

The Role of Trade Unions in the Privatization of Auxiliary Jobs in the Croatian Public Sector

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Abstract**Review Article**

The aim of this article is to show the unconstitutional role of public sector trade unions in the restructuring of the Croatian public sector. The Constitutional Court of the Republic of Croatia rejected all referendum proposals of the trade unions that blocked the process of restructuring the public sector, pointing out to them that such blanket bans may restrict or prevent changes without which there will be no progress in the implementation of the necessary economic, social, political and administrative reforms, and thus no progress of society itself. The public sector unions have proven to be major opponents of all market reforms that Croatian society and the state should implement. The paper also analyzes the importance of the new public administration that creates the conditions for the implementation of Article 49 of the Constitution of the Republic of Croatia: "Entrepreneurial and market freedom are the basis of the economic structure of the Republic of Croatia.". A SWOT analysis of the privatization of auxiliary technical professions is also presented.

Keywords: Union, Constitutional Court, Restructuring, Republic of Croatia.

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1. INTRODUCTORY CONSIDERATIONS

In Croatia, outsourcing is often discussed as a strategy to rationalize costs and increase efficiency in the Croatian public sector. The term outsourcing was first used in IT journals in the late 1980s to describe the growing trend of large companies transferring their information systems to external providers on a contractual basis. In recent years, many other functions such as payroll, pension fund administration, document processing, IT systems, telecommunications, accounting, internal audit, mail and parcel tracking, facility management and maintenance, sanitation and others have been outsourced, suggesting that outsourcing has proven to be an effective way to address non-core activities, improve business operations and develop a business strategy to increase the efficiency of state administration in Croatia.

All business activities can be divided into process and project activities. Activities that are not creative, do not depend significantly on personnel changes, are repetitive and standardized fall under process tasks. In contrast to process tasks, project tasks in an organization are not standardized, depend on personnel changes and are creative. Process jobs generally account for 70 to 80 % of all jobs in a company,

while project jobs make up the remainder. Therefore, process tasks represent a potential opportunity for outsourcing without a significant risk of quality loss and with the potential for significant efficiency and rationalization gains (Damjanić 2020).

Many organizations choose to outsource certain activities due to the following potential benefits (Šarić 2012)

1. Cost savings,
2. Allows the organization to focus on what it does best, i.e. dealing with processes and activities in which it is competitive,
3. Enables the organization to select the best performers available on the market to carry out ancillary activities (access to modern technologies, new skills and the experience of an external partner), which has an impact on the quality of public services,
4. Relieving organizations of operational problems and bottlenecks,
5. Avoids problematic situations in relations with employees (e.g. difficult tasks are reluctantly performed within the organization and transferred to external employees),

6. Contributes to downsizing the organization while increasing the scope of work by outsourcing activities to external partners,
7. Fear of outsourcing may increase management control within the organization (e.g. poor performance of a particular organizational unit may result in that part of the organization being sold and transferred to another company).

The outsourcing of ancillary activities in the public sector is justified and strategically necessary when the efficiency of public services is low, so that the outsourcing of ancillary activities is the first step towards increasing the efficiency of public services. State ownership has a number of weaknesses, such as an excessive number of employees, interventionism, a limited market, outdated technology, poor product quality, a high degree of rigidity in organizational structures and reward systems, etc. (Šarić 2016).

The goals to be achieved through outsourcing can be divided into:

Short-term (tactical) (Pavić 2016):

1. Cost reduction,
2. Cash flow improvement (e.g. sale of resources to suppliers),
3. Shifting fixed costs to variable costs (e.g. employee salaries),
4. Transparency and cost control,
5. Reduction of investments,
6. Improving quality,
7. Managing activities that are difficult to manage.

And long-term (strategic):

1. Improving the direction of the company,
2. Access to first-class skills,
3. Increase flexibility (access to resources as needed),
4. Improve innovation (use of external innovation potential),
5. Restructuring of the company,
6. Risk reduction/sharing (division of labor also means risk sharing).

