



COUNTRY
REPORT
FOR
CROATIA

A photograph of a woman holding a young child in her arms, walking down a narrow alleyway between brick buildings. The entire image is overlaid with a semi-transparent red filter. The woman is looking down at the child, and the child is looking towards the camera. The alleyway is paved with cobblestones and has a metal railing on the right side.

EUROPE 2020
SHADOW REPORT 2014

PROPOSALS FOR THE ANNUAL GROWTH SURVEY,
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES.
CARITAS RECOMMENDATIONS FOR EUROPE 2020 MID-TERM REVIEW.

01 EU 2020 Strategy: general evaluation

Since the Europe 2020 strategy is focused on delivering growth with a strong emphasis on job creation and poverty reduction, it is obvious that priorities defined in its agenda are relevant for stakeholders involved in the process of defining and implementing measures which aim to improve inclusive growth of Croatian society. In times of economic and financial crisis, the challenge of finding the balance between financial, economic and social policy has pushed the State to focus on defining the social inclusion dimension of Laws after accession to full membership of the EU.

The main and specific obstacles that influence the Europe 2020 objectives are: (1) insufficient participation in the labour market in relation to restructuring, since it is expected that restructuring and privatization processes of state-owned enterprises and reform of State aid will have a short term impact on unemployment growth; (2) a mismatch between the education system and demands of the labour market which is, in turn, related to a lack of highly educated workers.

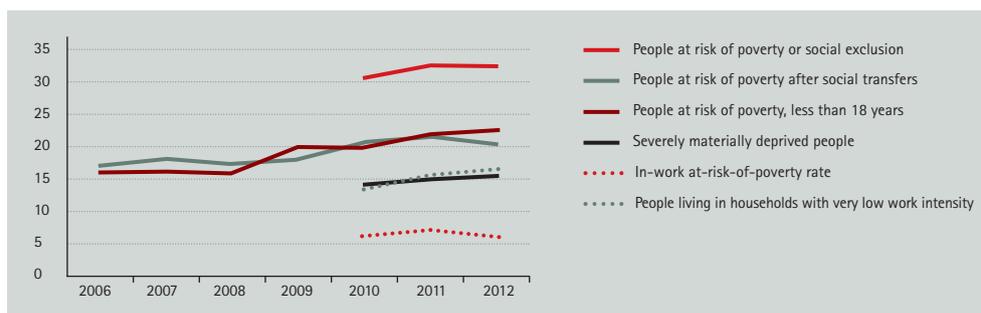
A large number of people face the risk of poverty and social exclusion. Croatia has relatively unfavourable public health indicators; the elderly, children, people with disabilities, and minorities all represent vulnerable groups. People don't take part in lifelong learning which a basis for building society and for their own personal development, therefore this is a area to work on more in order to alleviate the imbalance between the needs and opportunities in the labour market.

02 Poverty

2.1

Recent trends

Eurostat (% of population)	2009			2010			2011			2012			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	
Croatia													
POVERTY													
People at risk of poverty or social exclusion	-	-	-	-	-	30.7	-	-	32.3	-	-	32.3	24.8
People at risk of poverty after social transfers	16	19.7	17.9	16	19.7	17.9	20.1	22.5	21.3	19.4	21.6	20.5	17.0
People at risk of poverty, less than 18 years of age	-	-	19.6	-	-	19.6	-	-	21.9	-	-	22.3	20.8
Severely materially deprived people	-	-	-	-	-	14.3	-	-	14.8	-	-	15.4	9.9
In-work at-risk-of-poverty rate	-	-	-	7.3	4.6	6.1	8.1	5.5	6.9	7.1	5	6.1	9.2
People living in households with very low work intensity	-	-	-	-	-	13.7	-	-	15.4	-	-	16.2	10.3



Development of poverty and social exclusion indicators in Croatia (2009-2012) based on Eurostat:

- ➔ The highest relative and absolute increase occurred in the risk of poverty after social transfer for men, which rose from 16% in 2009 to 19.4% in 2012, further contributing to an increase in the overall rate to 20.5% in 2012. Nevertheless, women remain at a higher risk of poverty after social transfers (21.6% in 2012) than men.
- ➔ Furthermore, child poverty remains on the rise, with an increase of 2.7 p.p. during the observed period, reaching 22.3% in 2012.
- ➔ It is worth noting that all poverty indicators remain above the EU-average, with the largest differences in the rate of people living at risk of poverty and social exclusion (7.5 p.p. above the EU average), people living in households with very low work intensity (5.9 p.p. above), and severely materially deprived people (5.5 p.p. above).

