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The structure of employment in local government units

1. Introduction

In 2008, employment in local government units stood at around 66,800 with employees in utility companies accounting for the largest share. From 1997 to 2008, employment in administrative bodies and local government budget users rose by 80%. The causes of employment growth are difficult to establish. They may include an increase in administrative and professional tasks delegated to the counties and cities by the central government from 2001 on, as a result of decentralisation, the establishment of new municipalities, etc. A large number of employees creates a need for consolidation and reduction of the number of local government units (especially municipalities) and their functional association to improve the provision of public goods and services at the local level.

Based on the available information for the period 1997-2008, we analyse the status and change dynamics of employment in administrative bodies and local government budget users. In order to grasp a full picture of employment, the analysis extends to the number of employees in utility companies, broken down by county. It should be noted that employment figures would even be higher, if the analysis included all those employed in enterprises and institutions majority-owned by local government units, whose primary activity is not the provision of utility services.

2. Employment in local government units

Administrative, professional and other tasks in the local government unit bodies are carried out by civil servants and employees. Civil servants perform administrative and professional tasks within the field of activity of their relevant bodies, whereas employees perform supporting and auxiliary tasks. The rights, duties and responsibilities, as well as other matters relevant for the work of civil servants and employees in local government units' administrative bodies are regulated by the Act on Civil Servants and Employees in Local and Regional Self-Government (Official Gazette No. 86/2008). Pending the adoption of a decree regulating the classification of jobs and salaries of civil servants and employees in administrative bodies of local government units, the provisions of the Civil Servants and Employees Act (Official Gazette No. 27/2001) will be applied.

Apart from the local civil servants and employees in administrative and professional bodies, the analysis covers all employees financed from local budgets. According to the Budget Act (Official Gazette No. 87/2008), budget users are government bodies, institutions, minority self-government committees, budgetary funds and local self-government bodies whose expenditures for employees and/or material expenses are financed from the budget.

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Budget users of local government units are entities established by local government units, which draw 50 percent or more of their revenues from the budgets of local government units and which are enrolled in the Budget Users' Register (Official Gazette No. 80/2004). They include, for example, employees of museums, nursery schools, social welfare facilities and healthcare institutions, established and majority-owned by local government units.

The provision of the services of local and regional self-government units is not limited to civil servants and employees, as well as persons employed in budget users of municipalities, cities and counties. Instead, municipalities, cities and counties also render public services via utility companies. The bulk of public utility employees are engaged in water supply, municipal waste collection and disposal, undertaking activities, retail market, unclassified road maintenance, passenger transport and public area maintenance.

The decentralisation process is likely to have had a strong impact on the number of employees in the bodies and budget users of local government units. By virtue of regulations enacted in 2001, local government units assumed new responsibilities in primary and secondary education, health care, social welfare and fire fighting. The liability to finance decentralised functions in primary and secondary education, health care and social welfare was assumed by 53 local government units (20 counties, the City of Zagreb and 32 cities), whereas the financing of public fire brigades became the responsibility of 62 local government units. None of the municipality assumed the powers and liabilities to finance decentralised functions.

3. The number of local government units and utility companies

In 2008, there were 574 registered local government units in Croatia. In the 2002-2008 period, another four local government units achieved city status, and seven new municipalities were established (mainly by transforming urban centres into municipalities). Consequently, eleven new local government units were established but, unfortunately, not a single case of merging smaller municipalities into a larger or a large one was recorded.

The Local and Regional Self-government Act (Official Gazette No. 129/2005) provides that two or more local government units may jointly organize the performance of certain tasks. Such units may, where necessary, establish a joint body, a joint management department or division, or a joint venture, or they can organize the performance of certain activities on a common basis, in accordance with special laws.

Table 1 The number of local government units, 2002-2008

	Cities	Municipalities	Counties	Total
2002	122	423	20	565
2003	123	421	20	564
2004	123	422	20	565
2005	123	425	20	568
2006	126	422	20	568
2007	126	428	20	574
2008	126	430	20	576

Source: Ministry of Finance, local government unit budgets; available at: <http://www.mfin.hr/hr/lokalni-proracun-arhiva>.