The inefficiency of the Croatian public sector is also emphasized by the Croatian office of the World Bank in Zagreb: "Croatia is heavily dependent on tourism and has a very large and inefficient public sector. The private sector is small and not dynamic enough. Reforms are needed for better growth prospects" (<https://lidermedia.hr/aktualno/svjetska-banka-imate-velik-i-neucinkovit-javni-sektor-postoji-svijest-o-tome-sto-treba-uciniti-33220> 23.10.2023).

The public administration is an institution endowed with political authority and the necessary resources to fulfill general interests and promote the common good. The term public administration is not limited to the state administration, but also refers to

regional and local self-government, public enterprises or companies. Public administration is defined as the entirety of structures and processes aimed at initiating and implementing measures that serve the public interest or the common good. The organization of public administration varies from country to country, and the size of the public sector is often a political issue.

The general state consists of:

The central government:

1. Household users (e.g. social centers, primary and secondary schools, public fire departments, county-owned health facilities, ministries).
2. Extra-budgetary funds (State Agency for Deposit Insurance and Bank Recovery, Croatian Waters, Croatian Privatization Fund, Fund for Environmental Protection and Energy Efficiency, Croatian Roads).
3. Regional authorities (20 counties and the City of Zagreb).
4. Local authorities (428 municipalities and 127 cities).

Public enterprises are legal entities that are majority-owned directly or indirectly by the state and whose shares or business interests are owned by the Republic of Croatia or in which it has ownership rights. They provide essential goods and services and are subject to public authority. They are categorized as follows (Šarić 2012.):

- Financial public companies or enterprises (monetary and non-monetary).
- Non-financial public companies or enterprises (such as Jadrolinija, Croatian Electricity (HEP), Croatian Post (HP), Croatia Airlines (CA), Croatian Radio (HRT), Croatian Lottery (HL), Croatian Forests (HŠ), Croatian Highways (HAC), Croatian Railways (HŽ), Broadcasting and Communications (OiV), Adriatic Pipeline (JANAF) and other companies in Croatia that provide services of special state interest and whose activities are regularly monitored, controlled and audited by the state).

During the last crisis (2008-2014), Croatia froze wages in the public sector, raised taxes and borrowed heavily. To avoid such a scenario, the Croatian public sector should be rational, efficient, purposeful and proportionate and serve as a support for the private sector and productivity growth. Otherwise, it represents a time, financial, organizational, political and social burden that, at best, hinders the growth and development of the private sector and, at worst, gradually destroys it.

In a study on public administration in the EU member states, which will be published in 2023 but contains data from 2019 and 2020, the efficiency of the public sector in Croatia was rated at 0.4 points on a scale of -2.5 to 2.5. Public sector efficiency is defined by the

quality of public services, the quality of the civil service, independence from political pressure, the quality of policy formulation and implementation, and the credibility of the state administration's commitment to these policies (Source: European Commission, Directorate-General for Structural Reform Support, Stimpson, A., Moretti, C., Lemmik, J., Public administrations in the EU Member States – 2021 overview, Publications Office of the European Union, 2023. 22.12.2023.)

Croatia's public spending amounted to 55.4% of GDP in 2020, making it one of the countries with the highest allocations to the public sector. Countries with higher allocations include Greece (60.7% of GDP), France (62.1% of GDP), Belgium (60%), Austria (57.9% of GDP), Italy (57.3% of GDP) and Finland (56.7% of GDP). The average of the countries that are comparable to Croatia in terms of standards (Estonia, Lithuania, Latvia, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Romania, Bulgaria) is below 47%. Thus, Romania and Bulgaria have a lower public sector efficiency score compared to Croatia (0.3 vs. 0.4), but their costs are much lower.