Additional national data shows the severity of the problems reflected by the above Eurostat data:

According to latest data every fifth Croatian citizen lives below the risk-of-poverty line. According to the Croatian Bureau of Statistics¹:

- ➔ There has been a particularly high risk-of-poverty rise among single parent families (5.8% in the 2010-2012 period) and among unemployed persons (5.5% percentage in the 2009-2012 period).
- ➔ The crisis has affected urban areas but it is still the dominant problem in the rural population (over 63% of whom lead relatively poor lives in the country).
- ➔ The proportion of persons who live in financial difficulties increased from 19.1% in 2010 to 21.6% in 2012, and by the end of 2012 over 55% were living in households that experienced "great difficulties" of "difficulties" in making ends meet.

The most vulnerable social groups are unemployed single adults, families with no income and with a larger number of children, pensioners with low pensions, and workers with low and irregular salaries. The law also does not sufficiently recognize the specific needs of adults with mental health problems and other persons with disabilities who are at high(er) risk of extreme poverty when they lack proper family or other support (the homeless, drug addicts, ex-convicts, immigrants, etc.). Generally speaking, vulnerable groups are those who are at increased risk of poverty and social exclusion, those with low incomes (the unemployed, elderly people without pensions, certain categories of pensioners, single-parent families), vulnerable ethnic minorities

¹ www.dzs.hr

(the Roma), persons with disabilities, as well as groups that are less numerous but are faced with the challenges of extreme poverty (the homeless, ex-addicts, prisoners, etc.). This would also include those living in sparsely populated areas where social services are often not available (e.g. assistance and care at home), the elderly and infirm people, persons with limited education (and who lack the necessary information, do not know they are entitled to certain services, and do not know who to ask), and persons with disabilities (due to physical barriers and lack of certain services that they need).

As a result of the crisis, there has been a continuous rise in the number of beneficiaries of social assistance benefits. In 2012 the number of beneficiaries of general welfare ("subsistence allowance") increased by 16.8% compared to 2009, with a notable increase in family user group (16.7%) than single-person households (11,2%)². Given the fact that the crisis is largely affecting the labour force, people who have lost their jobs use their unemployment benefits from the insurance system. They often seek regular or one-off social assistance.

Credit debt is a problem that afflicts a significant number of Croatian households and can be the cause of both relative and extreme poverty (households that are unable to repay their debts can be left not only without an income, but also end up homeless). However, given that approximately 88.8% of Croatian citizens are living in privately owned houses/apartments³, the risk of homelessness is lower than in countries where there is a different structure to the housing market.

The elderly and infirm, who are poor and socially excluded, are in particular difficulty because of health care problems and poverty (they often lack other family members who can care for them, their pension income covers only basic primary healthcare insurance or they are poorly informed about their rights). Significant material assistance and social support to those individuals is provided by charitable associations and civil society organisations.

Data on the forms of social assistance granted by local and regional governments are not transparent and are difficult to access (the larger cities have their own assistance programme for the elderly and pensioners, children or other vulnerable groups, while a large number of small local governments do not have the financial ability to run such programmes).

The global crisis that has affected almost all EU member states, including the Republic of Croatia, has led to high unemployment and falling gross domestic product (GDP), which has had a negative impact on the state of the economy, whose development is made more difficult as a result of the war in the 1990's. With the rise in unemployment, the economic crisis has affected a growth in the number of employees who do not receive a salary or whose wages are paid only after considerable delay. Croatia is lagging behind the EU average in employment, investment in research and development, higher education and the fight against poverty. The poorest people are economically inactive, unemployed or receive low wages (the unemployed, the elderly without pensions, single-parent families, families with more than two children, children without parental care, elderly women, people with lower education, etc.).

