



## **JOINT MEMORANDUM ON SOCIAL INCLUSION OF THE REPUBLIC OF CROATIA**

In line with the Accession Partnership, the Government of the Republic of Croatia, Ministry of Health and Social Welfare has drawn up a Joint Inclusion Memorandum, together with the European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, which is designed to assist Croatia to combat poverty and social exclusion and to modernise its systems of social protection as well as to prepare the country for full participation in the open method of coordination on social protection and social inclusion upon accession. The Memorandum outlines the principal challenges in relation to tackling poverty and social exclusion, presents the major policy measures taken by Croatia in the light of the agreement to start translating the EU's common objectives into national policies and identifies the key policy issues for future monitoring and policy review. Progress in implementing such policies will be assessed in the follow-up process to this Joint Inclusion Memorandum, taking account of developments in the EU social inclusion and social protection processes.

Mr Neven LjUBIČIĆ  
Minister of Health &  
Social Welfare  
of the Republic of Croatia

Mr Vladimir SPIDLA  
Member of the European Commission  
responsible for Employment, Social  
Affairs & Equal Opportunities

Zagreb, 5 March 2007

# JOINT MEMORANDUM ON SOCIAL INCLUSION OF THE REPUBLIC OF CROATIA

Glossary of acronyms.....	3
<b>1. ECONOMY AND LABOUR MARKET .....</b>	<b>4</b>
<i>1.1. General economic trends .....</i>	<i>4</i>
<i>1.2. Labour market.....</i>	<i>5</i>
<i>1.3. Social protection expenditure.....</i>	<i>8</i>
<b>2. DEMOGRAPHIC AND SOCIAL SITUATION.....</b>	<b>8</b>
<i>2.1. Demographic characteristics.....</i>	<i>8</i>
<i>2.2. Health.....</i>	<i>11</i>
<i>2.3. Education .....</i>	<i>12</i>
<i>2.4. Housing.....</i>	<i>13</i>
<i>2.5. Poverty and income inequality.....</i>	<i>15</i>
<i>2.6. Role of social protection in poverty prevention and alleviation.....</i>	<i>17</i>
<i>2.7. Social care services .....</i>	<i>18</i>
<i>2.8. Multi-deprived geographic areas.....</i>	<i>18</i>
<i>2.9. Transport.....</i>	<i>18</i>
<i>2.10. Vulnerable groups.....</i>	<i>19</i>
<b>3. KEY CHALLENGES .....</b>	<b>20</b>
<i>3.1. Development of an inclusive labour market and promotion of employment as a right and opportunity for all citizens.....</i>	<i>20</i>
<i>3.2. Overcoming educational deficiencies .....</i>	<i>20</i>
<i>3.3. Equal access to health services .....</i>	<i>21</i>
<i>3.4. Adequate housing for all .....</i>	<i>21</i>
<i>3.5. Accessible and adequate social services.....</i>	<i>21</i>
<i>3.6. Guaranteed minimum livelihood for all through work and/or the social protection system .....</i>	<i>21</i>
<i>3.7. Balanced regional development and revitalisation of multi-deprived areas .....</i>	<i>22</i>
<b>4. POLICY ISSUES .....</b>	<b>22</b>
<i>4.1. Enhancing participation in the world of work .....</i>	<i>22</i>
<i>4.2. Access to social services and social protection benefits .....</i>	<i>28</i>
<i>4.2.2. Child and family benefits and child care .....</i>	<i>29</i>
<i>4.3. Preventing the risk of exclusion.....</i>	<i>37</i>
<i>4.4. Assistance for the most vulnerable groups .....</i>	<i>41</i>
<i>4.5. Deprived areas and regional differences .....</i>	<i>48</i>
<i>4.6. Mobilising all relevant stakeholders and resources .....</i>	<i>50</i>
<b>5. PROMOTION OF GENDER EQUALITY IN COMBATTING POVERTY AND SOCIAL INCLUSION.....</b>	<b>52</b>
<b>6. STATISTICAL SYSTEMS AND INDICATORS.....</b>	<b>53</b>
<b>7. SUPPORT FOR SOCIAL INCLUSION POLICIES THROUGH THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA) .....</b>	<b>55</b>
<b>8. CONCLUSIONS .....</b>	<b>57</b>
<b>STATISTICAL ANNEX.....</b>	<b>62</b>

## Glossary of acronyms

ALMP	Active Labour Market Policy
APEP	Annual Promotion Employment Plan
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBS	Croatian Bureau of Statistics
CEB	Council of Europe Development Bank
CEECs	Central and Eastern Europe Countries
CES	Croatian Employment Service
EC	European Commission
EIB	European Investment Bank
EMU	Economic and Monetary Union
ESF	European Social Fund
EU	European Union
EU-15	15 “old” Member States of the European Union (pre-May 2004)
EU-25	25 Member States of the European Union (after enlargement on 1 May 2004)
EU-SILC	EU Survey on Income and Living Conditions
GDP	Gross Domestic Product
HBS	Household Budget Survey
ICT	Information and Communication Technologies
IDP	Internally Displaced Persons
ILO	International Labour Organisation
IMF	International Monetary Fund
IPA	Instrument for Pre-accession
LFS	Labour Force Survey
NAEP	National Action Employment Plan
NGOs	Non-governmental organisations
NMS	New Member States (the 10 new Member States that joined the European Union in May 2004)
OMC	Open Method of Coordination
OSCE	Organisation for Security and Cooperation in Europe
PHARE	Poland and Hungary: Assistance for Restructuring their Economies
PHC	Primary Health Care
POS	State-subsidised Housing Construction
PPS	Purchasing Parity Standard
SME	Small and Medium-sized Enterprises
UNDP	United Nations Development Programme
WB	World Bank

## 1. ECONOMY AND LABOUR MARKET

### 1.1. General economic trends

In the 1990s, the gross domestic product (GDP) and industrial production plummeted, primarily due to the war. Total GDP in 1999 was only 78% of the GDP recorded in 1989. The radical decline in living standards was evident in GDP per capita, which in 1993 was below €1 950. In 2002, however, the growth rate was 5.6%, indicating a mild recovery in the economy relative to the previous period. In 2003-2005, economic growth slowed again (Table 1). In recent years, growth has been based largely on domestic demand. In 2005, GDP per capita (in PPS) was 47% of the EU-25 GDP per capita (comparable to that of Poland, the Baltic States and Slovakia, but exceeding that of Bulgaria, Romania and Turkey)<sup>1</sup>. In the years 2006-2008, GDP is expected to grow by 4.5-4.6% annually.<sup>2</sup> Continued strong credit growth and consumer confidence, payments to pensioners to make up pension shortfalls, and an increase in wages and social transfers will help boost the growth of private consumption to 4% in 2006 and 4.4% in 2007. According to estimates by the European Commission (EC)<sup>3</sup>, average public consumption will grow by 2.5% in 2006 and by 2.7% in 2007, compared to 0.8% in 2005.

In 2005, the rate of change in general price levels, measured by the growth of the basic inflation index, was 3.3%. Compared to the other countries of Central and Eastern Europe (CEECs), Croatia was among those with the lowest inflation. Annual inflation in the Eurozone<sup>4</sup> and EU-25 was 2.2%. In the CEECs, higher inflation rates were recorded in the Slovak Republic (4.3%) and Hungary (3.2%), while lower rates were registered in Poland and Slovenia (1.2%). Within the EU-15, the lowest annual rates were observed in Finland (1.2%), Sweden (1.4%) and Germany (2.0%)<sup>5</sup>. Gross external debt in Croatia has continued to rise recently, although its growth has decelerated. Total external debt by the end of 2005 was €25.5 billion (approximately 82.5% of GDP).

