



ESPN Thematic Report on Social Investment Croatia

2015

Paul Stubbs and Siniša Zrinščak
January – 2015



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate D — Europe 2020: Social Policies
Unit D.3 — Social Protection and Activation Systems

Contact: Valdis ZAGORSKIS

E-mail: Valdis.ZAGORSKIS@ec.europa.eu

*European Commission
B-1049 Brussels*

EUROPEAN SOCIAL POLICY NETWORK (ESPN)

**ESPN Thematic Report on
Social Investment**

Croatia

2015

Paul Stubbs and Siniša Zrinščak

The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

The ESPN brings together into a single network the work that used to be carried out by the European Network of Independent Experts on Social Inclusion, the Network for the Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

The ESPN is managed by CEPS/INSTEAD and APPLICA, with the support of OSE - European Social Observatory.

For more information on the ESPN, see:

<http://ec.europa.eu/social/main.jsp?catId=1135&langId=en>

***Europe Direct is a service to help you find answers
to your questions about the European Union.***

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

LEGAL NOTICE

This document has been prepared for the European Commission however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

© European Union, 2015

Reproduction is authorised provided the source is acknowledged.

Contents

SUMMARY	5
1 ASSESSMENT OF OVERALL APPROACH TO SOCIAL INVESTMENT	7
2 ASSESSMENT OF SPECIFIC POLICY AREAS AND MEASURES / INSTRUMENTS	8
2.1 Support for early childhood development	8
2.1.1 Early childhood education and care (ECEC)	8
2.1.2 Family benefits (cash and in-kind)	9
2.1.3 Parenting services	10
2.2 Supporting parents' labour market participation	10
2.2.1 Child care	10
2.2.2 Long-term care	11
2.2.3 Maternal / paternal / parental leave schemes	11
2.3 Policy measures to address social and labour market exclusion	12
2.3.1 Unemployment benefits	12
2.3.2 Minimum income	12
2.3.3 Active labour market policies	13
2.3.4 Social services	14

Summary

Croatia's social policy is not based on a coherent social investment approach, either at national, regional or local levels. Social policies remain largely passive, although the issue of active inclusion, including active inclusion in the labour market, has received greater attention in recent years. While all aspects of social policy remain a low political priority, those programmes which protect the rights of politically influential groups, notably war veterans and, to an extent, pensioners, tend to be prioritised at the expense of needs-based and evidence-based approaches. There is little horizontal or vertical integration of policies, with little real co-ordination between different levels of government, or between governmental and non-governmental actors. Strategies tend to be developed separately for a series of so-called 'vulnerable groups' although most of these strategies are little more than wish lists with low implementation potential and, crucially, too few clear timelines, indicators, or budgets. In the context of fiscal consolidation required by Croatia's Excessive Debt Procedure, the idea of social policies as investment has remained underdeveloped and, often, long-standing or traditionally core social programmes which are compensatory in approach have tended to be better protected than more innovative social programmes which may have a stronger social investment component.

Early childhood education and care (ECEC) is seriously underdeveloped in Croatia, with already low national average enrolment rates hiding significant regional disparities, with the poorest counties having the lowest enrolment rates. National strategies have stressed the importance of expanding access but, since ECEC is a local responsibility, such strategic intent is not backed up by either funding or regulation. As it is, provision of public child care is not of optimal quality, and parents are required to pay fees and also incur in-kind costs. In addition, priority is given to children who have two working parents, limiting the impact of ECEC in terms of facilitating re-entry to the labour market.

Croatia's means-tested child benefits scheme has some poverty alleviation effects but suffers from errors of both exclusion and inclusion. When considered alongside recent changes in the minimum income benefit, families with three or more children may now be worse off. In addition, tax breaks for parents with children tend to be regressive and not well co-ordinated with other benefits. Services for parents are rather patchy and tend to be in the cities and/or more developed parts of Croatia.