Estonia, for example, pays much less to its public sector than Croatia (45.1% of GDP, i.e. 10 percentage points less), but has a much more efficient public sector (score of 1.2 compared to 0.4 in Croatia). Croatia is one of the countries with one of the most expensive (55.4% of GDP) and least efficient public sectors in the EU (score of 0.4). (European Commission, Directorate-General for Structural Reform Support, Stimpson, A., Moretti, C., Lemmik, J., Public administrations in the EU Member States – 2021 overview, Publications Office of the European Union, 2023, 22.12.2023)

Croatia has drawn up a National Development Strategy 2030, which provides for the digitalization of services and procedures in public administration, professional, knowledge-based management of human resources and functional and sustainable local and regional administration (https://narodne-novine.nn.hr/clanci/sluzbeni/2021_02_13_230.html 22.12.2023.).

With such a strategy, the Republic of Croatia aims to simplify communication in public institutions, open up institutions for consultation with citizens and encourage citizens to participate in the design and implementation of policies. EU funds are the main drivers of current reforms in the Croatian public sector, with each reform being funded, supported and even initiated by the EU (e.g. digital services, quality in public administration, decentralization, etc.).

Croatia's future economic development is severely limited by the (in) efficiency of the public

sector. This problem remains unsolved, not because of a lack of funds, as most reforms are financed by EU funds, but because of a lack of political will to tackle a comprehensive restructuring of the public sector and to confront the public sector unions.

The first idea to restructure the public sector through the New Public Management model emerged in the UK when Margaret Thatcher came to power, who had an aversion to the public sector. Since the late 1970s, the concept of the regulatory state – developed in Anglo-Saxon countries with the political support of British Prime Minister Margaret Thatcher and US President R. Reagan – has been part of the globalization or neoliberal agenda, – based on the idea of liberalization and privatization of services of general interest, i.e. traditional public services for which the state or public authorities have ultimate responsibility. (https://bib.irb.hr/datoteka/724291.7_FORUM_ZA-JAVNU-UPRAVU.pdf, 3.11.2023.) It can be concluded from this that the reforms based on the British model were aimed at creating a minimal state.

The doctrine of New Public Management consists of several key elements (Ostović 2016):

1. Breaking up the traditional hierarchical structure of the public sector – forming many organizations focused on performing only one task, with political tasks mandatorily separated from executive tasks.
2. Granting public managers greater freedom of action and decision-making.
3. Focusing on the results rather than the process of action.
4. Developing services and markets, strengthening competition.
5. Orientation towards the users.
6. Improving effectiveness and efficiency in the public sector (increasing benefits while reducing public expenditure).
7. Privatization of all non-essential tasks.

New Public Management techniques include fostering a competitive spirit, breaking up large bureaucratic units, promoting productivity and outsourcing non-essential tasks. Promoting a competitive spirit includes techniques to increase competition and reduce monopolies. Under this technique, employees are motivated and rewarded for excelling in their work. The spirit of competition among employees is encouraged through public competitions, where employees are rewarded according to the number of consumers and the measurement of their success. The aim of breaking up large bureaucratic units is to create smaller, more manageable and flexible units that are much easier to administer. Techniques to promote higher productivity aim to increase the motivation of entrepreneurship and promote cost reductions and efficiency improvements within the company. To reduce

operating costs, basic assets are privatized, an assessment and entrepreneurial management of the entire public sector is carried out and investments are made in accounting technology. The British model of New Public Management has become a model for all transforming or developing countries. The reason for this is that the UK model largely embodies neoliberal thinking and the implementation of neoliberal principles in the practice of a whole range of reforms that directly affect the public sector. The UK model's reforms to the economy focus on freeing market activity from state intervention. The demands involve reducing the size and activities of the state while introducing private sector disciplines and skills into the public sector. It is understood that the public sector in many countries is an impediment to national development and in some countries has even become a major obstacle to that development.

In the context of the British model, it is necessary to look at the restructuring of the Croatian public sector. The public sector in the Republic of Croatia is a strategic point of view in all economic policy considerations, be it about the need for deep structural reforms or about weak or limited effects of economic policy measures (Šarić 2012.).

The fragmentation of the organization is also associated with inadequate analysis of the implementation of government decisions, which in turn limits the effectiveness of the implementation of previously established state policy in our country. In this sense, the Croatian government's decision to carry out the relocation of non-essential business activities and to increase the efficiency of the Croatian public sector by outsourcing services to a certain extent is of strategic importance.