The interrelationships between the local government units in such a joint organization of operations are governed by a special agreement in accordance with law, statutes and general acts. Currently, the co-operation between local government units is mainly realized through the joint ownership of utility companies (e.g. waste collection and water supply companies). There have still been no mergers of smaller local units into larger ones, as a form of cooperation.

Table 2 The number of utility companies by county

County	Number of companies
Koprivnica-Križevci	3
Slavonski Brod-Posavina	3
Požega-Slavonia	3
Međimurje	3
Lika-Senj	4
Virovitica-Podravina	4
Krapina-Zagorje	6
Varaždin	6
Bjelovar-Bilogora	6
Vukovar-Srijem	6
Šibenik-Knin	7
Karlovac	8
City of Zagreb	8
Zagreb	10
Zadar	11
Dubrovnik-Neretva	11
Sisak-Moslavina	12
Osijek-Baranja	12
Istra	13
Primorje-Gorski Kotar	16
Split-Dalmatia	22
Total	174

Source: Ministry of Environmental Protection, Physical Planning and Construction, 2009.

Table 3 Total employment in local government units, 2006-2008

	Bodies	Budget users	Utility companies	Total
<i>Number of employees</i>				
2006	12,266	21,365	28,731	62,362
2007	12,820	22,491	29,310	64,621
2008	13,941	23,555	29,310	66,806
<i>in %</i>				
2006	20	34	46	100
2007	20	35	45	100
2008	21	35	44	100

Note: Given the unavailability of the data on employment in utility companies for 2008, the data for 2007 are used.

Source: Author's calculation.

In 2007, there were 174 companies providing basic utility services (water supply and drainage, transport, cemeteries, etc.). These companies were majority-owned by local government units and their operation was governed by the Company Act. They were independent legal entities and were subject to profit and value added taxes. The City of Zagreb, for example, organized its utility companies as a holding company.

Ten counties comprise about 123 utility companies, i.e. over 71% of the total.

4. Total employment in local government units

Local government units and their respective utility companies employ over 66,000 persons. This number goes up by about 2,000 annually. The number of employees in bodies and budget users of local government units exceeds 37,000, employment in utility companies standing at over 29,000 (see Table 3).

Persons employed in utility companies predominate with 45%, followed by employees in budget users (35%), and management and technical departments of local government units (about 20%).

The total number of employees in bodies and budget users went up about 80% from 1997 to 2008. Out of this, employment in bodies rose by about 60%. The largest increase, 124%, was recorded in the number of employees in budget users. Employment dynamics varied during the reference period (see Table 4).

Interestingly, the largest increase in the number of employees in local government unit bodies occurred in 2008 (9%), and a significant decline was reported in 2005. The slowest employment growth in local government unit bodies was seen in 1999 (1.3%), partly due to the economic crisis. Employment growth in budget users was the strongest in 2004, 22% relative to the previous year. There was no serious annual decrease in employment during the reference period. On the contrary, the number of employed persons rose continuously, from