Early childhood care in Croatia tends, therefore, to be a barrier to parental participation in the labour market, particularly women's participation, with a strong correlation between low coverage of children in ECEC and low rates of female employment, with both being lowest in the poorest parts of Croatia. One important characteristic of the Croatian labour market is the extremely low level of part-time employment, with women having only slightly higher rates than men. At the same time, the use of time-limited labour contracts is on the increase which tends to limit the participation in the labour market of women who become pregnant since, in the majority of such cases, contracts are simply not renewed. A lack of long-term care also places pressure on extended family members, including older family members of working age, to look after children and/or relatives with disabilities. Again, the majority of this care work is undertaken by women. Although Croatia has well developed and appropriate parental leave schemes these are complicated and rather inflexible. As such they tend not to encourage paternal leave of both parents. In addition, generous leave for multiple births or households with large numbers of children, whilst reflecting the reality of a lack of formal child care services, may also be a disincentive to re-entry into the labour market.

Insurance-based unemployment benefits are of significantly less importance in the context of the crisis and concomitant rising unemployment and, in particular, long-term unemployment. In response to low employment rates, albeit from an extremely low base, there has been greater investment in activation measures, including a significant increase in the range, type, coverage and expenditure on Active Labour Market Programmes (ALMPs) in recent years. Within this, priorities have been in terms of an expansion of programmes targeting those under 30 and, even more so, those

who have never worked. Such a rapid expansion of ALMPs risks a scatter-gun approach to the issue without there being a rigorous assessment of which programmes are likely to have the most significant long-term impact on employability. Although there have been attempts to link the receipt of social assistance to labour market activation, through requirements that those in receipt of social assistance who are capable of work, have to meet certain conditions, this is still not well developed.

1 Assessment of overall approach to social investment

Although Croatia joined the European Union on 1 July 2013, the idea of a Social Investment approach to tackling key social challenges is largely not present in national, regional and local social policies. Social policies tend to be more passive than active, and to favour groups with a stronger political voice, particularly war veterans and, to an extent, pensioners. There are also legacies of earlier, largely unsuccessful, attempts to promote demographic renewal in the context of a low birth-rate, an ageing population, and significant migration, particularly forced migration during the war from 1991 to 1995. Social policies tend not to be integrated with each other, even at the national level, with a series of discrete strategies for distinct 'vulnerable groups' existing largely as wish lists with little real investment perspective. There is also a high degree of 'welfare parallelism' through which social policies at local and regional levels remain uncoordinated with national policies, vary according to sub-national discretion and means, tending therefore to add to rather than alleviate regional inequalities, and benefits at local levels tend to be supplementary rather than complementary to national benefits.

In addition, the long-term economic crisis in Croatia, and the requirements of the Excessive Debt Procedure, has tended to result in reductions in a number of social benefits within a general emphasis on fiscal consolidation. This has not impacted equally across the board however. Rather, some groups have tended to be more protected than others with those lacking a strong political voice, especially the poor, excluded and marginalised, tending to be hardest hit. In addition, core programmes which are compensatory in approach have tended to be better protected than more innovative social programmes which may have a stronger social investment approach. The clearest example of this is the failure to scale up and integrate into law a successful pilot programme of providing an assistant for people with disabilities. Crucially, decisions on what to cut and what to maintain or even expand appear to be based on political criteria rather than thorough rigorous impact assessments. In addition, the social impacts of other policies, notably tax policies, tend to have a regressive effect.

Croatia's commitment, at least on paper, to elements of social investment, appeared stronger when, as a candidate country, Croatia drew up a Joint Memorandum on Social Inclusion (JIM) than as a Member State in relation to the Europe 2020 strategy. Although JIM commitments were not prioritised in any systematic way, they did represent a response to a wider understanding of key social challenges. In contrast, commitments within Europe 2020 appear to be largely declarative, lacking in ambition, and with no clear implementation strategy. Albeit from a very low base, Croatia does appear to have prioritised active labour market policies, especially those linked to the European Union's Youth Guarantee, which do have more of a social investment approach to them. There is a danger, however, that too many new programmes are being introduced without clear evaluation of their impacts.