The Croatian government endeavored to implement fiscal consolidation measures in the period from 2014 to 2016 through the following activities (Government of the Republic of Croatia, 2014):

1. Integration of support services,
2. Outsourcing of services,
3. Unified public procurement,
4. Unified financial center,
5. Reform of the social procurement system,
6. EU funds as support for measures,
7. Hospital master plan,
8. Restructuring of the school network and programs,
9. Restructuring of the judicial system.

The government introduced the distinction between core and non-core activities in the Croatian public sector through a document entitled "Models for efficient management of non-core activities in public administration - opportunities for the public sector and the economy" and took the strategic position that the management of non-core activities in public

administration in Croatia is completely inefficient and inconsistent and that several modalities for performing these tasks should be considered, with the outsourcing model being preferred. A total of six activities in the public sector should be covered by this wave of reforms (Šarić, 2016). It is a strategic national interest of the Republic of Croatia to separate non-core activities from education, health and all other sectors. In all countries that have separated non-core activities from state institutions and companies - a process that has developed dynamically in almost all growing economies in Europe over the past decade - the provision of various services referred to as facility management has been one of the most important drivers of economic growth and employment (Novotny, 2014).

New Public Management creates the conditions for the implementation of Article 49 of the Constitution of the Republic of Croatia. Entrepreneurial freedom and market freedom are the foundation of the economic structure of the Republic of Croatia (Šarić, 2020).

There are various forms of contracting between the state and local and regional self-government units (LRS) with external service providers. Only some of them are mentioned in this article (<https://www.outsourceaccelerator.com/articles/uk-outsourcing-examples/> 30.10.2023)

1. Contracting with only one contractor: the state or LRS authority concludes a contract for the provision of a public service with only one contractor who provides the contracted service independently.
2. Multiple Contractor Contracts: The service may be provided by two or more contractors.
3. Provision of services with retention of equipment: The state or LRS agency retains ownership of the equipment and other assets while a service contract is entered into with a private contractor to provide the public service.
4. Cooperation between the public and private sectors (collaboration): The state or LRS authority and a private contractor jointly provide a specific public service.
5. Purchase of auxiliary services: auxiliary activities are entrusted to the private sector (e.g. hiring a private caterer to provide meals for students in a public school).
6. Contracting of auxiliary services: The state or the LRS authority retains responsibility for the provision of public services, while the management of auxiliary services is handed over to the private sector for reasons of efficiency (e.g. technical maintenance services, cleaning services, etc. in hospitals).

Outsourcing in the Croatian public sector refers to the outsourcing of certain services traditionally provided by the state based on a legal obligation. A

classic definition of outsourcing would be: "Outsourcing or externalization of activities is the orientation of an organization to the task of activities in which competition is better and with which the organization is usually connected in a network. Organizations focus on their main business, while other activities in which they are weaker than the competition are externalized." (Bahtijarević Šiber F., Sikavila P., (2001) Management Lexicon, Mamedia, Zagreb 2001, p. 102). Other definitions of outsourcing can be found in specialist and

business literature. Externalization of activities or outsourcing of non-core activities as a restructuring or outsourcing model refers to the process of transferring activities that were previously performed within the company to external partners who now perform them instead of the parent company. This very strong entrepreneurial tendency has had a direct impact on changing the traditional organizational boundaries and has become extremely important and one of the fundamental areas of restructuring (Šarić M., 2012).

Table 1: list of services that can be outsourced in the Croatian public sector

<i>Ancillary services</i>
- Security services
- Cleaning, laundry, ironing services
- Food preparation and serving
- Technical maintenance of facilities and buildings
- Mail delivery services
- Waste disposal
- Waste disposal
- Snow removal
- Data collection and processing
- Property management
<i>Supporting services</i>
- IT support
- Logistics services (procurement, transportation, storage/archiving)
- Hazardous waste disposal
- Finance and accounting
- Payroll accounting
- Customer/call center management
- Marketing
- Project management
- Legal services
- Human resources management
<i>Central services</i>
- Research and development
- Administration services
- Social welfare organization
- Medical diagnostics
- Firefighting and rescue services
- Educational services
- Contracts for the management of infrastructure (transport, water supply, etc.)