Based on the most frequent activity status of a person, the poverty risk is highest for unemployed persons and it was 42.9% in 2012. For unemployed men it was 48.1% and for women 38.0% in 2012. For employed people the poverty risk was 6.1%, while for pensioners it was 21.8%.⁴

In 2012, there were 110,794 registered permanent users of the social welfare system, and one-time assistance was requested by 42,835 users. The data available for January 2014 show that regular monthly cash assistance was used by 115,302 people. Of this number there were 42,046 children who benefited. The number here is certainly higher because some children and their families are living in poverty and are excluded from the statistics showing one-time assistance. So, we could probably estimate at least 50,000 poor children.

Due to the economic crisis there is still a large number of jobless workers and a further rise can be expected in the number of social benefit users within the welfare system. The consequences of rising unemployment affects all types of families and the loss of employment of both parents has contributed to the growing problem of child poverty.

² http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/statisticka_izvjesca

³ 2011 Census; www.dzs.hr

⁴ Source: Central Bureau of Statistics, indicators of poverty in 2012 - final result www.hzz.hr

Two types of families with children have a high risk of poverty: single-parent families and families with many children (3 or more). Both groups have an at-risk-of-poverty rate above the national average, and the risk of poverty for single-parent families in 2012 was almost twice the national average. The root cause of the poverty within these families is parent unemployment or living in households where no one is employed as well as the insufficient amount of social benefits (child allowances, benefits during parental leave, etc.). In many cases, both parents do not work and often institutional care services for preschool children (kindergartens, nurseries) are not available. In rural areas and smaller communities there are very low coverage rates for children's institutional services (in the poorest counties, children covered by preschool education programmes is just slightly above 20%).

A very high risk of absolute and relative poverty is noticeable in children of Roma nationality. Most of these children come from families with three or more children. Furthermore, Roma children have a higher average early school leaving rate than the overall average and very few are enrolled in secondary school.

In 2012 the right to receive a one-time financial assistance for the purchase of school books for children from poor families with minimum income was abolished. There are other also other categories of users who suffer from lack of social services (i.e. people who need special care, accommodation, psychosocial support, etc.) due to a lack of specialists or providers of these services. The problem is particularly pronounced in certain areas of Croatia where these services are almost completely inaccessible or they are not organized so in cases of extreme emergency users are forced to access them outside of their local community.

Access to availability of health services that are guaranteed by health insurance is deteriorating because of the high cost of health care systems. Specifically, there is a problem with long waiting lists for certain health services, especially for poorer citizens, and there are regional variations in the use of health care services.

2.2

Recent policy developments

The introduction of quality standards for social services in social welfare centres, and in other institutions from 2009, began a process of change that is not yet complete. Changes in social welfare policy have contributed to discontinuity in the reform of the system, taking it back once more to the beginning of the process and contributing to destabilization of established practices. Decentralization, as one of the key objectives of the welfare system, is no longer mentioned.

In the last three years (2011, 2012 and 2013) three laws on social welfare came into force in the Republic of Croatia. Recent legislation has significantly reduced the scope of the right to financial assistance and benefits, introduced means-tested benefits and tightened the conditions for entitlement to benefits, all of which directly affect citizens' access to social services and social protection. According to official statistics, the number of beneficiaries of financial assistance in 2013 reduced but over the same period there was a sharp increase in unemployment, failed businesses and artisans in debt. A consequence of the adoption of such a law is discrimination toward single people incapable of working, and families with many children. The law does not recognize the specific needs of the sick and disabled.

The most recent reforms and legislative initiatives include:

- ➔ On 27 March 2014 the Government adopted the Strategy for Combating Poverty and Social Exclusion in Croatia (2014–2020)⁵.
- ➔ From 01 January 2014 a new Law on Social Welfare entered into force⁶. One of the unique features of the law is the introduction of a guaranteed minimum benefit that is characterized as the right to a cash amount that ensures the fulfillment of basic needs of a single person or household who do not have sufficient resources to meet their own essential needs. Local welfare centres decide on people's rights to access a guaranteed minimum allowance. In Croatia, in 2012, a total of 2.6% of the population (110,794 people) received the support that is intended for people most at risk of poverty.

