Croatia: painful lessons in market economics

Croatia joined the European Union in July to indifference among EU citizens and Croats alike. The reason - the economic crisis. The twenty years since the transition to a market economy began have introduced the population to unemployment and job insecurity. Workers who remember the “Socialist economy” era alternate between resignation, nostalgia and hopes for an economic reboot. A state enterprise in the throes of privatisation paints a telling picture.

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Who'll come through and who'll fail

Dalmatia is Croatia's biggest tourist region. Once a mere transit town on the road to the islands, Split has become a tourist destination since its historic old town acquired UNESCO World Cultural Heritage status. But although Split, with its population of 178,000, welcomed up to 30,000 visitors each weekend in July, you won't find them in the district that is redolent of fennel. And yet they all have a connection with it through taste. For this is home to Dalmacijavino – Croatia's oldest producer of wines, spirits and soft drinks and it is to “travarica” – traditional Croat brandy – that the fennel is added.

Marija Vrgoč’s family – like most Dalmatian families – has been drinking Dalmacijavino beverages for generations. Her tipple is “pelinkovac”, a traditional liqueur; her husband is a wine man; and the whole family drinks Dalmacijavino’s best known product – the orangeade sold under the brand name “Pipi”. Marija greets us in a canary yellow t-shirt printed with the face of a freckled blond girl not unlike Pippi Longstocking, the face of the drink “Pipi”. She wears the t-shirt all day, she says, as free advertising for the business. She works in one of Dalmacijavino’s 15 tied outlets.

Marija was born in 1959 and started work for Dalmacijavino right out of secondary school, pleased to have found a job with an established, good company. She worked in the Finance Department for 34 years. “We were a big community. There were 1,300 of us and we went through it all together - marriages, children, divorces and deaths. We had secure jobs and steady incomes; I liked going to work”, she says. With the break-up of Yugoslavia and the war, Dalmacijavino lost its huge market. But it kept going while other big public companies closed around them. Things got worse with the shambolic transition to a market economy and management failures. Dalmacijavino was unable to get paid for the products sold by its distributors,
The other main causes of illness-related absenteeism are intervertebral disc disorders, backache, fractures, acute respiratory infections and musculoskeletal system disorders.

Marija started work again this summer when Dalmacijavino opened a new shop and called her. Although previously an office worker, she doesn’t mind working in a shop as a sales assistant, she says. “I’d even clean the floors for Dalmacijavino if I had to so long as I was working,” she says with a smile.

Dalmacijavino’s plight typifies the economic transition ongoing since the 1990s. Big state-owned enterprises have built up debts; they have eked out an existence for years, not paying employees’ wages, only to be privatised or simply closed down. The new owners have slashed the workforce or just “shut up shop”, being more interested in stripping assets than in production. Protecting workers’ health was not a concern. What is unusual for a former state enterprise, by contrast, is Dalmacijavino’s resurgence. The company’s output is now covering its costs and it is looking for new owners. Two public auctions in August and September failed to produce a buyer while being landed with paying high costs to the state. By the mid-1990s, the debts were starting to pile up.

Trade unions estimate that from 70 000 to 80 000 people in Croatia are working without getting paid. Finance Minister Slavko Linić has claimed that some 14 000 enterprises are not paying their employees’ wages, 2 000 of which are more than six months in arrears. But no psychosocial support has been provided.

This situation has led to a rise in psychological problems among employees caused by job loss, uncertainty, stress, unpaid work, etc. Stress-related neuroses and emotional disorders are the fifth most-frequent illness with 2 844 cases compensated by Croatia’s National Institute for Health Insurance last year, according to the 2012 report on sick leave. Added to this are another 8 537 people on sick leave for psychosocial and socio-economic reasons. There are no data on the causes of stress-related neuroses and emotional disorders.
prevention of psychosocial disorders in the workforce,” concludes Marija Zavalić. “Lack of resources, but also employee unwillingness to cooperate for fear of the sack, mean that no major research has ever been done on workers’ psychosocial health,” she laments.

What research has been done for particular job types, however, shows that employees in all groups questioned show signs of work-related stress, have a higher prevalence of mental problems, behavioural disorders and fatigue, and that most respondents link work accidents to concentration failures caused by fatigue, lack of sleep and depression. Employees’ most common complaints are fear of being made unemployed, poor work organisation, inability to influence the production process, but also a weakening of social ties.