One other issue which is important is that, implicitly at least, there remains a view amongst policy makers that the extended family offers a caring and supportive environment marked by inter-generational solidarity, as in an ideal typical Southern European welfare regime. However, the impacts of war, post-war growth and the current crisis means that there is an urgent need to look at the challenges for social policies posed by changing family structures as well as changing household and individual coping and risk management strategies. This would be needed to ensure that social investment complements and strengthens positive coping strategies rather than eroding them, thus increasing the rate of return on public investments in social policy.

2 Assessment of specific policy areas and measures / instruments

2.1 Support for early childhood development

2.1.1 Early childhood education and care (ECEC)

Early childhood education and care is seriously underdeveloped in Croatia and, even more importantly, is still not recognised as a priority area at national and local levels. Responsibility for ECEC is at the local level, in cities and municipalities, while at the national level the Ministry of Science, Education, and Sport (MSES) is responsible only for defining and monitoring minimum quality standards. The Ministry of Social Policy and Youth (MSPY) has no direct responsibilities in this area. The lack of national awareness and of solid measures for developing ECEC is apparent in key national documents. The National Plan for Children's Rights and Interests 2006-2012¹ mentions the need to develop pre-school facilities and include more children in ECEC. However, it focuses only on encouraging providers (cities and municipalities predominantly) to open more facilities. A new document, the National Strategy for Children Rights 2014-2020² was adopted in September 2014 by the Government, and recognised ECEC in Croatia as significantly lagging behind the level achieved in other EU countries, particularly in terms of the lack of available facilities, and underlined the fact that formal working time is still not tailored to parents' needs. The strategy document envisages developing the network of pre-school institutions to enable the full coverage of children at least two years before obligatory schooling. It also encourages local governments to analyse the needs of parents and children, in particular needs of parents of vulnerable children, when developing the local network. However, the strategy, as adopted, contains no implementation plan, so that these proposals are little more than a vague wish list. Measures for "encouraging" local governments in this regard do not exist and it is unlikely that they will be developed in the current economic situation and within the current legal framework where local communities have the sole responsibility for ECEC.

This underdevelopment, then, is reflected in data on the inclusion of children in formal childcare in Croatia. According to EU-SILC 2012 data only 12% of children aged less than 3, and only 41% of children aged 3 to 7 (the compulsory school age) are included in formal childcare.³ Croatia's rate of inclusion of children from 3 to compulsory school age is the second lowest in the EU-28 with only Poland having lower coverage. Even more worrying is that this general overall low rate of inclusion hides significant regional differences. An analysis done on the basis of national data indicated huge differences in the enrolment rates of children aged 3-4 years ranging from 13.2% in Brodsko-Posavska county to 91.1% in the City of Zagreb in 2011.⁴ For those children

¹ Government of the Republic of Croatia (2006) National Plan for Children's Rights and Interests 2006-2012 Available at: http://www.dijete.hr/hr/dokumenti-mainmenu-83/nacionalni-planovi-i-strategije-mainmenu-75/za-djecu-i-mlade-mainmenu-79/doc_view/76-nacionalni-plan-aktivnosti-za-prava-i-interese-djece-2006-2012.raw?tmpl=component (in Croatian)

² Government of the Republic of Croatia (2014) National Strategy for Children Rights 2014-2020. Available at: http://www.mspp.hr/novosti/vijesti/vlada_rh_usvojila_nacionalnu_strategiju_za_prava_djece_od_2014_do_2020 (in Croatian)

³ See Bouget, D., Frazer, H., Marlier, E., Sabato, S. and Vanhercke, B. (2015). Social Investment in Europe: A study of national policies, Annex 3. Brussels: European Commission, European Social Policy Network (ESPN), Tables A3.1 and A3.2. However, it should be noted that SILC data are significantly lower than data from the Croatian Bureau of Statistics which indicated higher coverage (e.g. 57% for the 4 year old children), though this is still low in comparison to other countries – see the source indicated in footnote 4. See also Dobroitić, I. (2014) 'Croatia country note', in: P. Moss (ed.) *International Review of Leave Policies and Research 2014*, based on the TransMonEE Database. Available at: http://www.leavenetwork.org/lp_and_r_reports/