The positive effects of the adoption of the new Law on Social Welfare are: an increase in the base or standard benefit allowance by 60%, improvement of the material situation of singles and families with children, an equitable distribution of resources among households of different composition, the introduction of additional measures to stimulate workfare, and employment of working age people. The negative consequences are related to the fact that the new equivalence scale programme has reduced welfare benefits for families with children, especially for families with many children.

- ➔ The Croatian Employment Service (CES) has introduced a series of measures aimed at reducing youth unemployment, but the most remarkable is certainly "professional training without employment."

2.3 Recommendations

- ➔ It is necessary to systematically promote expansion of the network of social services in order to create preconditions for the implementation of the process of deinstitutionalization of services for all social service users, in order to improve access to social services for the most vulnerable groups. (The expansion of social services network)
- ➔ Encourage the establishment of a coordinated support system for groups at risk of poverty and social exclusion with the aim of for better targeting of social programmes directed primarily at children and their families with the implementation of the monitoring system's evaluation. (Children)
- ➔ Improve the framework for programme and financial support in regard to the development of social services and social entrepreneurship, especially in local communities through civil society organizations. (Civil Society)
- ➔ It is necessary to reform the education system in order to make it responsive to the needs of the labour market. As a basic prerequisite for building societies and personal development, lifelong learning is to be increased and thus alleviate the imbalance between supply and demand in the labour market. (Reform of the education system)
- ➔ Encourage the development of community-based programmes for four major groups who are at highest risk of poverty and social exclusion, namely: children and youth, the elderly and pensioners, the unemployed, people with disabilities. (The 4 largest groups at risk of poverty)

⁵ See Ministry of Social Affairs and Youth RH, www.mspm.hr

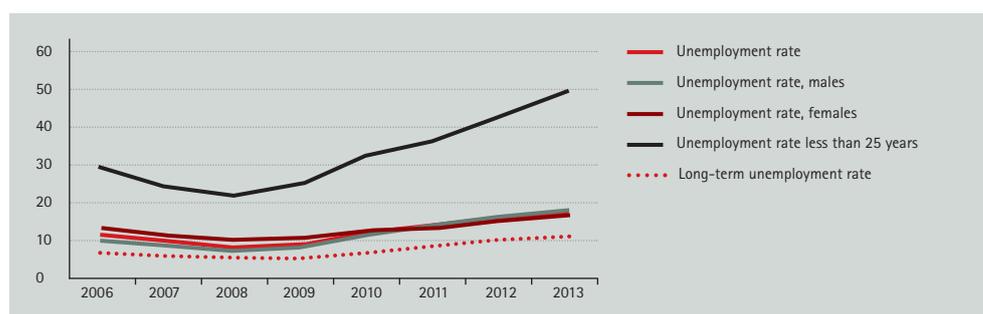
⁶ see <http://www.zakon.hr/z/222/Zakon-of-social-welfare>

- ➔ Adequate protection for the unemployed by increasing their financial support and by increasing budgets for allocations to funds intended for active labour market policy measures aimed at young people, single parents, the Roma, people with disabilities and the general long-term unemployed (introducing special benefits for those unemployed who do not qualify for unemployment benefits, plus a combination of financial support and training/education).
- ➔ Coordinated action of official institutions, NGOs and local government units in providing financial support and services to socially vulnerable groups – avoiding the accumulation of rights and preventing the increase of horizontal inequalities. (Development of a networked information system for collecting information on all users and across all levels of society).
- ➔ Increase the amount of family and child allowances, better targeting of benefits to the poor. (Amendment of legislation on child allowances and reallocation of resources to families with many children).
- ➔ Develop a comprehensive and accessible network of institutional care services for preschool and primary school children (in kindergartens, nurseries, extended stays in school). (Equitable development services with greater involvement of the central authorities in their financing, especially in less developed regions and local communities, changing legislation in the direction of giving greater responsibility to the central government for the development of pre-school education services).
- ➔ Develop services for groups that are not numerous but are poor and socially excluded (i.e. the homeless, the isolated elderly and sick people) through partnership action, official institutions and civil society organizations.
- ➔ A strategy to fight poverty and social exclusion more than ever requires a comprehensive approach and should no longer be an issue of targeting marginalized groups since it threatens all members of society.