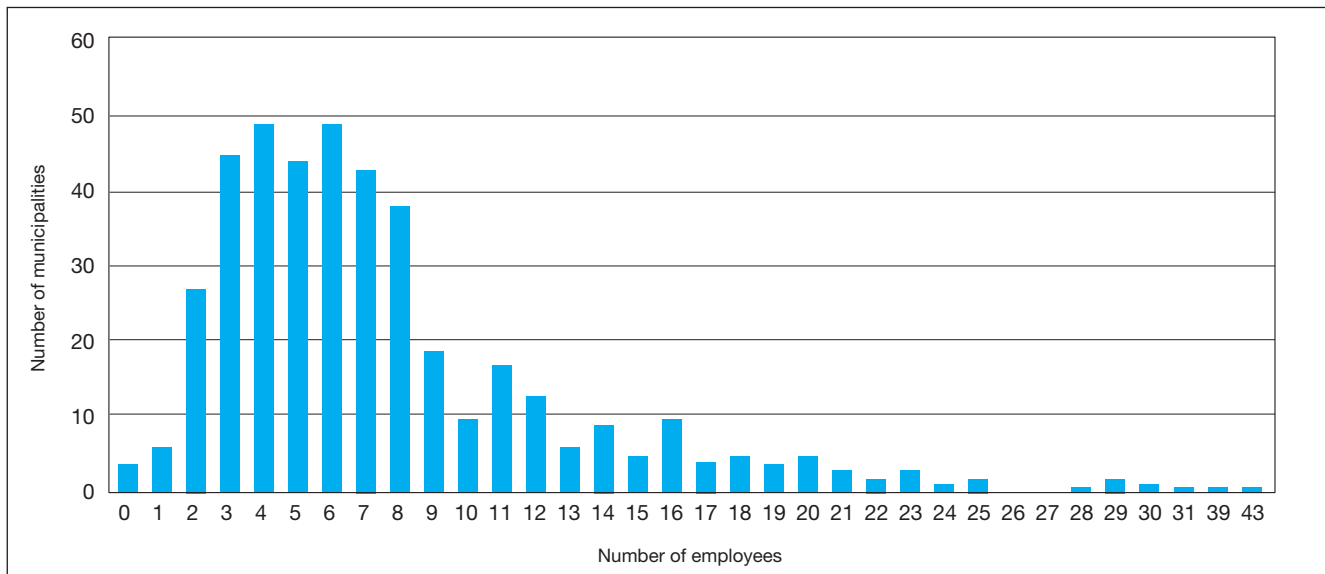
Table 4 Employment in the bodies and budget users of local government units, 1997-2008

	Bodies	Index	Budget users	Index	Total	Index
1997	9,149	–	11,703	–	20,852	–
1998	9,778	107	13,241	113	23,019	110
1999	9,903	101	13,049	99	22,952	100
2000	10,137	102	15,268	117	25,405	111
2001	–	–	–	–	–	–
2002	10,643	–	15,450	–	26,093	–
2003	11,158	105	16,108	104	27,266	104
2004	11,528	103	19,585	122	31,113	114
2005	11,411	99	19,912	102	31,323	101
2006	12,266	107	21,365	107	33,631	107
2007	12,820	105	22,491	105	35,311	105
2008	13,941	109	23,555	105	37,496	106

Note: The data for 2001 are not available.

Source: Ministry of Finance, local government unit budgets; available at: <http://www.mfin.hr/hr/lokalni-proracun-arhiva>.

Chart 1 The number of employees in municipal bodies, 2008



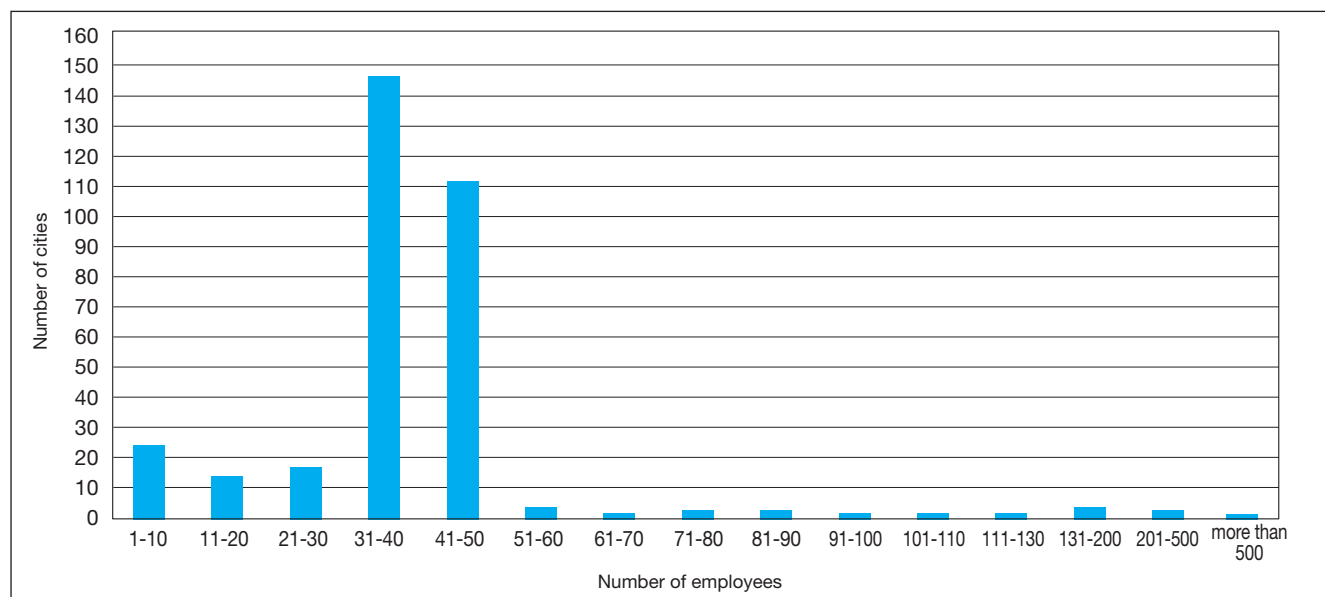
Note: Four municipalities registered their employees (four to eight persons) as employed in budget users and not in municipal bodies.
 Source: Author's calculation.