Source: Šarić M. "Restructuring and organization of large public enterprises" (2011).

2. METHODOLOGY

In this work, we have utilized the historical method to determine past events and their causes, the inductive-deductive method to explain or discover knowledge and laws, and the descriptive method to empirically confirm relationships between facts and objects in nature and society.

3. UNION RESISTANCE TO PUBLIC SECTOR REFORMS

Union opposition to the reform of the Croatian public sector peaked in 2014 and 2015, with public service unions leading a media campaign under the banner: "Citizens, express your opinion on the biggest

scourge since the war!" They sought to organize a referendum on prohibiting the outsourcing of auxiliary-technical tasks from the Croatian public sector. The Croatian Government's program agenda announcement sparked significant opposition from these unions, who argue that the reform represents a form of privatization that brings no savings and only harms public service employees (Šarić, 2020).

In response to the potential privatization of auxiliary-technical tasks in the Croatian public sector, public service unions have threatened protests and demanded the withdrawal of the decision to ban the hiring of new officials and employees in public services.

They assert that outsourcing new tasks to external service providers, due to this decision, represents a form of disguised agency employment.

The separation of non-essential tasks or the reform of the Croatian public sector was also a focal point of the 2014 presidential campaign. Public service unions emphasized the public's right to know presidential candidates' stances on the prohibition of outsourcing support and non-essential activities in the public sector during a press conference on December 18, 2014. On April 28, 2014, a conference called "Models of Efficient Management of Non-Essential Activities in Public Administration - Opportunities for the Public Sector and the Economy" took place. Its purpose was to elucidate the Croatian Government's vision for implementing outsourcing in the public sector and to scrutinize the arguments of the Government, unions, and interested employers. Despite high expectations, the conference fell short of delivering substantial data due to a boycott by public service unions opposing reforms in the public sector. The government is actively exploring the outsourcing of support activities in the public sector to enhance service quality and streamline costs.

Members of the Croatian Employers' Association have expressed willingness and interest in participating in this process, asserting that their expertise and primary focus on these activities will enable them to perform more effectively, ultimately saving money for the state.

Anticipated benefits of outsourcing non-essential tasks across the entire Croatian public sector as per the Croatian Employers' Association - HUP (2014):

1. Savings for the state budget - 10-30% in the first phase.
2. Improvement in service quality - introduction of ISO 9001,14001,27001 quality management systems, etc.
3. Private sector investments - approx. HRK 100 million.
4. Retention of employees, optimization of business processes, additional investment in human resources.
5. Effective management of assets.

Croatia's limited resources depend heavily on foreign investments. The lack of focus in the public sector has led to excessive deficit and high public debt. The value-added tax (VAT), fully returned to the state, negates claims by public service unions that it is more profitable to have services within the state system. External services increase the service price by VAT, eliminating potential savings (Šarić, 2020).

The SDLSN website announced the collection of 624,000 signatures against outsourcing in the Croatian public sector. However, the Constitutional Court deemed

the referendum question on the prohibition of outsourcing support and non-essential activities in the public sector inadmissible (<https://www.tportal.hr/vijesti/clanak/ustavni-sud-zabrana-outsourcinga-ne-moze-na-referendum-20150408>, October 15, 2023).

The Constitutional Court's interpretation of the referendum is seen as protecting the specific interests of a group of public sector employees while also preventing potential future interventions by the Government and the Parliament in the current labor law model.

The referendum's goal is to proactively forbid any potential future alterations to the current legal framework governing the employment status of individuals engaged in support and non-essential activities in the public sector, thus safeguarding their specific interests. Instead of seeking a way to reconcile these specific interests with the broader interests of the community, the Organizational Committee is proposing comprehensive legal prohibitions, directly conflicting with the fundamental principles of a functioning democratic state, as outlined by the Constitutional Court. The decision emphasizes that it constitutes a complete ban on outsourcing and the performance of support activities by public sector employees in any manner other than directly.