03 Employment

3.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			2013			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	
Croatia																
EMPLOYMENT																
Employment rate	68.2	55.4	61.7	64.7	53.0	58.7	63.2	50.9	57.0	60.6	50.2	55.4	58.3	49.7	53.9	68.3
Unemployment rate	8	10.3	9.1	11.4	12.3	11.8	13.8	13.2	13.5	16.2	15.6	15.9	17.8	16.6	17.2	10.8
Unemployment rate, under 25 years of age	-	-	25.1	-	-	32.6	-	-	36.1	-	-	43	-	-	49.7	23.4
Long-term unemployment rate	4.1	6.3	5.1	6.2	7.4	6.7	8.6	8.6	8.6	10.4	10.2	10.3	11.3	10.6	11	5.1



Development of employment indicators in Croatia (2009-2013) based on Eurostat:

- ➔ The highest absolute increase occurred in the youth unemployment rate, which rose from 25.1% in 2009 to 49.7% in 2013 – the third highest in the EU.
- ➔ The highest relative increases occurred in male unemployment rates, which more than doubled, both in terms of overall unemployment (8% in 2009, to 17.8% in 2013) and particularly long-term unemployment (4.1% in 2009, to 11.3% in 2013), contributing to an overall increase of long-term unemployment by 5.9 p.p. during the observed period.
- ➔ It is worth noting that the disparity in the unemployment rate between women and men switched during the observed period, meaning that there were more unemployed women in 2009 (10.3%) than men (8%), whereas in 2013, more men (17.8%) were unemployed than women (16.6%); a similar trend can be observed in the long-term unemployment rate. Similarly, male employment dropped more sharply (by 9.9 p.p.) than that of women (by 5.7 p.p.); nevertheless, remaining constantly higher among men (e.g. 58.3% men, 49.7% women in 2013).

In 2013 the negative trends in the labour market continued. Throughout 2014 there has been a downward trend in the rise in unemployment. One of the most significant trends that can be observed is a continuation of increasing precariousness, which is characterized by an increase in unsafe and poorly paid work for all groups in the labour market. As the groups exposed to special risks we highlight the young (persons until age of 28) as well as those older than 55 years of age.

There was a significant increase in unemployment in the oldest age group (60+) to 15.5%.

- ➔ The high rate of the average number of unemployed young people aged from 15 to 19 years increased by 5.6%, while the average number of unemployed aged 20-24 years increased by 6.1%. (young)
- ➔ Persons with high education levels make up 11.9% of the total unemployed figure, and the average rate of unemployed with a first degree, and/or college education increased 14.9%. (young)
- ➔ There has been an increase in the number of unemployed men and the number of unemployed women, but the increase in the number of unemployed men was slightly higher than the increase in the number of unemployed women. (men and women)
- ➔ Comparing the number of registered unemployed from January to May in 2013 and 2014 there was an increase in unemployment of 0.86%.

There is also data that can be contradictory in relation to trends in the EU. There is still a high presence of moonlighting as a source of income, especially in the closed labour market, due to the economic crisis and the lack of concrete action to eliminate possibilities of working illegally. We also notice that there is a part of the potential working-age population that lives exclusively from tourism and related activities (through illegal or partially legal means) and who are willing to join the labour market.

The youth unemployment rate in Croatia in February 2013 was 51%. Thanks to a high degree of family solidarity and long-term help by parents, the majority of young people are not left to fend for themselves, which greatly reduces their social risks. Data from May 2014 shows that among young unemployed there were: 13,435 (4.1%) of age 15 to 19; 42,997 (13.1%) aged 20 to 24; 43,373 (13.2%) aged 25 to 29. The sum of these numbers totals 99,805 unemployed young people aged 15 to 29,. (Source: Croatian Employment Service, Analytical Bulletin no. 5, p. 6, via www.hzz.hr) In late May 2014, the total number of unemployed registered with the Croatian Employment Service was 327,508 persons. The next important indicator of unemployment relates to young people with higher education levels that make up 11.9% of the total number of unemployed.