a low of 1% to a high of 10% in 1998 and 7% in 2006, in annual terms.

Managerial and administrative operations are dispersed among numerous small local units with limited staff and thus unable to provide public services efficiently. A large number of municipalities do not even have their own budget users, so that the municipality administration is limited to one to two employees usually elected in local elections. Chart 1 shows the number of persons employed in municipal bodies.

The administrative and professional bodies of most municipalities have three to eight employees. Twenty-seven municipalities have two employees each, 45 have three employees, 49 municipalities employ four persons, 44 have five employees, and only 49 municipalities have six employed persons. In short, 70% of all municipalities have a maximum of ten employees. It should be noted that the municipalities with one to two employees have 800 to 1,600 inhabitants. The population of 27 municipalities with two employees stands between 300 and

Chart 2 The number of employees in city bodies, 2008



Source: Author's calculation.

Table 5 The number of employees in companies, 2006-2007

County	2006	2007	Index 07/06	2007 in %	Average employees per company, 2007
Lika-Senj	237	239	101	1	60
Požega-Slavonia	251	251	100	1	84
Virovitica-Podravina	307	340	111	1	85
Međimurje	391	398	102	1	133
Bjelovar-Bilogora	427	432	101	1	72
Krapina-Zagorje	487	461	95	2	77
Slavonski Brod-Posavina	459	470	102	2	157
Koprivnica-Križevci	487	498	102	2	166
Šibenik-Knin	587	616	105	2	88
Karlovac	634	644	102	2	81
Varaždin	679	694	102	2	116
Sisak-Moslavina	943	876	93	3	73
Dubrovnik-Neretva	1,018	1,021	100	3	93
Vukovar-Srijem	1,021	1,022	100	3	170
Zadar	1,112	1,141	103	4	104
Zagreb	1,092	1,215	111	4	122
Istra	1,606	1,624	101	6	125
Osijek-Baranja	2,182	2,279	104	8	190
Primorje-Gorski Kotar	2,670	2,687	101	9	168
Split-Dalmatia	2,794	2,737	98	9	124
City of Zagreb	9,347	9,665	103	33	1,208
Total	28,731	29,310	102	100	166

Source: Ministry of Environmental Protection, Physical Planning and Construction, 2009.

4,300. It appears that the number of employees in municipal authorities is not necessarily proportional to the municipality population.

Chart 2 provides interesting information on the number of employees by city. Most cities have between 30 and 50 employees in their bodies.

A total of 71 cities (56%) have up to 30 employees each. Other classes usually comprise one to two cities.