No doctor or social worker

Croatia ranks above the European average for the number of workplace fatalities and working days lost due to work accidents, prompting Labour and Pensions Minister Mirando Mrsić to insist that health and safety at work must be oriented towards prevention (see interview p. 11). The aim is to bring down the work accident rate by 5% a year, the occupational disease rate by 10% a year, and the number of employees taking early retirement on disability benefit by 10% a year up to 2016.

There is nothing in these measures for the prevention of psychosocial risks at work. The Minister’s reply to my question on this, sent from his press office, was that such assistance is necessary and “should be provided through the company’s human resources department”. He also stressed that workers at risk of redundancy could get appropriate assistance from the National Employment Agency’s outreach units. The Agency advises employees on how to write a CV and conduct themselves in a job interview, but not how to get over being thrown out of work.

Marija Zavalić argues for setting up hospital centres for psychosocial support to workers modelled on the post-traumatic...
stress syndrome centres created after the wars of the 1990s.

But these are all proposals and solutions for the future, whereas what thousands of people are worrying about today is losing their job or not getting paid at month-end, and no-one is concerned to find out how they are coping. Under socialism, all big firms had company occupational medicine specialists and social workers who were also responsible for workers’ mental health. There were also company doctors working in medical centres attached to specific firms.

Since the changes towards democracy, spending cuts mean that companies no longer have a works doctor or in-house social worker. The doctors we talked to reported seeing many workers complaining of chest pain, tremors, general unwellness, headache, and heart flutters. They are unaware that these are all symptoms of anxiety. Likewise, psychiatrists say that psychiatric hospitals fill up with workers whenever a large company goes bust. But that’s a taboo subject. Every worker, like every citizen with health insurance, can seek psychological counselling as part of general health care. Most such consultations end after 10 minutes with a prescription for tranquilisers. It is very hard to get free therapy because psychiatrists and psychologists in the public health system are overwhelmed and a consultation with a private therapist costs from 250 to 400 kunas (33 to 53 euros) an hour, which cash-strapped workers cannot afford.

Then there is the specific problem that long before they stop paying wages employers have also often stopped paying social security contributions. DalmacijaVino paid no social security contributions for its workers for seven years, despite being a publicly-owned company. Official receiver Perica Mitrović argues that unions share some responsibility for agreeing to the payment of net wages. DalmacijaVino trade union official Lukača Bučić says he would never have got the money for employee social security contributions in negotiations with the state and the workers needed something to live on.

Steeped in debt as it was, DalmacijaVino had a health insurance contract with the costly Sunce polyclinic. Franjo Ivčević, a manual worker born in 1956, doesn’t care whether the money handed over was, as rumoured, in bribes or commissions because the insurance saved his life. Wages were in arrears. He and his wife both worked at DalmacijaVino. They lived with their two unemployed adult sons and his wife’s father, whose pension they were living off. He was unable to sleep at night for worrying about the future. In early 2012, he went for his annual health check at the Sunce polyclinic where he was diagnosed with a malignant kidney tumour.

"If I hadn’t had that check-up, I wouldn’t have found out I was ill. Employees whose employers don’t pay their social security contributions sometimes get turned away by public hospital doctors but they have no money to see a private doctor", he said during our talk in the boiler house, which like the rest of the plant is run-down but well-ventilated and clean. Franjo was operated on successfully and returned to work. He said he and his colleagues would certainly have needed psychological counselling.

"If workers in Western Europe had it like us, the hospitals would be overflowing. Just think about working and not getting paid, which is situation normal for a lot of people. First we went through the war, then privatisation, then production tailed off; it hardens you. People get used to expecting the worst, which is why they don’t ask for psychological counselling. They aren’t used to anyone asking them how they’re doing", says Franjo.

As we talk, 1,500 people are laid off from Brodosplit, Croatia’s largest shipyard, a kilometre and a half down the road. In the late 1980s, the shipyard employed 7,500 people. Today, it has 3,500. All the shipyards had to be privatised to qualify for joining the EU. The new owner has promised the state to keep 2,000 employees on until 2018. On Friday, 26 July, they learned who would be going and who would keep their jobs. Brodosplit’s independent trade union official Pavle Matošić says people are at the end of their tether, in tears and not knowing what to do with themselves. "I hope it doesn’t end up in tragedy. Obviously, people in this state would need counselling", says Matošić.