⁴ Matković, T., Dobroitić, I. (2013) Documentation. Changes in Early Childhood Education and Care Coverage in Croatia: National and Country-level Overview. *Croatian Journal of Social Policy*, 20(1): 65-73. (In Croatian)

less than 3 years old, differences ranged from 4.7% in Virovitičko-Podravaska county to 38.6% in the City of Zagreb. As noted in previous reports⁵, these differences have been growing in the period 2000-2011. Crucially, in addition, enrolment tends to be lowest in those parts of Croatia which are more deprived.

Unfortunately, there are no comparable quality indicators of ECEC services. The only available Croatian research indicated parents' significant concerns regarding high fees and too many children per teacher. In addition, many parents expressed concerns that, in addition to paying fees, they need to contribute by bringing essential items such as napkins and toilet paper.⁶ Without an injection of resources from central government and/or mandating local authorities to ensure universal coverage of pre-school children in ECEC, it is hard to see the situation improving in the near future. In this sense, however, the expansion of ECEC remains a key gap in terms of the implementation of a social investment approach in Croatia.

2.1.2 Family benefits (cash and in-kind)

The main cash benefit scheme for families is child benefits which is means tested and which varies according to three income groups, from HRK 199.56 (€26) to HRK 299.34 (€39) for a child in 2014. Some categories of children (children of unknown parents or incapable of independent living, children with lone parents, children with significant health problems, etc.) get a higher amount, raised by between 15% and 25%. In addition, there is a so-called pro-natality allowance in the amount of HRK 500.00 (€65) or HRK 1,000.00 (€130) for the third, fourth and subsequent children, but only for families already eligible for child benefit. There are some other cash and in-kind benefits, particularly at local levels for which there is no available data and whose effects cannot be adequately assessed. Tax allowances also exist with personal tax allowances of HRK 2,200.00 (€286), to which a certain amount is added depending on the number of children (an additional 50% for the first child, 70% for the second, etc.). However, there is no integration between the various benefits and allowances and, crucially, no co-ordination between national and local schemes.

Different studies have addressed the poverty alleviation impact of child benefits⁷, with some studies suggesting problems in targeting, as about a third of all eligible children were not receiving the allowance, while almost a quarter of those receiving it have an income higher than the threshold. Although there are no new studies, the impact on poverty alleviation may actually be decreasing due to the low level of child benefits which is not indexed to living costs. The most important issue is, however, the inadequate linkage between child benefits and tax allowances, as tax allowances benefit those on higher incomes.⁸ The new Minimum Social Benefit scheme introduced on 1 January 2014, includes lower additions for children although child benefits are exempt from consideration as income in order to qualify for the scheme. Nevertheless, we can say that diverse income maintenance schemes, combined with tax incentives, are inconsistent and far from representing clear social investment in children.

According to EU-SILC data for 2013 the risk-of-poverty for children less than 18 years old was 21.8%, which was higher than for the whole population (19.5%), while the risk-of-poverty or social exclusion was almost at the same level (29.3% for children

⁵ Stubbs, P. and S. Zrinščak (2014) Investing in Children: breaking the cycle of disadvantage. CEPS, European Commission.

⁶ Dobrotić, I. (2013) Availability and use of ECEC services, and other types of care) in N. Pećnik (ed.) How Families and the Community Care for Young Children in Croatia. Zagreb: UNICEF Office for Croatia (in Croatian).