Utility companies account for a significant number of employed persons (29.3 thousand in 2007) (see Table 5). It should be noted that the official records only include employed persons providing basic utility services. Employment figures would even be higher if they included those employed in companies owned by local government units who do not provide basic utility services, but various agency services not related to the local

Table 6 Employment in the bodies and budget users of the City of Zagreb, 1997-2008

	Bodies	Index	Budget users	Index	Total	Index
1997	2,435	—	3,726	—	6,161	—
1998	2,482	102	3,945	106	6,427	104
1999	2,543	102	5,470	139	8,013	125
2000	2,504	98	5,533	101	8,037	100
2001	—	—	—	—	—	—
2002	2,546	—	4,024	—	6,570	—
2003	2,527	99	4,379	109	6,906	105
2004	2,561	101	6,382	146	8,943	129
2005	2,149	84	6,509	102	8,658	97
2006	2,655	124	6,727	103	9,382	108
2007	2,799	105	7,613	113	10,412	111
2008	2,758	99	7,820	103	10,578	102

Note: The data for 2001 are not available.

Source: Ministry of Finance, local government unit budgets; available at: <http://www.mfin.hr/hr/lokalni-proracun-arhiva>.

units' primary activities. These include, for example, the services of technology parks, cargo terminals, housing construction, fairs and markets, real estate transfer, gas trading, real estate management, advertising space rental, radio and TV stations owned by local government units, etc.

Relative to 2006, the number of employed persons increased by 579, or 2% annually. The average number of employees per company ranges from 1,208 in Zagreb to a minimum of 60 in the County of Lika-Senj. Excluding the decrease in employment in the counties of Sisak-Moslavina, Krapina-Zagorje and Split-Dalmatia, the number of employees generally rose at an average annual rate of 2.5%. Only the counties of Zagreb and Virovitica-Podravina reported an annual increase in the number of employees by 11%.

5. Employment in municipalities, cities, counties and the City of Zagreb

Given the more significant share of the City of Zagreb in the total, the dynamics of employment in its bodies and budget users should be observed separately from those in municipalities, cities and counties excluding the City of Zagreb.

The total number of employees in the City of Zagreb increased by 72% in 2008 relative to 1997. Employment in the administrative bodies of the City did not change markedly.

Employment in the bodies rose by 13%, whereas employment in budget users soared 110%. In 2007 and 2008, public goods and services were provided in the City of Zagreb by more than 20 thousand employees.

Table 7 Total employment in the City of Zagreb, 2005-2008

	Total bodies and budget users	Utility services	Total
2005	8,658	–	–
2006	9,382	9,347	18,729
2007	10,412	9,665	20,077
2008	10,578	9,617	20,195

Note: The data on employment in utility services for 2005 are not available.

Source: Ministry of Finance and Annual Statements of Zagrebački holding for the period 2006-2008.

From 2006 to 2007, employment rose by 1,700, whereas 2008 saw an only slight increase in total employment, thanks to employment growth in the City of Zagreb administrative bodies. It should be noted that the number of employees would be higher by about two thousand, if

it included employees working with companies in majority City ownership, whose primary activity is not the provision of utility services.

Employment in Zagrebački holding

Companies in total ownership of the City of Zagreb are organised as a holding company comprising 19 companies, most of which (11) do not provide utility services as their primary activity.

Table 8 Employment in the companies of Zagrebački holding, 2005-2008

	Utility services	Total Holding company	Difference
2005	–	10,401	–
2006	9,347	11,656	2,309
2007	9,665	11,901	2,236
2008	9,617	11,875	2,258

Note: The data on employment in utility companies for 2005 are not available.

Source: Annual Statements of Zagrebački holding for the period 2006-2008.

Basic utility services are provided by eight companies employing about 9,600 persons. Total employment in Zagrebački holding stands at 11,900. Of this, 2,200 employees provide non-utility services.

Let us now look at the movements of employment in bodies and budget users of municipalities, cities and counties, excluding the City of Zagreb in the period from 1997 to 2008 (see Table 9).

Employment in the bodies of local government units increased, with the exception of a two-percent decline recorded in municipalities in 2000. The largest employment increases in municipalities were reported in 1998, 2003 and 2008. Employment in administrative and professional bodies of cities rose at an average rate of 4.5%. Employment in county bodies increased markedly, notably in 2008.

Relative to 1997, employment in 2008 rose by 68% in municipalities, by 47% in cities and by a high of 161% in counties. As a result, total employment in local government unit bodies went up 70%.