In our opinion, the most vulnerable group are young people who have just finished their education and have only just entered the labour market. They are not competitive within the labour market because of their lack of skills and experience. Often the only way to gain the necessary work experience are government incentives such as vocational training valued at 200 EUR, which many young people see as exploitation and unfair compensation for their labour. Consequences of such a situation are: lack of independence, inability to start a family, demographic decline, frustration, depression, feelings of inferiority, social unrest, "brain drain", etc.

Young people are aware of the current economic situation both in Croatia and abroad. For most young people, their present opinion is that employment depends on acquaintances and connections in order to find a job. The young also assert a failure of the educational system in responding to the demands of the labour market. They realise that their education system is theoretically oriented and as such it fails to develop analytical and critical thinking.

Young people are a specific group because of their lack of work experience and practical skills, which makes them vulnerable agents in the labour market and threatens long-term unemployment. Young women are at greater risk of long term unemployment. Poverty rates among youth are on the rise, primarily because of the high rate of unemployment (the youth unemployment rate in 2012 was 2.7 times higher than the general unemployment rate, reaching almost 50% in 2013) (source: Eurostat). A consequence of poverty is continued dependence on parents and late independence. For example, the average age of leaving the parental home in Croatia is the highest in the EU (32.4 years of age, compared to the EU28 average of 26.2).

3.2

Recent policy developments

In 2014 there have been no regulatory changes that significantly affect the rate of unemployment. Croatia has not been successful in implementing projects financed with EU funds which certainly shows a lack of capacity for concrete action. On the other hand, we see that the budget for youth development and benefits for employers have been abolished in 2014. Government funds for promotion of youth employment are insufficient. (This situation contributes to brain drain of educated young people who are leaving Croatia; estimation for period 2013 -2014 gives figure of some 20 000 young people! There are no official data available on this statistics.)

Nevertheless, several developments included:

- ➔ In June 2014 the Government adopted the proposed amendments to the Labour Act. The bill aims to introduce more flexible labour relations, preserve existing jobs, reduce labour costs and prevent undeclared work.
- ➔ Amendments to the Act on Employment Mediation and Unemployment in the second half of 2013 were adopted, but it remains unknown to what extent the changes have impacted (or will impact) on (un)employment.
- ➔ In April 2014 the Government adopted a plan for implementation of the Guarantees for Youth, created as instructed by the European Commission, which include structural reforms and measures for Croatia, for the period from 2014 to 2020, in order to reduce long-term unemployment and inactivity of young people aged 15-29.

3.3

Recommendations

- ➔ Business investment and production should be encouraged. This inevitably leads to job creation and employment. Also there is a strong need to work on increasing harmonization between the educational system and the labour market. The education system should necessarily comply with what is required by/in the labour market. This is a long term process that requires changes to the entire educational system, not only in higher education. In addition, greater flexibility in the labour market would give the opportunity for employment to those groups of workers who may not be available for the standard type of employment, but also companies whose businesses do not operate in the same way throughout the year .
- ➔ Raising the employment rate demands a holistic approach due to interdependent relationships between poverty, education, employability and long-term unemployment. The only desirable measures to boost employment would be: reducing the tax burden and para-fiscal levies; as well as promoting investments with a focus on small and medium enterprises as the main lever to change the structure of the economy. It is particularly important to emphasize the encouragement of women's participation in the labour market and giving clearer signals through the education system in terms of (future) needs of the workplace.
- ➔ Some steps that could be taken to influence the reduction of unemployment are: to reform the education system in a way that is more aligned with modern labour market needs, also to encourage self-employment by developing creativity and entrepreneurial skills within the school system and the sphere of lifelong learning. Also, an important step would be to make other measures less administratively demanding, i.e. simplify them.

Caritas Europa

Rue de Pascale, 4
1040 Brussels - Belgium
Tel. +32 (0)2 280 02 80
Fax +32 (0)2 230 16 58

info@caritas.eu
www.caritas.eu



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