, switch from coal and petroleum coke to alternative and renewable energy, and reduce greenhouse gas emissions per ton of cement by 53% (2030 compared to 1990) and 42% (2030 compared to 2019). In the production of cement, about 60% of CO₂ emissions are due to the chemical process of converting marl into clinker, which releases CO₂, and 40% of CO₂ emissions are due to the combustion of coal and petroleum coke during the clinker burning process. Therefore, eliminating the use of coal and mineral aggregates is an important

decarbonisation measure. Last year, Holcim started to procure new equipment for low-carbon cements and the KODECO project, i.e. the procurement of a new energy recovery technology that eliminates the need for coal. This HRK 23 million EUR investment is expected to reduce CO₂ emissions by around 35,000 tons per year.

Holcim's plans for the transition to a new alternative raw material are aligned with national plans to apply the principles of the circular economy. Holcim is also researching carbon capture and storage. The technology associated with this project is extremely expensive, and the funders would only be the company, the European Union and banks. Due to the importance of the transition and the implementation of this project, the Territorial Plan for a Just Transition of the Republic of Croatia included a measure with the following description: Mobilization of the ETS sector to reduce the share of regional greenhouse gas emissions in the total national balance through direct investments that contribute to the reduction of total CO₂ emissions, in line with the climate targets of the European Green Plan for Carbon Neutrality (Holcim, Carbon Capture and Storage Technology). This measure has been designed for the company Holcim d.o.o. and the planned allocation is EUR 14,700,000 which corresponds to the EU contribution. As mentioned above, the company will have to finance this project from many other sources besides the EU. This project would be the first of its kind in the Mediterranean region and a vivid example of carbon capture and storage generated by a specific production process.

2.2. TE Plomin

Plomin Thermal Power Plant was built in Plomin Bay and is the only active coal-fired thermal power plant in Croatia. The location was chosen due to the former coal mine, topographically and geologically suitable terrain, fresh and sea water supply and well-developed infrastructure for sea and land transport.

Plomin Thermal Power Plant is a condensing thermal power plant consisting of two production units, Plomin 1 and Plomin 2, each of which has its own boiler and steam turbine. Energetic hard coal is purchased on the world market and transported by ship to the special port of Plomin, where it is unloaded and delivered to an open landfill via a belt system. Raw water from the source of the Bubić mine, which is demineralized, is used for steam generation, and seawater is used as cooling water for the needs of the two production units. The production unit A 125 MW was completed and put into operation in 1970. Since January 1, 2018, the decision on the unified conditions for environmental protection (environmental permit) is no longer valid, so the production unit TE Plomin 1 is not available until further notice.

The production unit of TE Plomin 2 with a capacity of 210 MW was built and put into operation in 2000. The unit was built by TE Plomin d.o.o., which is owned 50% by HEP and 50% by RWE, Germany.

The Republic of Croatia has joined the Alliance for Coal-Free Power Generation, and at the COP26 Climate Change Conference in Glasgow in November 2021, it was announced that coal-fired power generation in the Republic of Croatia would be phased out by 2033. TE Plomin 2 is the only active power plant in Plomin that uses coal exclusively. The share in

electricity generation of TP Plomin 2 in 2019 was 15.6%, i.e. 1491 GWh. The closure of TP Plomin 2 will have a significant impact on the municipality of Kršan and on the current 210 employees.

As part of the transition, Plomin plans to introduce photovoltaic systems for self-consumption, which also indicates that the company is trying to adapt to the energy standards of the transition and, in addition, to take advantage of the opportunities offered by the transition to a circular economy. The Plomin Thermal Power Plant plans to use alternative fuels, waste and biomass. This project aims to achieve carbon neutrality through activities related to the storage of energy from renewable sources.

Considering the fact that in TP Plomin 1 the use of alternative fuels, waste and biomass is foreseen in the development plans of the Croatian EES, the possibility of using the mentioned fuels in TP Plomin 2 should be considered in accordance with the policy of the EU and the Republic of Croatia aimed at carbon neutrality, but also considering the possibility of pilot activities related to the storage of energy from renewable sources.

2.3. Rockwool Adria

The Rockwool Group is one of the largest rock wool producers in the world. The Group consists of 51 production sites on three continents (Europe, North America and Asia) with a network of sales offices, dealers and distribution partners. Its products are characterized by a combination of exceptional properties in terms of fire protection, sound and thermal insulation as well as recognized sustainability properties. Stone wool is installed in various types of buildings, from family, commercial and industrial buildings to hospital renovations and innovative modern concepts.

Stone wool is also produced in Istria (Potpićan), which has a negative impact on the environment. The annual capacity of the factory is 120,000 tons of stone wool. The main products of the wool factory are thermal and fire insulation for buildings and industry: rock wool and briquettes. The local community is unhappy with the existence of such a factory in their area, mainly due to concerns about the environment and human health.