Employment in budget users conveys a similar picture (see Table 10). Significant changes were observed in the number of employees in municipal budget users, which even declined markedly during certain periods. From 2002 to 2008, the number of employees in budget users of cities rose at an average annual rate of 5% and that of counties at an annual rate as high as 24%.

Table 9 Employment in the bodies of local government units, excluding the City of Zagreb, 1997-2008

	Municipalities	Index	Cities	Index	Counties	Index	Total	Index
1997	2,008	–	3,913	–	793	–	6,714	–
1998	2,342	117	4,151	106	803	101	7,519	112
1999	2,361	101	4,156	100	843	105	7,561	101
2000	2,315	98	4,410	106	908	108	7,837	104
2001	–	–	–	–	–	–	–	–
2002	2,294	–	4,615	–	1,188	–	8,097	–
2003	2,660	116	4,558	99	1,413	119	8,846	109
2004	2,754	104	4,738	104	1,475	104	9,174	104
2005	2,853	104	4,868	103	1,541	104	9,468	103
2006	2,968	104	5,043	104	1,600	104	9,819	104
2007	3,123	105	5,273	105	1,625	102	10,231	104
2008	3,376	108	5,737	109	2,070	127	11,400	111

Note: The data for 2001 are not available.

Source: Ministry of Finance, local government unit budgets; available at: <http://www.mfin.hr/hr/lokalni-proracun-arhiva>.

The total number of employees in the bodies and budget users of local government units points to a considerable increase in employment in all local government units, specifically by 52% in municipalities, 73% in cities and by as much as 269% in counties. The total increase relative to 1997 was about 83%.

Employment in municipalities rose at a somewhat slower pace than that in cities and counties. Obviously, the decentralization of functions in 2001 changed the focus of employment policy in local government units. It is possible that the administrative capacities of municipalities to manage their own economic development deteriorated due to a dwindling of staff and stronger employ-

ment in bodies and budget users of counties. Let us remember, in 2001 32 cities and all counties, but not a single municipality, assumed the liability to finance decentralized functions like education, health care and social welfare. The real autonomy of municipalities was threatened by the counties taking over the powers and responsibilities to finance decentralized functions. The growing interest of politicians in county assembly elections is definitely the result of the concentration of political, but also financial power over the distribution of revenues collected on account of fiscal decentralization. Under such circumstances, the delegation of authority to understaffed municipalities with a small number of inhab-

Table 10 Employment in budget users, excluding the City of Zagreb, 1997-2008

	Municipalities	Index	Cities	Index	Counties	Index	Total	Index
1997	868	–	6,827	–	282	–	7,695	–
1998	1,097	126	7,939	116	260	92	9,162	119
1999	1,109	101	6,208	78	262	101	7,418	81
2000	815	73	8,550	138	370	141	9,438	127
2001	–	–	–	–	–	–	–	–
2002	1,214	–	9,624	–	588	–	10,838	–
2003	848	70	10,053	104	828	141	10,971	101
2004	808	95	10,988	109	1,407	170	11,891	108
2005	716	89	11,375	104	1,312	93	12,180	102
2006	796	111	12,516	110	1,326	101	13,423	110
2007	886	111	12,378	99	1,614	122	13,375	100
2008	1,003	113	12,835	104	1,897	118	13,951	104

Note: The data for 2001 are not available.

Source: Ministry of Finance, local government unit budgets; available at: <http://www.mfin.hr/hr/lokalni-proracun-arhiva>.

Table 11 Total employment in bodies and budget users, excluding the City of Zagreb, 1997-2008

	Municipalities	Index	Cities	Index	Counties	Index	Total	Index
1997	2,876	–	10,740	–	1,075	–	14,691	–
1998	3,439	120	12,090	113	1,063	99	16,592	113
1999	3,470	101	10,364	86	1,105	104	14,939	90
2000	3,130	90	12,960	125	1,278	116	17,368	116
2001	–	–	–	–	–	–	–	–
2002	3,508	–	14,239	–	1,776	–	19,523	–
2003	3,508	100	14,611	103	2,241	126	20,360	104
2004	3,562	102	15,726	108	2,882	129	22,170	109
2005	3,569	100	16,243	103	2,853	99	22,665	102
2006	3,764	105	17,559	108	2,926	103	24,249	107
2007	4,009	107	17,651	101	3,239	111	24,899	103
2008	4,379	109	18,572	105	3,967	122	26,918	108

Note: The data for 2001 are not available.