After annual growth rates of 6% and 5.4% in 2001 and 2002, industrial production slowed down in 2003 (4.1%), a trend that continued into 2004 (3.7%). This trend was reversed in 2005 (growth of 5.1%). After an extraordinarily sharp increase in overnight stays in 2000 and 2001, tourism has in subsequent years experienced somewhat slower, but still very strong growth at a rate of approximately 3-4%. This growth was again very strong in 2005, when tourist overnight stays increased by 7.6%. A roughly similar trend was evident in retail turnover, which, following high rates of growth from 2000 to 2002, has subsequently maintained an annual level of growth of about 3%. The construction industry recorded a significant slowdown in 2004 and 2005, the primary cause being lower investment in the construction of road infrastructure.

---

<sup>1</sup> Unofficial (underground, grey) economy not included. According to the research and estimation of the Institute of Public Finance, Zagreb and the Economic Institute, Zagreb, it is in the scope of 10-15% of the GDP.

<sup>2</sup> European Commission, Autumn 2006 Economic Forecast

<sup>3</sup> European Commission, Autumn 2006 Economic Forecast.

<sup>4</sup> The eurozone comprises: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

<sup>5</sup> Prices, Statistics in focus, Table II, Harmonised Indices of Consumer Prices, Rates of Change. Economy and Finance 24/2006, author Christine Wirtz, Eurostat and European Communities, available online at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-NJ-06-024/EN/KS-NJ-06-024-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-NJ-06-024/EN/KS-NJ-06-024-EN.PDF).

According to the only available data for the year 2002, GDP per capita in the richest county, Zagreb City, (HRK 71 111 or € 9 597), was more than three times that in the poorest county, Vukovar-Sirmium (HRK 23 400 or € 3 158).

Wages and salaries in Croatia are relatively high on average, higher than in practically all the other transitional countries of Central and Eastern Europe.<sup>6</sup> In 2000, industrial workers in Croatia earned on average just under €465, which exceeded by 50-100% the earnings of their counterparts in Croatia's closest competitors such as the Czech Republic (€315), Hungary (€290) or Slovakia (€240), and by almost fivefold the earnings of their counterparts in Bulgaria or Romania (€100). Croatia has maintained its relative position until the present day, despite its policy of restricting labour costs in recent years. Average monthly net pay per employee at the end of 2004 was about € 600. Total labour costs (wages/salaries plus various social security contributions) in Croatia in the year 2004 were around €935, lower than in the EU-15 (€2 767) and Slovenia (€1 298), but much higher than in the Slovak Republic (€536), Hungary (€551), Serbia and Montenegro (€330), Bulgaria (€276) and Romania (€204).

Women in Croatia earn on average 11% less than men. In the low-income bracket, the difference between men's and women's wages is approximately 10%, while in the highest income brackets the gap widens to 20%. Gender-related earnings disparities are the consequence of the segregation into low-paid jobs as well as direct wage discrimination.

## 1.2. Labour market

In the Republic of Croatia, there are two sources of (un)employment statistics. Firstly, there are the official unemployment data of the Croatian Employment Service (CES). Secondly, there are a set of indicators derived from the Labour Force Survey (LFS), which has been conducted since 1996 by the Croatian Bureau of Statistics (CBS), whose methodology is harmonised with the rules and instructions of the ILO and Eurostat to ensure methodological comparability with the studies conducted by EU countries.

Table 2 shows employment and unemployment trends in Croatia in recent years according to the administrative data. The significant revival of economic activity in the late 1990s and early 2000 was not accompanied by stronger and faster employment growth, although the number of unemployed decreased slightly. According to the LFS, the relatively low total activity rate of 53.4% in 2002 increased slightly to 54.8% in 2005 (Table 3). Croatia has a relatively high participation rate among the male population (60.9%), about 10% lower in comparison with 71.3% in the EU-25, but a very low participation rate among the population aged 55-64 (31.5% in comparison with 42.5% in the EU-25) and among young people (15-24). The employment rate in 2005 was much higher for the male population (60.9%) than for the female population (49.2%). In 2006, employment is expected to increase by 1.5%, in 2007 by 1.8% and in 2008 by 0.8%, with the unemployment rate falling to 10.7% by 2008 (2006 – 11.5%, 2007 – 10.9%).<sup>7</sup>

The structure of employment by economic activity (Table 4) shows that Croatia has higher shares in agriculture and industry (in 2004, 16.5% and 29.9%) in comparison with the EU-25

---

<sup>6</sup> Rutkowski, J. (2003) Analiza i prijedlozi poboljšanja tržišta rada u Hrvatskoj, *Financijska teorija i praksa*, 27 (4): 495-513.

<sup>7</sup> European Commission, Autumn 2006 Economic Forecast.

(2004: 5.0% and 24.9%), while it has a lower share employed in services (53.7% in 2004, compared with 70.1% in the EU-25).

After a decade-long decline in the number of employed persons, the trend was reversed in 2001 and employment started to grow. Once the growth in registered unemployment stopped, the number of unemployed persons started to decline in March 2003, at first slowly and then at an increasing rate. The decrease in the total number of unemployed persons registered by the CES was 6% in 2004 and 0.4% in 2005. With the reduction in the number of unemployed persons and an increase in the number of employed persons, the administrative unemployment rate fell slightly from 18.0% in 2004 to 17.9 % in 2005. According to LFS data, the unemployment rate was 14.1% in 2003, and 13.6% in 2004 (Table 3).

In terms of registered unemployment, almost 18% at the end of 2005, Croatia was among the Central and Eastern European countries with the highest rates. However, in terms of the LFS unemployment rate — which does not reflect the specific features of national systems<sup>8</sup> and therefore provides a much better basis for comparison — Croatia did not differ much from the other countries in the group. In 2005, the LFS total unemployment rate in Croatia was 12.7% (CBS), compared with 7.8% in the EU-15 and 8.6% in the EU-25. Of the NMS, Poland had the highest unemployment rate (17.0%), followed by the Slovak Republic (15.5%). The lowest unemployment rates were recorded in Slovenia (6.7%) and in Hungary (7.4%)<sup>9</sup>

Unemployment in Croatia is the result of a lack of structural change in the economy. The destruction of jobs following the liquidation and bankruptcy of a large number of companies has not been matched by sufficient job creation in the private sector. Relatively high real wages, institutional rigidities and widespread skill mismatches appear to be major impediments to a more dynamic labour market performance. And even though the number of unemployed has been decreasing over the past few years, women continue to dominate this group and their share is increasing.

As regards age, the unemployment rate among young persons aged 15-24 has significantly decreased, while the number of unemployed has remained fairly stable among persons of middle age (aged 30 to 40) but has sharply increased among persons above the age of 50 (Table 5) Consequently, due also to the decline in the total number of unemployed, the proportion of older persons in overall unemployment has risen to over one fifth.

Although there has been an absolute decline in the number of unemployed young persons according to the administrative figures, their position in the labour market remains very unfavourable. The situation is particularly unsatisfactory if one bears in mind that Croatia's youth unemployment rate (33.4% in 2004 and 32.6% in 2005) is almost twice as high as in the EU-15 (16.6%) and the EU-25 (18.7%) in 2004<sup>10</sup>. The youth unemployment ratio that

<sup>8</sup> The specific characteristics of national systems for recording unemployment primarily relate to incentives or disincentives to register, in the form of benefits and duties, respectively, for the registered unemployed.

<sup>9</sup> Harmonised unemployment - Total - Rate – SA, available online at [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,39140985&\\_dad=portal&\\_schema=PORTAL&screen=detailref&language=en&product=EUROIND\\_LM&root=EUROIND\\_LM/euro\\_lm/lm\\_un/lm010rt](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=EUROIND_LM&root=EUROIND_LM/euro_lm/lm_un/lm010rt).

<sup>10</sup> European Commission (2006) *Employment in Europe*, [http://ec.europa.eu/employment\\_social/employment\\_analysis/employ\\_2005\\_en.htm](http://ec.europa.eu/employment_social/employment_analysis/employ_2005_en.htm).

represents the unemployed aged 15-24 as a percentage of the total population of this age group has decreased from 13.2% in 2004 and 12.3% in 2005 to 9.6% in the second quarter of 2006.