Franjo Ivčević gazes towards Kaštela bay. He says that as recently as 15 years ago, the factory smoke rising above the bay hid the view of the hills that overlook it. Now you can clearly see the quarried slopes and silent chimneys. And beneath the surface of the pelucid-looking sea lurks a high concentration of mercury and untreated hazardous industrial waste.
Mladen Novosel has headed the Federation of Independent Trade Unions of Croatia (SSSH), the country’s most influential trade union, since 2010. Founded in 1990, the SSSH brings together 17 industry unions and has 110 000 members. It sits on the National Council for Health and Safety at Work, a government advisory body that monitors and analyzes implementation of health and safety at work policy. Mladen Novosel takes a hard look at his country’s record in the field.

Interview done in Zagreb, July 2013

What’s your general opinion of the level of protection of health and safety at work in Croatia?

MN – There’s no way you can call it satisfactory. Between 1997 and 2011 there were 317 774 recorded work accidents, 2 312 cases of recognised occupational diseases and 734 work-related deaths, costing a total of 12 billion kuna [1.6 billion euros]. These figures show that the level of workplace protection is not up to scratch. The Health and Safety at Work Act is a good law, but is going ignored because employers are not being punished. The national inspection service is not effective, and even when it does file a complaint against an employer, no prosecution follows in more than 50% of cases because it is out of time. No Croatian employer has yet been imprisoned for the death of an employee. Workers’ main concern is to survive and get paid, which makes them unwilling to talk about their working conditions for fear of losing their job.

What are the biggest consequences for health and safety at work of the transition from the socialist system to capitalism?

MN – The level of safety and protection at work went down in the transition period. The new employers started by investing less in safety at work, be it in safety training for workers, machinery maintenance, providing quality protection equipment, doing risk assessments, medical surveillance of employees … Their aim is to make money and health and safety comes last. One difference between the socialist system and now is that before, all big companies had a works doctor, but after 1990 that was thought to be too costly and occupational medicine was squeezed out of companies (see p. 9-10). Even the prevention system no longer works and few employers have understood that investing in workplace protection not only improves employees’ health and safety but also helps save money. Where losses due to occupational diseases and work accidents exceed 2% of GDP – which is the case in Croatia – experts consider that the prevention system is under-performing and needs improving.

Amendments to the Health and Safety at Work Act are in the pipeline. What can we expect?

MN – The new Health and Safety at Work Act contains provisions that implement the EU’s 1989 Framework Directive on health and safety at work into national law. This will be publicly discussed in parliament during July 2013 and should promote the reintroduction of works doctors, help us to focus on prevention rather than punishment and give health and safety inspectors more powers if they discover contraventions in workplaces. The Health and Safety at Work Act has been amended a dozen times since 1997, but for no reduction in the number of work accidents. Labour Minister Mirando Mrsić has set an aim of a 5% reduction in work accidents by 2016, so I am still expecting changes for the better after the new law comes onto the books.

Will Croatia joining the European Union influence changes in health and safety at work?

MN – If you walk through factories in Croatia and Germany, you will see big differences in working conditions. Just joining the European Union or changing laws isn’t enough to improve them. It’s down to employers, legislators, trade unions, but also the employees themselves to work on it. On the other hand, foreign employers who would rather not apply health and safety legislation in Germany, for example, adapt very quickly to our way of working when they set up Croatia, rather than passing on their country of origin’s culture of respect for the rules.

How much do trade unions do to actively promote health and safety at work?

MN – Health and safety at work may be a cornerstone of union action, but unfortunately this is the area that unions are least active in. Every union’s first aim is to ensure that employees have a job and wages by means of a collective agreement. This makes them more concerned with substantive rights than health and safety. Every company with at least twenty workers should have a health and safety committee that is meant to do a workplace survey and propose measures to improve working conditions. But often, these committees hold only purely formal regulation meetings with no impact on working conditions.

*The debates were postponed and should now be held in autumn 2013, with a view to bringing the new legislation into force in January 2014.