

# Overview of the 2008 - 2017 Leather Processing Industry

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## Summary

This paper gives an overview of the basic statistical indicators of the leather processing industry. The leather processing industry is a labour-intensive and export-oriented industry employing staff of about 10,000 employees. Compared to the statistical indicators in the last decade, it has been estimated that the best indicators for the leather industry were in 2015, according to the number of employees and total revenue, in comparison with to the other years in this period. The reasons for this are lack of skilled workforce and natural outflow of workforce, retirement of older employees, and the poorly motivated younger population that is looking for better paid jobs in other industries or overseas.

## Keywords

leather processing industry, leather, footwear, CCE Association, statistics.

## 1. Introduction

The leather-processing industry is a labour-intensive and a highly export-oriented industry, primarily oriented to the European Union's market, to which most of its products are being exported.

The Leather Processing Industry Association is active within the Industry Sector of the Croatian Chamber of Economy (CCE). All of its members are registered for the business activity code C15 - Production of Leather and Related Products.

In the year 2017, there were 135 companies registered in the Republic of Croatia for production of leather and leather products (National Classification of Activities C15 from 2007 - Production of Leather and Related Products), out of which there were 97 micro companies, 33 small companies, 3 medium and 2 large companies.

Out of the total number of companies, the 62 of them were registered for the activity C15.1 - Tanning and Processing of Leather; Production of Travel Bags and Handbags, Fur Dressing and Fur Dyeing, while 73 companies were registered for the activity C15.2 - Production of Footwear. Over the last couple of years, the leather processing and leather goods industry has recorded a steady growth and positive trends in all areas of its business.

## 2. Number of employees in the C15 activity

In year 2017 there were 9,996 employees and this number has increased by about 23% in the last 8 years (since 2009). (Fig. 1). The number of employees in 2017 (9,996) compared to 2016 (10,350) has decreased by 354 people due to natural outflow, i.e. retirement.

Out of 9,996 employees in this branch, the 4,068 (40.70%) of them are employed in C15.1 - C15.1



Figure 1 Number of employees in the C15 activity (source: CCE)

Table 1 Number of employees in the C15 activity. Number of employees in activities C15.1 and C15.2 for the period 2008 - 2017 in the Republic of Croatia

Employees in the C15 activity in 2017	
C15.1 - Tanning and Leather Processing; Production of Travel Bags and Handbags; Saddles and Harnesses	4.068 (40,70%)
C15.2 - Production of footwear	5.928 (59,30%)

- Tanning and Leather Processing; Production of Travel Bags and Handbags; Saddles and Harnesses, while 5 928 (approximately 59.30%) of them are employed in C15.2 - Production of Footwear (Tab.1).

The number of employees by counties is shown in Table 2. There are 5,742 employees in the Varaždin County, meaning 670 workers less than in the previous year, while in the Međimurje County there are 168 newly-hired employees compared to 2016 [1].

The number of employees per county is shown in Table 3 [2]. The majority is employed in the Međimurje and Varaždin County, where this industry branch employs about 76% of the total number of employees in the Croatian leather processing industry (Figure 2).

Table 2 Number of employees in the Croatian leather processing industry - breakdown by counties

County	2015.	2016.	2017.
VARAŽDINSKA	6.335	6.412	5.742
MEĐIMURSKA	1.764	1.798	1.966
VUKOVARSKO-SRIJEMSKA	832	861	827
KOPRIVNIČKO-KRIŽEVAČKA	347	343	351
KRAPINSKO-ZAGORSKA	248	74	85
BRODSKO-POSAVSKA	158	193	200
KARLOVAČKA	54	55	60
GRAD ZAGREB	100	96	199
VIROVITIČKO-PODRAVSKA	236	246	302
ISTARSKA	92	90	88
SPLITSKO-DALMATINSKA	107	116	104
PRIMORSKO-GORANSKA	36	32	32
DUBROVAČKO-NERETVANSKA	17	18	18
ZAGREBAČKA	8	10	16
BJELOVARSKO-BILOGORSKA	0	0	0
SISAČKO-MOSLAVAČKA	0	0	0
ŠIBENSKO-KNINSKA	3	4	4
OSIJEČKO-BARANJSKA	74	2	2
POŽEŠKO-SLAVONSKA	0	0	0
LIČKO-SENJSKA	0	0	0
ZADARSKA	0	0	0
<b>TOTAL</b>	<b>10,411</b>	<b>10,350</b>	<b>9,996</b>

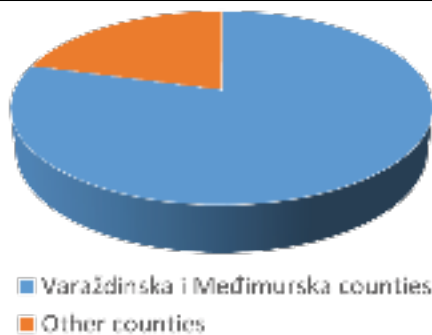


Figure 2 Breakdown of employees in the Varaždin County and the Međimurje County

The majority of workforce employed in the leather-processing industry is female (about 75%). Unfortunately, salaries in this sector are among the lowest in the Republic of Croatia. In 2017 they were only slightly higher than HRK 3,800 net income, but this is still an increase by about HRK 195 compared to the previous year (Table 3).

Table 3 Salaries in the leather processing industry in the Republic of Croatia

Activity	Net			Gross		
	2015.	2016.	2017.	2015.	2016.	2017.
Total Republic of Croatia	5 648	5 638	5 073	7 610	7 752	8 055
Processing Industry	5 072	5 285	5 389	5 750	6 240	7 230
C15- Leather Processing Industry	3 328	3 626	3 621	4 174	4 267	4 674

### 3. Total income of the leather processing industry for the period 2008 - 2017

The total income of the leather processing industry for the period 2008 - 2017 are shown in Table 4 and in Figure 3 [3].