In addition to a higher rate of overall unemployment in comparison with the average values for other countries, Croatia has also seen a slight increase in long-term unemployment (Tables 3 and 6). The relatively high level of long-term unemployment in Croatia is the consequence of more limited labour flows, or a lower number of newly employed together with a slight reduction in the number of those quitting their jobs. Long-term unemployment particularly affects women: in 2005, for example, 43.5% of unemployed women and 39.4% of unemployed men had been unemployed for over 2 years (Table 6).

Certain groups such as persons with care duties and labour market outsiders (people with disabilities, young people without previous working experience, or the elderly) are vulnerable to exclusion from the labour market. The Roma community is facing difficulties in getting access to employment. A recent report by the UNDP<sup>11</sup> shows that the Serbian minority also faces difficulties in some areas.

Table 7 presents data on the structure of employment and unemployment by level of education in 2005. Although persons with secondary vocational education are the largest group among the unemployed, the greatest difficulties in finding a job are nevertheless experienced by persons with a lower level of education. The majority of persons of working age who are inactive have either very little education (primary education or only a few years schooling), or very limited vocational knowledge and skills.

The 2004-2005 National Employment Action Plan for the Republic of Croatia devoted some attention to the issue of the “poverty and unemployment trap”. To make work pay, several counties have introduced policies (financial incentives) to enhance employment opportunities for marginal groups in the labour market. Such policies may increase in-work incomes and so improve work incentives for those receiving only out-of-work incomes.<sup>12</sup>

The total labour tax wedge in 1995 amounted to 48% of total labour costs, which was exceptionally high even by the standards of the 'old' EU Member States and the transition countries. By 2001, the tax wedge had fallen to 41% and has continued to fall since. Croatia's consistent policy over the years to cut non-wage labour costs reduced the labour tax wedge to about 39% in 2005.

While there has been no minimum wage in Croatia since the beginning of 1996, there is a 'lowest wage' (the lowest rate to be paid for full-time work, and the threshold for paying social contributions). It is determined by Government decision at the beginning of the year, and is now around €280.

Croatia also has great regional differences in employment and unemployment (Table 8). Zagreb offers many employment opportunities. In Istria, employment and development

---

<sup>11</sup> Human Development Report Croatia, 2006: Unplugged: Faces of Social Exclusion in Croatia, [http://www.undp.hr/upload/file/130/65078/FILENAME/WEB\\_engleska\\_verzija.pdf](http://www.undp.hr/upload/file/130/65078/FILENAME/WEB_engleska_verzija.pdf)

<sup>12</sup> The Institute of Public Finance in Zagreb is carrying out a project on how to “make work pay” in Croatia (commissioned by the Ministry of Finance). The project should be completed in the first half of 2007 and measures to tackle the poverty and unemployment trap will be proposed.

opportunities are linked to the sector of tourism, Mediterranean-styled agriculture, fishing, and a firmly established entrepreneurial culture. Central Dalmatia is still feeling the consequences of the war. Production capacities have been depleted, but recovery is expected after the construction of motorway infrastructure and the renaissance of tourism. Sparsely inhabited islands are economically weak and dependent on state aid. In the southern part of the region, the economy is recovering and tourism is experiencing strong growth. Although the labour market differs greatly between regions and counties, it is generally far weaker in the rural than in the urban areas. The highest unemployment rates are recorded in the counties of Vukovar-Sirmium and Sisak-Moslavina, while the lowest are found in Istria county and Zagreb City.

### 1.3. Social protection expenditure

In 2003 and 2004, social protection expenditure accounted for about 23.5% of GDP (Table 9), which is 4.5 percentage points below the average for the EU-25 (28% of GDP in 2003). The share of total expenditure includes expenditure on war veterans (about 1.5% of GDP) and on refugees and IDPs. There has been an obvious downward trend in social protection expenditure since 2001. The share of social protection expenditure in GDP fell in 2004 by more than 3 percentage points in comparison with 2001. This trend was primarily the result of declining pension insurance costs and a faster growth in GDP. The decrease in pension expenditure was the result of the delay in bringing pensions into line with the growth in salaries and living costs and the lower pensions received after 1999. Nevertheless, Croatia has higher social expenditure than any of the NMS (except Slovenia)<sup>13</sup> and the countries of South-East Europe (in 2003, expenditure in Bulgaria and Romania was 17.6% and 16.1% of GDP, respectively)<sup>14</sup>. From Figure 1, which shows the structure of social protection expenditure, it is evident that the pension and health systems absorb over 80% of total expenditure, with pension expenditure accounting for over half of total expenditure on social protection. In 2004, total public health expenditure was around 7.5% of GDP, which is a significant drop in comparison to 2000 (10% of GDP)<sup>15</sup>. Unlike other countries, Croatia is forced to spend significant amounts to meet the needs of war veterans and war victims (around 6% of total social expenditure).

## 2. DEMOGRAPHIC AND SOCIAL SITUATION

### 2.1. Demographic characteristics

In 2004, Croatia had a population of 4 439 000, compared with 4 437 460 inhabitants according to the 2001 census (Table 10). As regards gender structure, women accounted for 52% and men for 48% of the population in 2001. In terms of ethnic composition, the most numerous were Croats (89.63%), followed by Serbs (4.54%), Bosnians (0.47%), Italians (0.44%), Hungarians (0.37%), Albanians (0.34%), Slovenians (0.3%) and others. Although the 1991 and 2001 censuses are not completely comparable, due to methodological reasons, there have since been significant changes with the number of Serbs declining from about 12% and the number of Croats rising from 78%. Serbs are mostly concentrated (over 10%)

---

<sup>13</sup> Source: Eurostat (2005) Social protection in the European Union, *Statistics in focus* 14/2005.

<sup>14</sup> Source: ILO (2005) *Social Security Spending in South Eastern Europe: A Comparative Review*. Budapest: International Labour Office.

<sup>15</sup> Source: CBS. Note: Unlike functional classification in Table 9 (IMF GFS 1986 classification), total public health expenses here include expenses not only on health care services but also on cash benefits (e.g. maternity and sick leave benefits).



in the counties of Vukovar-Sirmium, Sisak-Moslavina, Lika-Senj and Karlovac. Bosnians are concentrated (above 1%) in Istria county and Dubrovnik-Neretva county, Italians in the counties of Istria and Primorje-Gorski Kotar, Czechs in Bjelovar-Bilogora county, and Hungarians in the Osijek-Baranja and Vukovar-Sirmium counties. In 2001, there were 9 463 Roma, or 0.21% of the total population, although it is known that many Roma either are not registered or fail to declare themselves as Roma (some estimates put their number in Croatia at 30 000-40 000).<sup>16</sup> Roma are by far the most numerous in the county of Međimurje (2.44% of the total population), which is the only county where they account for over 1% of the population. Over half of all Roma living in Croatia live in the counties of Međimurje and Zagreb City.

Looking at the changes in age group composition, the most obvious trend is the ageing of the population, which is best illustrated by the fact that in 2004 the shares of young persons (between 0 and 14 years of age) and older persons (65+) were practically the same. In this respect, Croatia is similar to the majority of European countries, where older persons account for about 16.5% (EU-25) or 17% (EU-15) of the population. As many as sixteen Croatian counties have over 15% of their population in the oldest age group. The highest share is recorded in the county of Lika-Senj with 22.7%, followed by Karlovac, Šibenik-Knin and Sisak-Moslavina counties. The number of older persons is also growing relative to the economically active population (Tables 10 and 11). Within the economically active population, there is a slightly higher proportion of persons of middle age (40-49 years: 28.2%) and a lower share for the 50-64 group. Demographic forecasts indicate that the ageing of the population will continue: by 2031, the share of older people in Croatia could range from 21.8% (best-case scenario) to as much as 25.4% (worst-case scenario).<sup>17</sup>

The main cause of these unfavourable demographic trends is the negative natural population growth (-2.1% in 2004 and -2.9% in 2003). The natural population growth was positive in 105 towns/municipalities, but negative in as many as 433 towns/municipalities and Zagreb City, while 11 municipalities had zero growth. Croatia's vital index (number of new-borns per 100 deaths) is 81. As many as 14 counties have a vital index below the Croatian average.