⁷ See : UNDP Croatia (2009) Role and Efficiency of Child Allowance and Social Assistance as mechanisms of the Social Safety Net. Available at http://www.undp.hr/upload/file/234/117297/FILENAME/Child_allowance_and_social_assistanceEN_fin.pdf

⁸ The World Bank Group (2010) *Croatia. The Social Impact of the Crisis and Building Resilience*, page 54, http://siteresources.worldbank.org/CROATIAEXTN/Resources/301244-1277748624120/Croatia_social_impactJun1710.pdf

compared to 29.9% for the whole population).⁹ A much higher than average risk-of-poverty is found in lone parent households with one or more dependent children and in households with three or more dependent children.¹⁰ As noted, the economic crisis hit children and families with children more seriously which is evidenced by the fact that the risk-of-poverty for pre-school children was below the national average in the period 2006-2010, while it rose above the average in 2011 and 2012.¹¹

2.1.3 Parenting services

There is a significant lack of services for parents, particularly those aimed at strengthening parental skills.¹² Some programmes, particularly educational and recreational programmes, exist mainly in the more developed and wealthier cities and counties, thus leaving the needs of poorer families not met to a great extent. The same applies particularly to children with disabilities, children with behavioural problems, and Roma children. In addition, these programmes tend to be rather ad hoc and short term, dependent on national and local funds for NGOs, with no attempt to ensure that successful schemes are scaled up and developed into sustainable social investments.

2.2 Supporting parents' labour market participation

2.2.1 Child care

For the reasons explained above, child care in Croatia fails to support parents' labour market participation. In addition to the low rate of inclusion of children in formal care there are two other important constraints. The first is connected with the fact that current ECEC arrangements favour already employed parents. Due to the shortage of care places, employed parents have priority over unemployed parents in terms of access to public child care. In addition, of course, unemployed parents, or those on low incomes, have problems in paying the fees and out-of-pocket and in-kind expenses for day-care or kindergartens. Again, the correlation between low female employment and low coverage of children in ECEC is greatest in poorer counties. One analysis has suggested that county per capita GDP is a crucial determinant of both the amount of formal care available and the rate of female employment.¹³ This is further evidence that the current organisation of ECEC in which the authority is placed on local government units without any support from the national level produces significant regional differences in the levels of female employment and in terms of access to ECEC. In addition, a recent report¹⁴, using 2011 data suggests that Croatia has a strong social gradient together with low overall use of formal childcare for 0-2 year olds. In terms of social gradients based on maternal education, Croatia is clustered together with Poland and Romania; in terms of distribution of household income, Croatia is clustered with Ireland.

The second reason is connected with the main features of the, as widely argued, rather rigid labour market in Croatia, which is characterised by very low levels of employment and, within this, by extremely low levels of part-time employment. Thus,

⁹ See Bouget et al. (2015), Annex 3, Tables A5 and A6.

¹⁰ Croatian Bureau of Statistics (2014) Poverty Indicators, 2013 – Final Results. Available at: <http://www.dzs.hr/>

¹¹ Šućur, Z. et al (2015) 'Poverty and Material Well-Being of Pre-School Children in Croatia', UNICEF, forthcoming.

¹² Pečnik, N., Pribela-Hodap, S. (2013) Availability and Use of Family Support and Early Childhood Services. In N. Pečnik (ed.) How Families and the Community Care for Young Children in Croatia. Zagreb: UNICEF Office for Croatia (In Croatian).

¹³ Dobrotić, I, T. Matković and J. Baran (2010) 'Female Employment and Access to Child Care Services in Croatia', Croatian Journal of Social Policy 17(3): 363-385. (in Croatian).

¹⁴ European Commission (2015) Employment and Social Developments in Europe 2014, Chapter 2, Chart 8, page 17. SWD (2015) 4 final, Part 6/10, web: [http://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/swd/2015/0004/COM_SWD\(2015\)0004\(PAR6\)_EN.pdf](http://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/swd/2015/0004/COM_SWD(2015)0004(PAR6)_EN.pdf) (accessed 3 March 2015).

in 2013, the overall employment level was 57.2% (compared to 68.4% for EU-28), and was 61.6% for men, and 52.8% for women. Within this, part-time employment stood at only 6.5% (compared to 20.3% for the EU-28). In terms of gender, rates were 5.6% for men and 7.6% for women.¹⁵ As part-time working remains a rather marginal option, choosing it bears no relationship to looking after children or the incapacitated.¹⁶ At the same time, as response to inflexible labour markets, there has been an expansion of fixed-term contracts which tend to impact most negatively on women taking care of children or when women become pregnant with such fixed term contracts either terminated instantly or, merely, not renewed.