Source: Ministry of Finance, local government unit budgets; available at: <http://www.mfin.hr/hr/lokalni-proracun-arhiva>.

Table 12 Employment in local government units as a percentage of business sector employment, 2007

County	Local public sector	Business sector	Local as a % of business sector
Zagreb	2,885	83,409	3.5
Krapina-Zagorje	1,057	38,303	2.8
Sisak-Moslavina	2,122	47,625	4.5
Karlovac	1,460	40,112	3.6
Varaždin	1,645	64,621	2.5
Koprivnica-Križevci	1,290	38,652	3.3
Bjelovar-Bilogora	1,108	35,950	3.1
Primorje-Gorski Kotar	5,582	117,332	4.8
Lika-Senj	762	13,525	5.6
Virovitica-Podravina	772	23,857	3.2
Požega-Slavonia	690	20,797	3.3
Slavonski Brod-Posavina	1,213	40,108	3.0
Zadar	2,305	46,520	5.0
Osijek-Baranja	4,356	94,569	4.6
Šibenik-Knin	1,385	29,848	4.6
Vukovar-Srijem	2,094	45,593	4.6
Split-Dalmatia	6,458	141,847	4.6
Istra	4,147	86,843	4.8
Dubrovnik-Neretva	2,360	39,755	5.9
Međimurje	848	39,062	2.2
City of Zagreb	20,077	406,711	4.9
Total	64,616	1,495,039	
Average	3,077	71,192	4.0

Source: Central Bureau of Statistics and Ministry of Finance, 2008.

itants becomes questionable, as they are unable to assume and perform public functions. This employment analysis also warns of the need to reconsider the number of local units, especially municipalities.

6. Employment in local public and business sectors, by county

Finally, it is useful to establish the share of local public sector employees in total employment in the business sector (enterprises) (see Table 12). In 2007, total employment in the business sector stood at about 1.5 million. Thus, the 65 thousand employees in the local public sector accounted for about 4% of business sector employment. This share can already be considered as significant, although it does not include all local government unit employees. However, the picture would change markedly if we included those employed with the central government administrative and professional bodies, agencies, extra-budgetary funds, public enterprises, etc.

In ten counties, including the City of Zagreb, local public sector employees accounted for over 4% (average) of total employment in the business sector. The lowest ratio of public sector-to-business sector employees was reported by the County of Međimurje (2.2%), and the highest by the County of Dubrovnik-Neretva (5.9%).

7. Conclusion

Too many local government units led to a concentration of employment in relatively small local units. Thus, as much as 70% of all municipalities had up to ten employees in their administrative bodies, and 49% of the total employed only three persons per unit. By contrast, as many as 71 cities (56%) had up to thirty employees. The number of employees in the counties gradually approached the total number of employees in municipalities.

Downsized municipalities with insufficient staff were institutionally and financially incapable of organizing and providing public services in their respective territories. Owing to these constraints, the counties (together with major cities) became dominant public service providers. The existing small-sized municipalities largely retained their role as a local political election arena, but lost their capacity to provide high-quality public goods and services.

There is a need for closer analyses at the local government level, of the disposable human potential and capacities to perform the existing and assume new administrative self-government functions. The Government and the Ministry of Public Administration should particularly analyze and establish the following: a) the current number of employees in local government units; b) the number of new employees hired due to the delegation of powers (tasks); c) the amounts of salaries and compensation; d) current and required professional skills; and e) workspace requirements. Such analyses would provide a basis for determining the number of local government units capable of providing high-quality public goods and services in their respective territories. Local government units should ensure desirable proportions of employees in bodies, budget users and utility companies and avoid the unnecessary accumulation of employees in administrative and professional bodies.

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