The Constitutional Court warns that such broad bans may hinder or prevent necessary changes for progress in implementing essential economic, social, political, and administrative reforms, thereby impeding societal advancement. It underscores that the Republic of Croatia operates as a representative democracy, primarily of a parliamentary nature, and that the government holds the exclusive constitutional authority and responsibility to propose the state budget, oversee and direct the functioning and development of state administration and public services, and foster the country's economic growth.

"The blanket legal prohibitions outlined in the proposed legislation also encroach upon the exclusive powers of the Government and the Croatian Parliament concerning matters relevant to the state budget," warns the Constitutional Court, emphasizing that it lacks the authority to evaluate the suitability or fairness of alternative potential solutions for the public sector, a task solely within the purview of political authorities.

"If this were a law passed by the Croatian Parliament, the Constitutional Court would, for the same reasons, nullify such a law for its inconsistency with the Constitution," the Constitutional Court asserts in its decision. In response to the Croatian Constitutional Court's ruling, leaders of 17 public and state service unions swiftly denounced it as a "serious blow to direct democracy" (<https://www.nsz.hr/novosti-i>

obavijesti/zakonski_okviri_i_kolektivno_pregovaranje/odluka-ustavnog-suda-tezak-je-udarac-neposrednoj-demokraciji/, December 27, 2023).

A fundamental principle of Croatia's new economic policy should be the "elimination of the public sector monopoly." Monopolies stifle all creative energies and talents in Croatia, obstruct the development of new products, and the enhancement of existing ones (Šarić, 2020).

4. NEW PARADIGM OF PUBLIC SERVICE UNIONS

The main goal of public service unions as collective organizations of employees in the Croatian public sector is to represent and protect the rights and interests of their members. Most of the Croatian business community believes that the role of unions in the modern economy is fundamentally different in conditions of liberal democracy and market capitalism compared to before. Public service unions are considered inflexible, not adaptable to new business practices and global trends such as networking, the use of modern information technology, principles of work specialization, and the privatization of non-core activities in the Croatian public sector. They are criticized for not understanding the new paradigm of labor relations (the paradigm of collaborative relationships between employees and employers), the importance of continuous learning and development, and for their leaders not applying a modern, participatory leadership style. Croatian public service unions have yet to be prompted to reconsider their role in relation to employees, but also, more broadly, their role in Croatian society.

In the context of globalization, there are many factors influencing the work of unions, including:

1. Political and legal changes:
 - Neoliberalism as the dominant ideology of political economy.
 - Market deregulation.
 - Industrial denationalization.
 - Hostile political environment.
2. Economic changes:
 - Increase in higher forms of and transnational integration.
 - Reduction of trade barriers and increase in free trade.
 - Transnational corporations.
 - Labor and capital mobility.
 - Deindustrialization.
3. Technological changes:
 - Information and communication technology.
 - Outsourcing of labor to lower-wage areas.
 - Remote work.

Unionization can have the following negative consequences at the organizational level:

1. Reduced profitability – Production costs increase due to wage increases, so despite higher prices of products/services on the market and potential long-term productivity growth, profitability decreases.
2. Reduced long-term investment – Unionization costs due to higher labor costs and thus reduced funds available for further investment can limit long-term capital investment and investment in research and development, as well as reduce return on invested capital, innovation, and desire for further capital investments.
3. Limiting management action – Unions limit managers' flexibility, primarily by slowing decision-making and adapting to changed market conditions because they demand adherence to conditions from collective agreements. They also often prevent managers from paying and promoting employees based on individual performance (as they generally advocate for seniority rules), as well as initiating disciplinary proceedings and dismissing employees with below-average performance (due to job security clauses).

At the societal level, the negative consequences of unionism include:

- Reduced labor force flexibility – Unions limit the employment of temporary workers, hiring on a fixed-term basis, or even firing poorly performing workers.
- Slower employment growth – Union activities related to wage increases slow down employment growth because employers hire at slower rates since labor is more expensive.
- Selfish and autocratic behavior of public service unions, i.e., when they use their power to exploit the government and the state for excessive wages and various restrictions, they want to retain for themselves (an obvious example being the law on outsourcing ban).