2.2.2 Long-term care

As described in the ASISP Country Report on pensions, health care and long-term care from March 2014¹⁷, long-term care is seriously underdeveloped in Croatia with a coverage gap between the estimated number of dependent persons (around 300,000) and those receiving some type of formal care (around 50,000). There is also a shortage of formal services in institutional care, and there are long waiting lists for nursing homes.¹⁸ Although rather old, the EQLS 2007 data suggested that caring for elderly and/or disabled relatives is still, to a great extent, performed by family members, particularly those in the age group 50-64. Within this age group, Croatia was the third highest, after Italy and Spain, in terms of the proportion of family members undertaking care responsibilities.¹⁹ Though this should be researched further there appears to be a correlation between low levels of employment in older working age and high rates of informal care of elderly and disabled relatives, as well as significant care responsibilities for children being taken on by grandparents still of working age.

2.2.3 Maternal / paternal / parental leave schemes

Croatia has quite well developed leave schemes which are, in part, a legacy of socialism. The details of these schemes are rather complicated and some gaps remain in terms of the possibilities of both parents taking leave and in terms of combining parental and work possibilities.

Maternity leave starts 28 days before the expected day of birth (on the basis of a medical examination 45 days before the expected day) and lasts up to when the child is six months old.²⁰ Obligatory maternity leave is 28 days before the expected day and 70 days after the birth, while leave from 70 days after the birth to six months can be taken also by the father. There is no paternal leave as such, but there is a parental leave which lasts four months per parent for the first and second child. Two of these four months can be transferred to the other parent. In the case of twins, other multiple births, and for the third and every subsequent child, parental leave is fifteen months per parent and it can be fully transferred from one parent to the other. Parental leave can be used on a part-time basis and until the child turns eight years of age.

Maternity benefit is equivalent to 100% of previous earnings (if certain insurance conditions are met), otherwise the benefit is 50% of the budgetary base rate, i.e.

¹⁵ Eurostat 2013 LFS data : <http://ec.europa.eu/eurostat/web/lfs/data/main-tables>

¹⁶ See Bouget et al. (2015), Annex 3, Table B5.

¹⁷ Bodiřoga-Vukobrat, N. (2014) ASISP Country Document. Update 2014. Pensions, health care and long-term care. Croatia, March 2014.

¹⁸ Rusac, S., Štambuk, A., Žganec, N. and Ajduković, M. (2011) Long-Term Care for Older People in Croatia. In: A. Osterle (ed.) Long-Term Care in Central and Eastern Europe. Frankfurt am Main: Peter Lang.

¹⁹ European Foundation for the Improvement of Living and Working Conditions (2010) Second Quality of Life Survey. Family Life and Work. Available at: http://eurofound.europa.eu/sites/default/files/ef_files/pubdocs/2010/02/en/1/EF1002EN.pdf

²⁰ For a detailed description see : also Dobroćić, I. (2014) 'Croatia country note', in: P. Moss (ed.) *International Review of Leave Policies and Research 2014*, based on the TransMonEE Database, which are consistent to national data. Available at: http://www.leavenetwork.org/lp_and_r_reports/

HRK 1663.00 (€217). Parental benefit is equivalent to 100% of previous earnings, however with a low ceiling which is set at 80% of the budgetary base rate for the six months of parental leave (or eight months in the case that both parents use their entitlement). After the first six (or eight) months or for those who do not fulfil insurance conditions the ceiling/parental benefit is set at 50% of the budgetary base rate. Unemployed and other persons not connected to the labour market have the right to one year maternity/parental benefit for the first and second child and three years in the case of multiple births and the third or further child, which is set at 50% of the budgetary base rate. In this case the maternity/parental benefit is a mother's right and it can be transferred to the father only if the mother enters the labour market.