The unfavourable demographic trends are also illustrated by the low total fertility rate (1.35). The average age of women at first childbirth has increased along with the decline in fertility — it is now slightly above the age of 26. In comparison with Croatia, the EU-25 has a fertility rate of 1.5 (1.52 in the EU-15).

The post-communist countries generally have lower migration rates. In Croatia, it is still positive (more people are migrating to the country than out of it), but this fact cannot compensate for the negative natural population growth (Table 12). The majority of migrants are Croatian citizens (88.6% in 2003) moving into Croatia from the neighbouring Bosnia and Herzegovina (59% of the total number of new immigrants in 2003, and 60.6% in 2004), followed by immigrants from Serbia and Montenegro and Germany. In view of this fact, immigration flows may be expected to subside, unless unforeseen events bring about increased inflows of non-Croatian citizens from other countries. By country of emigration,

---

<sup>16</sup> Comp. Pokos, N. (2005) Demografska analiza Roma na temelju statističkih podataka. In: Štambuk, M. (ed.) *Kako žive hrvatski Romi*. Zagreb: Institute for Social Sciences Ivo Pilar.

<sup>17</sup> Comp. Mrđen, S. (2005) Projekcije stanovništva Hrvatske do 2031. godine. In: Živić, D., Pokos, N., Mišetić, A. (eds) *Stanovništvo Hrvatske – dosadašnji razvoj i perspektive*. Zagreb: Institut društvenih znanosti Ivo Pilar.

the highest outflows in 2004 were to Serbia and Montenegro (27.6%), Bosnia and Herzegovina (18.3%), Austria (14%), and Germany (13.8%). Of the total number of immigrants into the Republic of Croatia in 2004, Zagreb City had the highest proportion (23.5%), followed by Split-Dalmatia county (17.3%), and Zadar county (7.4%). Looking at the migration outflow from the Republic of Croatia, Zagreb City again has the highest share (16.6%), followed by Virovitica-Podravina county (9.8%) and Osijek-Baranja county (9.1%). Going by age group, all age groups are represented among those emigrating abroad, even the oldest (65+), which indicates that migration flows are still strongly influenced by the return of persons displaced by the war.

There have also been internal migration flows within Croatia from 1994. These flows reached a peak in 2003, when 84 444 persons changed their place of residence, compared to 79 800 in 2004. The greatest migration between cities/municipalities within a county was recorded in Split-Dalmatia county and Međimurje county, while the greatest inter-county migration was recorded by Zagreb City and the county of Zagreb.

Life expectancy for men is 72 years of age, and for women 79. This is slightly below the EU average. In the EU-25, it is 74.9 for men and 81.3 for women, while in the EU-15 it is 75.9 for men and 81.8 for women (2003). The EU-15 data show that improvement in the quality of the health care system and general welfare is reflected both in increased life expectancy and in a smaller gender-based difference — in Croatia, this difference is 7 years, compared with 6.4 years in the EU-25 and only 5.9 years in the EU-15.

The number of marriages has been slowly but steadily declining: in 1990, there were 5.8 new marriages per 1000 inhabitants, but only 5.1 in 2004. This rate is only slightly above the EU average (4.8 for the EU-25 and 4.7 for the EU-15). Out of 1000 marriages, 219 will end up in divorce, i.e. the rate of divorce per 1000 persons in Croatia is 1.1 in comparison with 2.1 in the EU-25 and EU-15. Based on the number of divorces and the number of children born out of wedlock (10.4% in 2004 in comparison with 31.6% for the EU-25 and 32.8% for the EU-15), Croatia may be considered a more traditional country.

Unfavourable demographic trends are reflected both in the type and structure of households and families (Table 13). According to data from the 2001 census, 44.4% of households have only one or two members, 19% have three members, 20.6% have four members and only 16% of households have more than four members. When compared to 1991, the proportion of single-person households increased by as much as 3%, and the proportion of two-person households by 1.1%. The highest proportion of single-person households, a category that is particularly important for the capacity to meet social needs, is found in Lika-Senj county (26%), followed by Karlovac and Sisak-Moslavina counties and Zagreb City. The situation is similar when it comes to the type of family (based on the number of children), with one-child families (33.6%) and two-child families (29.7%) predominating. In comparison to 1991, the only change that occurred was the increase in the number of families with three or more children by almost 2%. Particular attention needs to be given to the proportion of single-parent families, whose number has been rising (12.5% of single mothers with children and 2.5% single fathers with children), although their number is still significantly below the average for many European countries. Their percentage is highest in Zagreb City.

Demographic developments differ greatly from one part of the country to another, but since Croatia does not collect information on a regional basis (with the exception of certain data

collected by counties), it is not possible to comment on those differences here. However, the frequent mention of Karlovac, Lika-Senj and Sisak-Moslavina counties (regarding unfavourable demographic trends) is worth noting.

## 2.2. Health

The above-mentioned data on life expectancy provide an indication of the health situation in the country. However, the situation is much more easily discernible from other data such as the mortality rate (11.7 in 2005, the mortality rate in the 65+ age group (54.4% in 2005), the infant mortality rate (5,7 in 2005) and the perinatal mortality rate (6.4 in 2005) (Table 14). A comparison of these rates with those of other countries shows how much room for improvement there is in health care for individual population groups (particularly infants and old people). For instance, the infant mortality rate for the EU-25 is 5.3 (2003), or 5.2 (2005) and for the EU-15 4.5 (2003), although in most of the post-communist countries it is around 7. There is particular scope for improvement in neonatal intensive care and therapy because early neonatal death is significantly higher in Croatia than in many European countries<sup>18</sup>.

The list of ten leading causes of death indicates that ischemic heart disease, cerebrovascular diseases, heart failure and malignant neoplasms (Table 15) represent the greatest risks. Three quarters of all deaths are caused by circulation diseases and malignant neoplasms. The third leading cause of death is respiratory diseases. It is interesting to note that pneumonia, bronchitis, emphysema and asthma are increasingly frequent causes of death. Mental disorders as a group were among the seven leading causes of hospitalisation in 2005, with two thirds of all such cases involving alcoholism, schizophrenia, depressive disorders and reactions to severe stress, including Post-traumatic Stress Disorder (PTSD).<sup>19</sup> The number of suicides has been fluctuating, as by standardised by age has the rate of suicides per 100 000 inhabitants. In 2005, it was significantly above the EU-25 average (17.0 in comparison to 11.2), although lower than in neighbouring Slovenia (22.0) and Hungary (23.2). The results of the First Croatian Health Project study show that 27.7% of persons aged 18 to 65 have increased blood pressure (31.9% of men and 23.6% of women), 34.1% of men and 26.6% of women are smokers, 31.1% of men and 15.2% of women are obese, while only 17.1% of men and 4.3% of women engage in physical activity.<sup>20</sup> Unfortunately, we do not have any data on the socio-economic aspects of the individual causes of death, which would give a much better indication of the main targets for preventive action.

The issue of prevention is particularly pressing in the case of young people, as regards smoking, drinking and use of drugs. The data from a 2003 ESPAD study indicate that young people in Croatia essentially do not differ from young people in other European countries when it comes to risky behaviour, although there are some data that give cause for concern: Croatians are heavier smokers than average Europeans and, by frequency of alcohol abuse, Croatia is ranked eighth among 35 countries, with strong upward trends in drinking frequency and use of marijuana in recent years.<sup>21</sup>

---

<sup>18</sup> Comp. *Izveštće o umrlim osobama u Hrvatskoj u 2005. godini* Zagreb: Croatian Institute for Public Health.

<sup>19</sup> Comp. *Mentalne bolesti i poremećaji u Republici Hrvatskoj (2005)* Zagreb: Croatian Institute for Public Health.

<sup>20</sup> Comp. *Odgovori Hrvatske na upitnik Europske komisije. Socijalna politika (2004) Revija za socijalnu politiku*, 11(2):193-220.

<sup>21</sup> Comp. Summary of ESPAD research results in 2003, [www.hzjz.hr](http://www.hzjz.hr).