2.4. Calucem

Calucem is a market leader in alumina cements (CAC). Calucem has its origins on the Pula peninsula in Croatia and was founded in 1925. In 2023, the company will celebrate its 98th anniversary. Calucem's headquarters are located in Mannheim, Germany. The Calucem Group's way of working was specific. There was only one production facility in Pula. The cement plant in Pula has the advantage of being close to the sea, which simplifies transportation and enables exports all over the world. Calucem uses the unique properties of limestone and alumina to produce calcium aluminate cements in a melting process. This cement is suitable for a wide range of applications where fast setting and drying, strength and hardening are important. Well-known applications can be found in construction chemicals, refractory materials, pipes and aggregates as well as in specialty markets. Calucem offers a high and

consistent quality of its alumina cements to ensure the best functionality in these applications. In 2020, Calucem invested 3 million euros in the improvement of the plant with the aim of reducing noise and dust in the surroundings of the plant, but also on the entire Istrian peninsula. This investment is the largest industrial investment of this size in Pula in recent years. The installed plant contributes to CO₂ reduction and the development of a circular economy and gives an additional boost to environmentally friendly and green production. This is the first step towards achieving ecological acceptance of the production process in this factory. Furthermore, the investment in the Pula plant ensures additional flexibility in the use of raw materials during production. The small product resulting from shredding would be unusable in production, but now it is used as a raw material in the briquetting process and fed back into the production process.

2.5. Hempel

Hempel d. o. o. Umag, ship paint factory, founded in 1954 under the name Submarinecolor. It produced underwater ship paints and later expanded its offer to include the entire range of coatings for the protection of ships. In an effort to expand its development opportunities, it merged with the Chromos chemical factory in Zagreb in 1961.

In 1970, it signed a joint venture agreement with the Danish company Hempel's Marine Paints, becoming part of the multinational Hempel Group with 30 modern factories, 10 research and development centers and 50 agencies worldwide. Since then, the company has achieved excellent results on the domestic and foreign markets. The company employs 100 people and annually produces about 8.5 million liters of paints of various types, which are used to paint 80% of newly built and 50% of serviced ships in Croatia. The company has become the leading Croatian manufacturer of marine paints and coatings and also supplies the market with special paints for the protection of pipelines, towing vehicles and containers, as well as paints for horizontal signaling on roads. There are agencies and warehouses in Pula, Rijeka, Split and Zagreb.

3. Analysis of the focus group research

The focus workshop took place on November 20, 2023. It was attended by nine representatives of various associations, the City of Labin, the Municipality of Kršan and the IRENA energy agency. A personal survey and interview were arranged with the trade unions, which took place from November 21 to 25, 2023. As part of the focus workshop and in discussions with the trade unions, we first wanted to find out what problems plague the various population groups in the Istria region. The interviewees believe that the heavy pollution caused by combustion in the thermal power plants of Plomin and Holcim, as well as in other factories, leads to major problems that manifest themselves in environmental pollution, but also in a reduced quality of life and impaired health of the local population. In addition, they believe that the large amount

of waste produced is also a major problem. They believe that TE Plomin's waste is inadequately disposed of and that negative particles are released into the atmosphere as a result. The occurrence of cancer among people in the area is very common and has been a normal occurrence recently. The shortage of labor is also a major problem and importing labor is not an adequate solution. The problem will also be the workers who are now working in factories that will have to close due to the transition. The question is where these people will find employment. Labin is fertile ground for the creative and IT industries, which must be further developed. However, this type of work requires knowledge and skills that the inhabitants of Istria County possess only in small numbers. The interviewees believe that tourism has not only brought benefits, but also many problems.

During the green transition, trade unions focus primarily on jobs, many of which will be eliminated by the transition to green technologies. Therefore, the European Trade Union Confederation (ETUC) emphasizes the concept of a just transition, where it must be ensured that the transition to green technologies is accompanied by the retraining of workers for new jobs needed during the development and maintenance of green technologies. Trade unions also advocate for the protection of workers in workplaces and working conditions that have changed due to less favorable climatic conditions, e.g. working in hot weather.

The social dialog on the green transition must be organized because workers are the bearers of the green transition. It will have a major impact on the appearance and tasks of workplaces in the future. For this reason, workers' views should be discussed. Trade unions can give first-hand accounts of the difficulties employees face in their workplaces and work with employers to find mutually beneficial solutions.

Participants in the social dialog in Croatia lack expertise in the field of green transition, mainly because it is still mainly on paper in the Republic of Croatia and trade unions have not yet come into contact with it in practice.

In the matrix of Croatian trade unions, there are mainly public and civil service unions that have not yet come into contact with the green transition, which is why we have not mentioned it in the negotiations so far. The trade unions from the business sector and even the industrial sector have not yet had the experience that jobs are changing so much in the course of the green transition that they should be included in the negotiations for this reason

The sectoral/national social dialog structure should take a partner role so that all stakeholders contribute equally their experiences, views and proposals so that all factors are taken into account in decision making. Sometimes it works like this, but often it is ready-made documents presented by the authorities that the unions and employers get to see, and as a result there is no partnership dialog.

4. Synthesis

In the Republic of Croatia, the green transition will bring many challenges that the whole of society will have to face, including employees, employers and trade unions. The role of trade unions in this process will be of great importance. They will prepare workers for the changes and help them fight for their better future. In the Republic of Croatia, Istria has been identified

as a sensitive area where changes need to be made. Industries such as the production of cement and other building materials and energy production are of great importance to the economy of Istria County. They are all already facing major challenges when it comes to securing production and implementing the green transition. Some companies have already taken important steps and secured funding from the National Recovery Program, while others have postponed the green transition to the future.