In terms of participation in the labour market, particularly for women, leave schemes do not create obstacles as such, as they are in principle adequate rather than too low or excessively generous. The problem from a social investment perspective is that they are inflexible (or, they are flexible but only in the case where both parents are employed), and in some cases the rules are confusing. Transferability from one parent to another is possible only when both parents work, and the father can use two additional months only if the mother works at the same time. In addition, the parental benefit is very low and this is one of the main reasons why fathers take leaves only very sporadically. Longer leaves for twins, other multiple births, the third and every subsequent child may have detrimental effects in relation to return to the labour market, and these measures tend to be targeted to demographic renewal in a country with a declining and ageing population. However, there has never been any evaluation of this.

In general, due to inadequate support in terms of services, and due to Croatian labour market features, women are mainly discriminated while having (young) children and in many cases, though this is forbidden by the law, women have been asked about their marital status and number of children, or about intentions to have children, during interviews for jobs. In addition, as noted above, more and more fixed term contracts are being used and, in general, these are not renewed in cases of pregnancy.

2.3 Policy measures to address social and labour market exclusion

2.3.1 Unemployment benefits

Unemployment benefit is the right based on previous employment history and its duration is from 90 to 450 days, except for those who had an employment record of more than 32 years and who need up to 5 years to obtain pension rights in which case the duration can be longer. The amount of benefit varies according to previous earnings and the duration of receiving it, while the average benefit was HRK 1,660.35 in 2013 (€216.75).²¹ However, in the light of an extremely high unemployment rate in Croatia and the fact that those without employment records do not have the right to benefit, together with those who remain unemployed after they lose the right to it, the benefit is now actually received by only a small proportion of the unemployed, namely 22.9% of the average number of unemployed in 2012, and 20.4% in 2013. This is reflected also in spending as Croatia spent only 0.5% of GDP on benefits to the unemployed in 2010-2012²², compared to 1.58% in the EU-28 in 2012.

2.3.2 Minimum income

The Law on Social Welfare in force from 1 January 2014 introduced a new social assistance scheme called guaranteed minimum benefit. This benefit replaced the

²¹ Croatian Employment Service (2014) Annual 2103. Available at: http://www.hzz.hr/UserDocsImages/HZZ_Godisnjak_2013.pdf (In Croatian)

²² See Bouget et al. (2015), Annex 3, Table C1.

previous social assistance benefit as well as two other benefits – a guardianship allowance and supplementary allowance for the long-term unemployed. Persons entitled to guaranteed minimum benefit are those with no other or potential income, no property except that in which they live, and no car (except in some specified cases). A single person and single parent household can get HRK 800.00 per month (€104), adults in households with more than one adult HRK 480.00 (€62), and children HRK 320.00 (€42). In relation to the previous social assistance scheme the new scheme is more beneficial to single persons and small households, while total benefits are lower for households with two or more children which may have a negative impact on child poverty which has already increased in the last few years in the context of the economic crisis. Also, recipients capable of work can receive the benefit for a maximum of 24 months and can re-apply only after three months. As this condition is a new one, and was not a part of the previous schemes, the official explanation was that this measure is a work incentive which, indeed, is very questionable in conditions of high unemployment and moreover the much higher number of those who actively seek jobs in relation to jobs available.

Social assistance schemes (the previous one and the new one) have important poverty alleviation effects and have been considered (together with child benefit) as the best targeted welfare benefits, compared to other targeted welfare benefits.²³ However, the amount of benefit is low in comparison to the at-risk-of-poverty threshold (set at 60% of the median income) which was HRK 1,909.66 (€249) per month for a one-person household, and HRK 4,010.33 (€524) for a household of two adults and two children younger than 14 in 2013. At the same time, the higher amount of benefits may have a detrimental effect on employment having in mind that the net minimum wage is currently HRK 2,423.64 (€316). The coverage is also low as according to the latest data (for 2013) only 2.66% of persons received social assistance,²⁴ and though there are also other benefits which have poverty alleviation effects, the risk-of-poverty was 19.5% (compared to 16.7% for the EU-28), and the risk-of-poverty or social exclusion was 29.7% in 2013 (compared to 25.8% in the EU-28). Unemployment brings the highest risk as the risk-of-poverty was 43.3% among unemployed persons from 16 to 64 in 2013, compared to 46.6% for the EU-28.²⁵