About 97% of population is covered by compulsory health insurance, with non-coverage mainly due to failure to register for health insurance. According to the data from the first health self-evaluation in 2003, most of the population rated their health as good or very good, although 26% rated it as mediocre and approximately 14% as bad and very bad (Table 16). This distribution of replies is very similar to the results of the EU-15 health self-evaluation in 2001. The UNDP Quality of Life Surveys 2006 show that the mean value for the quality of the national health service is 5.2, somewhat lower than the value of 6.2 for the EU-25 (Table 24). Some other researchers point to different impacts of out-of-pocket healthcare costs on different income groups: low-income groups reported more co-payments (including gifts and “gratitude money”) and less use of specialist services.<sup>22</sup> In the coming years, some aspects of health self-evaluation will need to be examined in more detail (socio-economic and regional differences), along with the accessibility and quality of health care enjoyed by certain groups of population, such as the impact of long waiting lists and unofficial payments. Waiting lists exist and are long for some procedures, but are not published in a transparent way or analysed. The same is true for unofficial payments, which have to be addressed more seriously, as well as the differences in health status between the counties that were affected by the war and those that were not.<sup>23</sup>

### 2.3. Education

The educational structure of the population has improved compared to 1991 but is still unfavourable (Table 17). However, the most disadvantaged group are aged 65+, while data on the education of younger people (Table 18) show a more favourable picture. According to the 2001 census, 1% of those between 15 and 64 have attended no school, 8.8% have not completed primary school education, and 23% have completed no more than primary school. 53% of those aged between 15 and 64 have secondary school qualifications while 13% are educated above secondary-school level. As regards the younger age groups, Croatia is similar to or is doing even better than the EU countries: in Croatia in 2003, 91% of the population aged 20 to 24 had completed at least upper secondary education in comparison to 73.9% in the EU-15 and 76.9% in the EU-25. Nonetheless, it is quite clear that the population with no more than primary school education will have great difficulties in finding employment, along with those possessing qualifications not demanded on the labour market. Where gender differences are concerned, the overall educational level of women is lower than that of men, but in the younger age groups this difference has disappeared, and both sexes have a very similar level of education.

Data on the proportion of children and young people in education or the schooling completion rate are neither collected nor published following a common methodology, which poses a great obstacle to any attempt to analyse the efficiency of the Croatian school system. According to the most recent data from the Ministry of Science, Education and Sport, the least favourable situation is found in pre-school education, which is attended by only 43% of pre-school children, a proportion significantly lower than in the EU-25 (86%) or the EU-15 (91%)., There are simply no facilities to allow higher participation rates, which

---

<sup>22</sup> Comp. Mastilica, M. and Božikov, J. (1999) Out-of-Pocket Payments for Health Care in Croatia: Implications for Equity, *Croatian Medical Journal* 40(2):152-159; Mastilica, M. and Kušec, S. (2005) Croatian healthcare system in transition, from the perspective of users, *British Medical Journal* 331:223-227.

<sup>23</sup> The research conducted from 1997 until 1999 indicated a statistically significant difference in five out of nine health assessment indicators in three war-affected counties (Šibenik-Knin, Vukovar-Sirmium and Osijek-Baranja) compared to three counties that were not directly war-affected (Zagreb, Koprivnica-Križevci and Primorje-Gorski Kotar). Comp. Babić-Banaszak et al. (2002) Impact of War on Health Related Quality of Life in Croatia: Population Study, *Croatian Medical Journal*, 43(4):396-402.

indicates that the local authorities in charge of pre-school education have to be much more involved in these issues. Primary school is attended by 98% of school-age children, 96.5% of whom also successfully finish it. 94% of children continue their education in secondary school, while 79.2% of those enrolled finish it.<sup>24</sup> In this respect, Croatia does not differ significantly from the EU average. Official data on early school-leavers are also favourable, as only 4.8% of the population aged 18-24 have only lower secondary education at most and are not in further education or training.

Within secondary school education, most pupils attend three-year and four-year vocational schools (70.1%), with the remainder in grammar schools (25.5%), art schools (2.2%) and programmes for semi-skilled training as well as programmes for pupils with developmental difficulties (2.2%).

As regards tertiary education, worth noting is the very high enrolment level: in the 2004/2005 academic year, 72.5% of those who finished secondary school (that year or earlier) enrolled in an institution of higher education or a college. That is very probably connected with the fact that 5 new polytechnics and 4 independent high schools were established from 2005. According to estimates by the Ministry of Science, Education and Sports, the actual duration of university study is 7.1 years, and about 60% of enrolled students complete their studies. In future, however, more detailed data will have to be collected and analysed in terms of the length of the various university and college programmes.

There are no data on the education of adults except for absolute figures by education level on financing from the State budget: in the 2003/2004 academic year, 6 004 adults attended secondary school education and 2 272 adults finished secondary school in the same year. There are about 500 institutions which offer programmes for adult education. However, EUROSTAT data on life-long learning indicate that in 2004 only 2% of the population aged 25 to 64 participated in some sort of additional training, which is very low in comparison to the EU-25 (10.3%) or the EU-15 (11.1%).

Concerning information technology, there were 29.51 Internet users per 100 people in Croatia in 2004, which is better than in Hungary (26.74) or Bulgaria (28.35), but not as good as in Slovakia (42.47) or Slovenia (47.96).<sup>25</sup>

#### **2.4. Housing**

Housing status in Croatia has been greatly affected by the mass privatisation of the formerly state-owned housing stock, so that today nearly 83% of the population fully or partly own their homes (Table 19). Only 3.3% are tenants paying preferential rents and only 3.7% are tenants with a freely arranged rent or subtenants occupying part of a dwelling, although their actual number is probably higher.

Tenants paying a preferential rent in fact live mostly in social housing, although the concept as such does not exist in Croatian legislation and there is no programme for needs assessment or any social housing scheme. This may also be the reason why there are very few such tenants. In the city of Zagreb, the proportion amounts to 3.4%, which implies that

---

<sup>24</sup> Source: Ministry of Science, Education and Sport (2005) *Vodič kroz Hrvatski nacionalni obrazovni standard za osnovnu školu*. Zagreb.

<sup>25</sup> Data from the International Telecommunication Union's website, [www.itu.int](http://www.itu.int).

the share of social housing in Zagreb and other towns in Croatia is much smaller compared to other big cities in European countries, since cities as a rule have a greater need for social housing.<sup>26</sup> Social dwellings are being built only in some major Croatian towns, but it is hard to say to what extent this meets the need for such housing. The population therefore mostly has to rely on the free market, which is only to a small extent supported by a state-subsidised housing programme (construction of flats supported by state subsidies).

Financial aid for paying housing costs is financed from the budget of local government districts and in 2004 was granted to 27 484 recipients throughout Croatia (single persons and families). The number of fuel allowance recipients (financed from the county budget) totalled 42 820 in 2004. There are no analyses to show to what extent this aid meets the needs of current and potential recipients.

In Croatia, the structure and the quality of the housing stock are particularly critical.<sup>27</sup> One-room and two-room flats make up 45.6% of the total, and this share exceeds 50% in the counties of Karlovac and Lika-Senj and in the city of Zagreb. 10.6% of dwellings have no toilet, 11.6% have no bathroom, 6.4% have no water-supply system and 7.3% have no indoor plumbing. The proportion of dwellings with no toilet exceeds 20% in as many as six counties: Krapina-Zagorje, Koprivnica-Križevci, Bjelovar-Bilogora, Virovitica-Podravina, Požega-Slavonia and Brod-Posavina. The dwellings are about 40 years old, and the early 1990s saw a dramatic fall in newly constructed housing.

There are very few data on the number of homeless people in Croatia. According to the data provided by the Ministry of Health and Social Welfare, there are only 5 shelters in three towns (Osijek, Split, Zagreb), accommodating 154 persons on 31 December 2005. On the other hand, the results of the 2002 survey on the number and main characteristics of the homeless in the city of Zagreb indicate that the number of homeless living in Zagreb or staying there for a longer period of time is approximately four hundred.<sup>28</sup> While the existing accommodation capacities for the homeless in the city of Zagreb are insufficient, the inadequacy of the existing premises seems to be an even greater problem. The homeless are covered by the social assistance system either through permanent social assistance, food or accommodation in institutions, and mostly obtain meals at the Zagreb City soup kitchen, at two locations and at a few places under the auspices of the Catholic Church.