The question arises of what the future holds for public service unions and how to reposition their role in Croatian society, so let's address the discussion immediately: advocating for increased job productivity. Productivity as a macroeconomic variable arises from the Cobb-Douglas production function and shows how productive labor or capital is. In this case, we are primarily interested in labor productivity. Labor productivity (in the aggregate sense or at the level of a national economy) is the ratio of production to the number of workers, or the ratio of gross domestic product to the total number of employees.

In terms of labor productivity for public companies, the concept is useful in reflecting how well

employees perform. It can be used to set a standard production level, based on which incentive schemes can be developed to reward employees who perform well. It also helps companies to consider whether they need to take any steps to improve productivity levels.

Speaking of labor productivity in terms of the overall economy, it reflects the level of GDP. It also indicates an improved standard of living in the case of increased consumption levels. This is because if productivity increases, more goods and services are produced in the same period, increasing the level of consumption. Increased productivity would mean efficient use of resources and lower production costs. Lower average costs will, in turn, lead to good profits. A public company with high labor productivity will fulfill its purpose: excellent delivery of service to its citizens. Regarding employees, those with better productivity can seek benefits based on the performance provided by the company. Improved productivity also means improved overall economic conditions.

5. Swot Analysis of Privatization of Auxiliary-Technical Services in the Croatian Public Sector

The conceptual and linguistic origins of the SWOT analysis stem from the American context: it is a strategic planning tool consisting of analyzing Strengths, Weaknesses, Opportunities, and Threats, and is used for positioning and developing the strategy of a company or organization (Šarić, Šprem, 2017:3).

Strengths

1. Political commitment to building a modern, more efficient, and transparent public administration system.
2. Assistance from the EU and World Bank in public administration restructuring.
3. Increased quality of services provided to citizens by state administration bodies.

Weaknesses

1. Lack of a responsible body for privatizing auxiliary-technical services at the level of the Government of the Republic of Croatia, whose leader is directly accountable to the Prime Minister.
2. Insufficient awareness among civil servants of the importance of privatizing non-core tasks.
3. Lack of standardized/regulated business processes/administrative procedures in public administration.

Opportunities

1. Croatia's accession to Schengen, the euro, and the European Union, facilitating and easing the reform process.
2. Positive effects of implementing public administration reform and other reforms.

3. Utilization of the experience of advanced and efficient national public systems in EU member states that joined before the Republic of Croatia.
4. Croatia's accession to the OECD, as a tool aiding in the restructuring of public business systems and organizations.

Threats

1. Sharp union attacks.
2. Media campaigns by radical left and right-wing political groups in Croatia.
3. Fear of clientelist groups for personal positions.

Political-economic factors are important as they influence the legal framework of business operations and reform implementation. Long-term political stability and continuity in implementing public policies in Croatia, for over 7 years, have been maintained by the ruling coalition of the HDZ. The Government of the Republic of Croatia must find ways, regardless of short-term political losses, to modernize the overall Croatian public sector.

CONCLUSION

Public service unions' involvement in the restructuring of public administration, particularly in the privatization of auxiliary-technical services, has been found to be unconstitutional. The Constitutional Court of the Republic of Croatia has ensured the adherence to the constitution and prevented the complete blockade of public administration planned by the public service union during 2014 and 2015.

It is essential for public service unions to support the state as an employer and exhibit greater responsibility and awareness of the highly favorable social conditions that Croatia is experiencing upon its entry into the EU, adoption of the euro, and imminent membership in the OECD. At the same time, they should also advocate for new "rules of the game." The promotion of the concept of a productive workforce, widely recognized and utilized by economists globally, is beneficial for strategically repositioning public service unions, both at the business and national levels.

For comprehensive reform of the Croatian public sector to be successful, the state, as an employer, must be structured on the principles of a market economy, an independent judiciary, and a commitment to human rights.

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