In the last decade, the leather processing industry has grown in the period from 2009 to 2015. In 2009, the total revenue amounted to HRK 2,182,539,018, and in 2015 it amounted to HRK 3,778,711,035, representing an increase of as much as 73%. After 2015, in 2016, a drop in total revenue was noticeable by about 10%. Total income in 2017 amounts to HRK 3,383,979,845, which is 0.5% less than in the previous year.

Table 4. Total income of the leather-processing industry for the period 2008 - 2017.

C15	
2008.	2.634.973.135
2009.	2.182.539.018
2010.	2.556.027.748
2011.	2.957.739.973
2012.	3.000.752.156
2013.	3.071.295.472
2014.	3.772.515.477
2015.	3.784.711.035
2016.	3.401.438.851
2017.	3.383.979.845

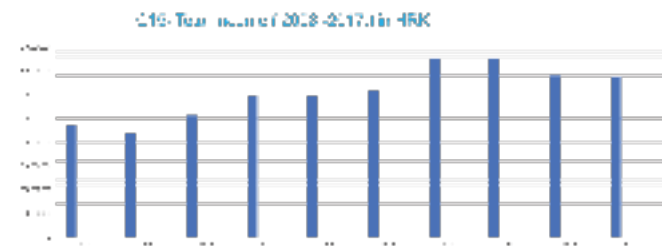


Figure 3. Total Revenues of the Leather Processing Industry in the Republic of Croatia for the period 2008 - 2017

The production and sewing of car seats and the production of leatherware accounted for 73.90% (HRK 2.500.605.291) of the total 2017 revenue, which represents a 1.10% decrease in comparison to 2016. Footwear manufacturers have accounted for 26.10% (HRK 849.049.045) of the total leather industry, which represents an increase by 1.10% in comparison to 2016.

Table 5. Overview of C15.1 and C15.2 total revenues for 2016 and 2017 in the Republic of Croatia

2016./ 2017.	HRK
C151- Tanning and Leather Processing; Production of Travel Bags and Handbags; Saddles and Harnesses	2.552.389.806 (2016.) 2.500.605.291 (2017.)
	17.459.006
C152- Production of Footwear	849.049.045 (2016.) 883.374.554 (2017.)
	34.325.509

#### 4. 2016 and 2017 export and import of leather goods and related products

Exports and imports figures for 2016 and 2017 and index 2017/2016 have been given in Table 6. Figure 4 shows the most important leather goods markets [4].

Table 6 Exports / imports in 2016 and 2017 for leather goods and related products in EUR

Activity	Export			Import		
	01. - 12. 2016.	01. - 12. 2017.	Index	01. - 12. 2016.	01. - 12. 2017.	Index
Total Republic of Croatia	12 316 569	13 983 154	113,5	19 711 866	21 807 564	110,6
Processing Industry	10 948 885	12 444 681	113,7	17 316 007	18 997 147	109,7
C15 Leather Processing Industry	394 338	436 575	110,7	624 776	643 131	102,9



Figure 4. The most important markets for manufacturers of leather products

The leather processing industry is labour-intensive and highly export-oriented towards the markets of the European Union and Bosnia & Herzegovina, where the majority of the products are exported (Fig. 4).

The most important products of the leather processing industry of the Republic of Croatia are tanning and leather dressing, footwear, shoe parts, production of bags, suitcases and handbags, car industry parts [5].

#### 5. Conclusion

There are great employment opportunities in this sector, especially due to the increasingly important greenfield investments over the last few years. Investors in the leather processing industry are predominantly from Austria and Germany. They choose to invest in Croatia, more precisely in the two abovementioned Croatian counties, because of the existing skilled workforce. There are two secondary vocational schools providing training for employment in the leather processing industry and the University of Zagreb's Professional Study, Varaždin Textile Technology College teaches Footwear Design and Shoemaking Technology modules. Another incentive for foreign investments is a timely and efficient functioning of local government units that promptly issue all necessary permits.

*The advantages of the Croatian leather processing industry are:*

- Trained and experienced workforce
- Keeping the final goods' delivery deadlines

- High quality craftsmanship
- Tradition in production
- Favourable geostrategic position and possibility of sea transport
- Strong export orientation
- Openness to worldwide cooperation.

*Key weaknesses of the domestic leather and footwear industry:*

- Underdeveloped marketing (market) processes
- Undeveloped marketing strategy
- Low profitability
- Lack of domestic producers' capital equipment
- High production costs
- Lack of professional workforce, especially designers, modellers, technologists
- Insufficiently developed direct distribution channels on the domestic and international markets
- Lack of retail and internet channels
- Low productivity and efficiency.

*Five key factors necessary for success in leather products manufacturing for the EU Market:*

- high-quality design
- high-quality product
- competitive price of products
- communication with customers
- management of distribution channels.

The positive trend of growth and investment in the leather processing industry is expected to continue in the following years.

The Croatian Chamber of Economy is aware of the fact that the industry lacks the specifically trained workforce. Therefore, in cooperation with the Croatian Chamber of Trades and Crafts, it is working on harmonizing the vocational education with the needs of economy by introducing the Croatian model of dual education and learning for entrepreneurship. This industry sector has for some time emphasized that it requires greater numbers of professional workforce and is willing to provide greater employment opportunities

Through automatization and implementation of new technologies companies can provide greater productivity and better quality. In the era of digitization and automatization of business processes, as part of Industry 4.0, changing of business models due to digitalization should be prioritized in further business development plans. The traditional industry will have to overcome its challenges. Innovation, research and professionally trained workforce are the key of every industry's success.

#### Literature

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