Although the Roma represent a small minority, their housing conditions are particularly bad. The survey conducted in 2004 showed that only 4% of the households represented in the sample (N=968) have the facilities to guarantee a hygiene standard necessary for normal living, i.e. connections for running water, electricity, sewage, and have a bathroom and toilet in the house.<sup>29</sup> Households with no connections are particularly prevalent in Varaždin and Međimurje counties.

---

<sup>26</sup> Comp. Bežovan, G. (2005) Procjena standarda stanovanja u Zagrebu kao razvojnog resursa, *Revija za socijalnu politiku*, 12(1):23-44.

<sup>27</sup> Comp. Bežovan, G. (2004) Stambena statistika – standard stanovanja u Hrvatskoj, *Revija za socijalnu politiku*, 11(2):267-279. See also the data from the UNDP Quality of Life Survey 2006, briefly presented in Table 24.

<sup>28</sup> Data from the survey of the homeless in Zagreb and accommodation capacities for homeless people were obtained from the City Office for Health, Work, Social Welfare and Homeland War Veterans.

<sup>29</sup> Comp. Miletić, G.-M. (2005) Uvjeti i stanovanje i stambene aspiracije Roma. In: Štambuk, M. (ed.) *Kako žive hrvatski Romi*. Zagreb: Institut društvenih znanosti Ivo Pilar.

## 2.5. Poverty and income inequality

The first national research into poverty in Croatia was conducted in 1998. Only since 2001, however, has it been possible to monitor the poverty indicators on the basis of a unified methodology. The **at-risk-of-poverty rate** varied between 17% and 18% in the period 2001-2005 (Table 20)<sup>30</sup> (in 2003 the average for the EU-25 was 16%, and for the NMS 15%). In 2003, moreover, the at-risk-of-poverty rate in Croatia was the same as in Romania (18%), slightly higher than in Bulgaria (13%) and considerably lower than in Turkey (25%). When the at-risk-of-poverty threshold is analysed for a household with two adults and two children, the figure obtained, 8 675 PPS in Croatia in 2003, is lower than in the EU-25 (54% of the EU-25 threshold value) and half the figure in the EU-15, but about 28% higher than the threshold in the NMS. Among the NMS, only Slovenia, Malta and Cyprus had a higher at-risk-of-poverty threshold (expressed in PPS). The threshold in Croatia is twice as high as that in Bulgaria, Romania or Turkey. Thanks to **income in kind** (own production in gardens, gifts in kind and the like), the at-risk-of-poverty rate was lower by 2 percentage points in 2004. Income in kind has the most impact on the at-risk-of-poverty rate among the self-employed (the rate went from 28.2% to 22.6% in 2004). The **relative at-risk-of-poverty gap** in 2004 was about 22% of the poverty line.

Income inequalities, as measured by the **S80/S20 quintile share ratio and Gini coefficient**, are also stagnating (Table 20). In the past four years, the **quintile ratio** has been 4.5 and the **Gini coefficient** 0.29. Although income inequalities in Croatia are mostly perceived as high, a comparison of the Gini coefficients for the year 2003 shows that income inequalities in Croatia are more or less the same as the average in the EU-15, the EU-25 or the NMS. Among the NMS, only Slovenia, Hungary, the Czech Republic and Cyprus had lower inequalities than Croatia. The 2003 Gini coefficient was slightly higher than in Bulgaria and considerably lower than in Turkey.

The at-risk-of-poverty rate would have been higher by about 26 percentage points in 2005 if **pensions and all other social transfers had been excluded** from income (Table 20). Expressed as a percentage of the at-risk-of-poverty rate before all transfers (including pensions), the reduction in the at-risk-of-poverty rate due to transfers was 60%. This reduction resembles the average for the EU-25 countries and is slightly lower than in the NMS. If pensions are included in income, the 2003 reduction in Croatia is higher than in the EU-25 thanks to the other transfers (of the NMS, only the Czech Republic has more effective transfers). On the other hand, however, Croatia has one of the lowest rate reductions due to old-age and survivors pensions (in 2003, 20.5% in Croatia but 37.5% in the EU-25). Social transfers are an important source of income for the poor (they make up 1/3 of their incomes, while the share of transfers in the income of the general population is half that figure) (Tables 25 and 26).

As regards **gender** (2005), the at-risk-of-poverty rate for women (18.9%) is slightly higher than for men (15.9%) (Table 21). It is noticeable that the disparity in the gender-related at-

---

<sup>30</sup> The poverty rates obtained are based on Eurostat methodology. Each year, the CBS collects data on household incomes and expenditures (household budget survey) and publishes the basic poverty indicators. In calculating the poverty rate the EU official poverty line was used (60% of median equivalent income) along with the modified OECD scale (first adult family member=1, other adults in the family=0.5 and children under 14=0.3).

In comparing the poverty and inequality indicators, one should bear in mind that the income concept in the EU-15 countries refers only to income in cash, while the definition of income in the EU-10, Croatia and other candidate countries includes both income in cash and income in kind (see note under Table 20).

risk-of-poverty rates has gone up in the past three years (lower than 1% in 2002 but standing at 3% in 2004 and 2005). However, the disparities in gender-related at-risk-of-poverty rates are not significant until old age. The at-risk-of-poverty rate for older women in single households is higher than that for men of the same age. Older women are without pension benefits more often than older men, and they receive lower pensions. As regards children up to the age of 15, their at-risk-of-poverty rate is about average.

Looking at **activity status**, the unemployed are the group with the highest relative poverty risk. Their at-risk-of-poverty rate in 2005 (33%) was almost twice as high as the average (17.5%). However, it seems that unemployment has a more negative impact on men than on women. Only in this group do men have a significantly higher relative poverty risk than women (36.9% compared to 30%). In 2005, the poverty risk for the self-employed fell below the average for the first time since 2001. The poverty risk for pensioners is slightly above the average, with no disparity between retired men and women. The poverty risk is similar for economically inactive persons, but within this category the economic situation of women is considerably less favourable than that of men (26.8% compared to 19.2%).

By **household type** (2005), single-parent households (with one or more dependent children) are in by the far worst situation (34.8%), followed by households with two adults and three or more dependent children (31%) and single households (31%). Women in single households face a significantly higher poverty risk than single men. The poverty risk is below average in households with two adults and one or two children (about 13%). Past analysis suggests that **elderly people** (especially elderly women) are exposed to a higher poverty risk. Within this category, however, one should distinguish between pensioners and those elderly persons who receive no pension at all (it is estimated that about 14% of people older than 64 receive no pension). Croatia does not have a state (social) pension yet, so these groups must look to the social assistance system, which provides very low benefits.

Disparities in at-risk-of-poverty rates between tenants and owners (including those whose housing is free) show that the position of the former is less favourable. However, these disparities should be interpreted cautiously, as the housing rental market in Croatia is underdeveloped and under-regulated.

Poverty among the **Roma** is considerably more widespread than in other groups or in society as a whole. Assuming the poverty line to be 60% of median per capita net income, 76% of Roma and 20% of non-Roma living close to Roma settlements live in poverty.<sup>31</sup> Roma poverty is often deep and permanent in character, affecting almost all aspects of the standard of living (housing, education, health and so on).

**The regional distribution of poverty** shows that poverty in Croatia is concentrated in rural areas.<sup>32</sup> The poverty rates in rural areas are three times the poverty rates in urban areas. About half of the poor live in the rural areas of central and eastern Croatia. The highest poverty rates are in the counties of Karlovac and Sisak-Moslavina, and the lowest in Zagreb City, Primorje-Gorski Kotar and Istria. The number of permanent social assistance beneficiaries is above average in the areas affected by the war (e.g. in Šibenik-Knin county the number of permanent social assistance beneficiaries is three times higher than the

---

<sup>31</sup> Source: <http://vulnerability.undp.sk>.