2.3.3 Active labour market policies

In relation to high unemployment and low employment rates, and in particular a high share of long-term unemployment (63.6% of unemployed, compared to 47.4% for the EU-28),²⁶ the Government has recently invested more efforts and money to develop new measures for activating the unemployed. This was crucial as so far active labour market expenditure was very low (0.16% of GDP in 2012). In addition the number of ALMP participants per 100 persons wanting to work was low (3.2 in 2012). As indicated in the recent Croatian European Semester Report²⁷ there are now 23 active employment measures for young people under 30, and in particular those never employed. The number of ALMP participants was 53,656 in 2013, which represented an increase of 29.1% in relation to 2012. This represented some 3.1% of the active labour force and 15.5% of the registered unemployed.²⁸ There is also a plan to invest

²³ The World Bank Group (2010) *Croatia. The Social Impact of the Crisis and Building Resilience*, page 50-51, Available at: http://siteresources.worldbank.org/CROATIAEXTN/Resources/301244-1277748624120/Croatia_social_impactJun1710.pdf

²⁴ Ministry of Social Policy and Youth (2014) Annual Statistical Report on Welfare Homes and beneficiaries in 2013. Available at: http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/statisticka_izvjesca/godisnje_izvjesce_2013 (In Croatian)

²⁵ See Bouget et al. (2015), Annex 3, Tables C13, C14, and C15c.

²⁶ See Bouget et al. (2015), Annex 3, Table C8 as well as Tables C3 and C4 for data on LMP in the next sentence.

²⁷ Stubbs, P. (2014) ESPN European Semester Report. Croatia. CEPS, Applica, Ose, European Commission.

²⁸ Croatian Employment Service (2014) Annual 2103. Available at: http://www.hzz.hr/UserDocsImages/HZZ_Godisnjak_2013.pdf (in Croatian).

€150m inside the Youth Guarantee Implementation Plan in the 2014-2017 period, which would amount to approximately an additional 0.09% of GDP per year on ALMPs, increasing spending from 0.16% of GDP to around 0.25%. While these efforts are more than welcomed there are some concerns regarding the existing administrative capacities, particularly for monitoring and evaluation, and over-reliance on EU funding. The long-term unemployed or older workers remain much less targeted by ALMP measures. Although there have been attempts to link the receipt of social assistance to labour market activation, through requirements that those in receipt of social assistance who are capable of work have to meet certain conditions, this is still not well developed.

2.3.4 Social services

While the further education and training of the unemployed are among measures that are currently expanding it is still not possible to assess the impact of these on the low participation rate in education and training, which was only 8.5% for persons 18 to 64 in 2013 (in comparison to 16.1% in the EU-28).²⁹ In addition to ALMPs which are coordinated by the Croatian Employment Service, the new Social Welfare Law envisages cooperation between social welfare centres and employment services offices in activating persons capable of work who are receiving guaranteed minimum income. There is no information on how this cooperation is evolving except on the level of basic exchange of information between these two services. In order to continue to receive minimum income benefit, anyone capable of work needs to be registered by the Employment Service and has to be included in an ALMP, if this is offered, and must not refuse any job offered. As the number of ALMP participants remains marginal (despite the recent expansion), and in the context of the generally low employment rate, it is doubtful whether the envisaged cooperation will produce tangible results. In the absence of clear evaluation, there remains an absence of evidence-based policies in this area.

Also, Croatia is currently implementing the idea of establishing a kind of “one-stop shop”, an idea first mooted in 2001, in the course of project funding from the World Bank. According to plans, the system should be in place in 2015, which means that guaranteed minimum income will be administered by county state offices, and no longer by social welfare centres. There are also plans that other welfare benefits, including those offered by county and local authorities, should be administered from these offices. While this could contribute to greater efficiency and transparency of cash benefits, it is too early to say whether this will reframe the system of social benefits in terms of a social investment approach.

²⁹ See Bouget et al. (2015), Annex 3, Table C11.