<sup>32</sup> Source: World Bank (2006) Croatia: Living Standard Assessment, Volume 2: *Background Papers*. Washington: WB.



average). The only county with an above-average number of beneficiaries and not affected by the war is Međimurje, where there is a great concentration of Roma.

## **2.6. Role of social protection in poverty prevention and alleviation**

There are four social protection schemes that are crucial in the fight against poverty: pension insurance, unemployment insurance, social assistance and family allowances (child allowances and maternity benefits). Mandatory **pension insurance** covers almost the entire active population. Pensioners make up a fourth of the population. The ratio between the number of pensioners and number of insurees is 1:1.4 (in 1990 this ratio was as high as 1:3). In such conditions, the amount of an average pension as a proportion of average pay (the replacement rate) has been decreasing (Figure 2). Pensions drawn after 1 January 1999 (after the new law on pension insurance came into force) have been lower by almost one fourth compared to pensions drawn before 1 January 1999. The main reasons for this are the increased retirement age, the abolition of some pension supplements included earlier in the pension base, and changes in the composition of pensioners (increased number of farmers and disability pensioners, who receive lower pensions with lower minimum rates). A significant number of pensioners live below the poverty threshold (accounting for about 1/3 of the poor). In the transitional period, some improvement is expected in the economic situation of some groups of pensioners as the government has taken on responsibility for making up the shortfall for pensioners brought about by the failure keep pensions in line with salary growth during the early 1990s. This measure could even deepen the gap between “old” and “new” pensioners.

The law on child allowance from 1999 (which came into effect in 2000) extended the right to child allowance to all children, regardless of the employment status of their parents (up to 2000, only the children of employed parents were entitled to child allowance). In addition, the way of financing the child allowance was modified: instead of being financed through contributions, it is now financed through taxes (budget). The new law on child allowance also made child allowance subject to a means-test (Table 22). In November 2005, about 440 000 children were covered by child allowances. When those children receiving allowance regardless of household income are excluded, 35% of children are from families whose income per household member is lower than 9% of the average net earnings in Croatia, and 54% of children are from families whose income per member is lower than 15% of average earnings. Annual expenditure on the child allowance system totals about € 197 million. Following legal amendments, the right to maternity benefit has also been extended to the unemployed, self-employed mothers and student mothers.

**Unemployment benefit** can be claimed by persons who have worked for 9 months in the 24 months prior to losing their employment. The maximum period for receiving unemployment benefit is 15 months (with certain exceptions). The minimum benefit is about 120 euros, and the maximum about 135 euros. In 2005, beneficiaries accounted for 24% of all registered unemployed persons (women made up 58% of all beneficiaries). The relatively poor coverage of unemployment benefit is due to the large number of long-term unemployed and young people entering the labour market for the first time, who are not entitled to unemployment benefit.

Social assistance benefits are extremely low and are not enough to meet minimum needs (expenditure on all social assistance benefits accounts for about 0.7% of GDP). In 2004, about 3% of the population received permanent social assistance (single households

accounted for almost half of all recipients, which is considerably higher than their share in the total number of households — 20.8% according to the 2001 census). Almost 30% of recipients have been on social assistance benefit for 5 to 10 years, while 94% have no earnings outside the social assistance system (Table 23). Unemployed persons account for about 45% of all permanent social assistance beneficiaries. Fewer than 2.5% of all children up to 14 years live in households that are permanent social assistance beneficiaries.

### **2.7. Social care services**

The social care services system used to be highly centralised, especially in the 1990s. There were very few NGOs for social service provision. After legal amendments in 2001, some **social service decentralisation** did take place (primarily in those services aimed at the elderly and infirm persons) and opportunities opened up for the private profit and non-profit sectors to enter this area. The Foundation for Civil Society Development encourages NGOs to join in the provision of services. Different government bodies give some financial support to NGOs and their programmes and projects which provide social services. Apart from an expanded circle of service providers, beneficiaries have more options and choices and the services are more able to accommodate user needs (individualisation).

The number of homes for the old and infirm has considerably increased, founded by individuals or NGOs (religious or humanitarian organisations, charities). However, the social service market is still underdeveloped, the demand for certain services surpasses supply and there are big differences in the prices of the services provided by government and non-government providers. There is also a growing need for certain institutions, especially institutions for the rehabilitation of addicts and homes for the victims of family violence.

### **2.8. Multi-deprived geographic areas**

In the Croatian policy for fighting poverty, an important role is played by geographic targeting. In Croatia, a geographically selective policy is primarily applied to those regions or areas previously exposed to war destruction (termed “areas of special state concern”), but also covers areas isolated in different ways (islands, mountainous or similar regions). The areas affected by the war face several problems: the economy has been ruined, parts of the land have not been cleared of mines, the population composition has changed, the areas are depopulated, etc. Geographic targeting has already been built into some packages of economic, income and social measures adopted by the Croatian government. These measures do not solely address poverty but also have demographic, economic, political and other implications.

### **2.9. Transport**

In some parts of Croatia (rural regions or regions bordering on the countries of former Yugoslavia), the transport infrastructure is underdeveloped, which for the population in these areas limits access to public services (health care, education) and to the labour market. Many islanders also have limited access to health care and other services, which are available only on the mainland, especially in the winter period when the ferry crossings are less frequent. In general, people with disabilities frequently face difficulties in access to transportation. In rural areas and on the islands there is also the significant problem of public transport and roads not being adapted to persons with disabilities, i.e. persons with visual and hearing impairments.

## 2.10. Vulnerable groups

It is obvious from the previous chapters that among the groups facing an increased risk of poverty and social exclusion particular attention needs to be given to those on low incomes (the unemployed, the elderly with no pensions, single-parent families, families with more than two children, single mothers and older women), IDPs and refugees, vulnerable ethnic minorities (the Roma), persons with special needs (people with disabilities, persons with mental problems, sick persons) and other groups that are not so numerous but are faced with the challenges of extreme poverty (the homeless, former addicts).

Persons exposed to over-indebtedness and loan sharking may also face poverty and social exclusion. The estimated household debt to GDP ratio was 34% in the middle of 2005, and the average debt per employee was a little less than 7 000 euros.<sup>33</sup> Nonetheless, household debt in Croatia is still far below the household debt level in the EMU countries (55% of GDP at the end of 2004), but is twice that in the NMS (16% of GDP at the end of 2005). It may be assumed that young, educated persons are the most indebted, because they represent the most creditworthy segment of the population but also that with the least assets. In 2004, the average total debt service burden of Croatian households was 6% of their disposable income. In the event of currency crises, however, the majority of borrowers with below-average incomes would have debt payment problems.

According to the 2001 census, Croatia had 429 421 people with disabilities (9.7% of the population)<sup>34</sup>. More than one third of persons with disabilities are older than 64, and almost 70% are 50 years old or above. Young people under 25 make up less than 4% of persons with disabilities (of whom 41% are children under 14). The incapacity of 10.7% of all persons with disabilities is caused by the Croatian Homeland War. Krapina-Zagorje county has the highest share of people with disabilities (13% of the county's population), while Istria county has the lowest (7.3% of the county's population) (Table 8). People with disabilities encounter great difficulties in finding employment even though the law guarantees them the right to professional rehabilitation and training for an appropriate job. At the end of 2004, 7 322 people with disabilities were registered as unemployed (accounting for 2.3% of all the unemployed). Apart from open-market employment, sheltered enterprises represent a common way of employing these persons (however, their number has significantly dropped in the past 10 years or so). In 2003, the government adopted a uniform policy for people with disabilities from 2003-2006 with the aim of improving the quality of life for this population. In addition, the government launched several programmes to stimulate the employment of people with disabilities, which have not proved to be effective however (employers are mostly reluctant to employ such persons), and legally regulated their employment in government bodies and the civil service on a quota basis so as to have people with disabilities making up 6% of the staff of these bodies by 2020.

---

<sup>33</sup> Source: CNB (2005) *Macropprudential Analysis*. Zagreb: Croatian National Bank. ([www.hnb.hr](http://www.hnb.hr)).

<sup>34</sup> Under the methodology for the 2001 Census, disability is defined, in the broadest sense, as a state caused by sickness, injury or an inborn handicap, leading to a permanent, partial or complete diminution of a person's ability to lead a normal social life and hence earn a livelihood. This diminution or loss of certain abilities is caused by permanent changes in health that cannot be reversed by treatment or medical rehabilitation.

### 3. KEY CHALLENGES

Based on the analyses in Chapters 1 and 2, Croatia faces particularly important challenges in terms of poverty and social exclusion, where it will be important to maximise the administrative capacity of the institutions and other actors responsible for the delivery of policies and measures in order to ensure their effective implementation. These challenges are described below.

#### **3.1. Development of an inclusive labour market and promotion of employment as a right and opportunity for all citizens**

The most important causes of poverty and social exclusion are unemployment and a relatively high rate of economic inactivity. Unemployment and a low activity rate are mainly the consequence of insufficient demand for labour and a mismatch between labour supply and demand. In order to facilitate and improve employment, the structural mismatch has to be eliminated or reduced first of all through an active labour market policy (ALMP) directed primarily toward those persons who have lower employability prospects or those in long-term unemployment, such as young people, older workers (particularly women), people with disabilities and the Roma population. More attention has to be given to creating conditions for the employment of the most endangered and vulnerable groups in the labour market, who are exposed to accumulated problems and the consequences of social exclusion and whose access to the labour market is consequently especially difficult (such as persons with intellectual and health problems, addicts, victims of violence, former prison inmates, the homeless and others). At the same time, it is necessary to continue shifting the emphasis from passive measures (financial support for the unemployed) to active forms of assistance (training measures and education in line with changing labour market needs), in order to increase the employment of those with a low level of education or those without the knowledge and skills in demand on the labour market. It is also important to systematically monitor, develop and implement measures aimed at making work worthwhile ('making work pay')<sup>35</sup>. The new balance between various types of active labour market policies (ALMP) and improved targeting is explained in chapter 4.1).

#### **3.2. Overcoming educational deficiencies**

The reform of the education system is one of the key preconditions for reducing poverty and social exclusion. The educational structure among the younger age groups is much better than that of the overall population, but needs to be further improved in the following key areas: achieving better pre-school education coverage, increasing the ratio of children and youth who successfully complete programmes, analysing dropout causes and prevention, improving the match between educational programmes and labour market needs, and raising the percentage of the population with a higher education. These are the aims of Croatia's educational reform, which also includes the reform of vocational education. The reform thus requires both increased financial investment and changes within the education system that will make it better able to meet the needs of the labour market. Other key challenges are also to raise the exceptionally low share of adult education and to promote the broader use of information technology in education.

---

<sup>35</sup> Income transfers may generate work disincentives: if certain income payments are stopped when individuals (re)enter employment, this creates disincentives for taking up employment — the so called "unemployment trap". To make work pay, it is important to use financial incentives in order to improve employment opportunities for the marginal groups in the labour market. Such measures can raise earned income and thus motivate those for whom social transfers are the only form of income to take up work.

### **3.3. Equal access to health services**

Health system reform is needed to improve the health situation of the population in general and certain groups in particular (infants and the elderly) and also to prevent key health risks. However, the current reform is mostly aimed at solving the problem of the insufficiencies and irrationalities in the funding of the health system by securing additional sources of revenue, primarily in the form of increased private co-financing. The main challenge in this context is how to regulate the relationship between mandatory health insurance on the one hand and supplementary private insurance on the other, as well as how to ensure that the proposed increase in private co-payments does not endanger equal access to health protection for the sick and the poor.

### **3.4. Adequate housing for all**

The inadequate structure of the housing stock and the problems in providing adequate housing for endangered population groups indicate the need to formulate a housing strategy for Croatia and to define all aspects of social intervention in housing expenditure. This is particularly true for the social housing concept, which has not so far been developed. Other challenges are the inadequate method for co-financing a proportion of housing costs and the lack of shelters for the homeless and temporary emergency accommodation.

### **3.5. Accessible and adequate social services**

Social services are insufficiently developed. There is a need to develop services better suited to the needs of the various user groups (including the possibility of choice) and to expand the social services network so that they better cover all areas of Croatia. To improve the accessibility and quality of the social services, they need to be decentralised and deinstitutionalised to a greater extent. The goal is for users to receive services in their homes and local communities (*community-based services*), thus creating the conditions for integration and rehabilitation within the community itself. In order to further develop social services, the state, the private sector and civil society organisations will have to cooperate and establish partnerships. Equally, there should be continuing efforts to promote acceptance of people with disabilities and their inclusion in regular social activities.

### **3.6. Guaranteed minimum livelihood for all through work and/or the social protection system**

Despite the fact that Croatia has a relatively high level of social spending, social transfers do not guarantee all groups a life above the poverty line. Previous studies on poverty indicate that social transfers (with the exception of pensions) are relatively well-targeted towards low-income groups, but that the transfers themselves are too low (particularly in the social assistance system). Pay from employment should guarantee a life with human dignity. Particular attention should be paid to ensuring minimum benefit levels in individual social protection systems. The social protection funds also need to be rationalised in order to avoid the multiplication and accumulation of rights and to establish links between the various rights at national and regional levels in order to achieve a more just distribution of scarce funds and ensure better-targeted benefits. In view of the high poverty risk among certain groups of senior citizens (women and those without any pension income), the introduction of a social (state) pension for this part of the population should be considered in the long run. There is also a need to introduce family policy instruments sensitive to the most vulnerable types of families (single-parent families and families with many children).

### **3.7. Balanced regional development and revitalisation of multi-deprived areas**

Multi-deprived areas include in particular those areas affected by war, which have been defined by law and targeted by various economic and social policy measures for quite some time now. In order to ensure the safety of the population in such areas, there is above all a need to clear the land and buildings of mines as soon as possible so as to allow citizens to benefit from such resources as already exist. On the other hand, economic revitalisation and sustainable growth need to be encouraged in these areas, which are characterised by high unemployment and an unfavourable labour force structure. Greater use should be made of active employment measures and more attention should be given to development projects suited to the needs of the local population. In the war-affected areas, as is the case with other multi-deprived areas (islands, hilly and mountainous areas), investment is needed in basic and social infrastructure and in better transport links. A series of measures and incentives are required in order to retain the local population and also attract skills that are in short supply in such areas.

## **4. POLICY ISSUES**

### **4.1. Enhancing participation in the world of work**

#### ***4.1.1. Enhancing the accessibility of stable and good-quality employment and pursuing an active employment and training policy***

##### *4.1.1.1. Current problems and efforts*

For a long time now, Croatia has been continuously engaged in active labour market policy (ALMP) measures, promoting education, new employment among various groups of unemployed persons, self-employment, credit financing for small and medium entrepreneurship, public works and others. In the period 1999-2000, for example, the Croatian Employment Service (CES) developed a series of ALMP measures, including: co-financing of youth employment, promotion of employment among persons with special needs, war veterans and senior citizens, promotion of self-employment, credit financing for SMEs, and public works. High unemployment led the Government of the Republic of Croatia to launch the National Employment Promotion Programme at the beginning of 2002. Under this Programme, from its effective start in 1 March 2002 to 4 August 2005 when the programme was terminated, 57 609 contracts were signed for the co-financing of employment and education. Of these, 11 015 contracts, or 19% of the total number, were signed in 2005. The Programme helped 80 371 registered unemployed persons, of whom 47% were women, to get a job. Under the Programme, educational activities were organised both for specified and unspecified employers along with education programmes for workers to enhance their prospects of retaining employment.

Broken down by counties, the highest numbers were employed in Zagreb City (14.6%), Split and Dalmatia county (10.4%), Osijek and Baranja county (9.5%), and Varaždin county (8.4%). Major employment-related activities were also undertaken in the areas especially hard-hit by unemployment, such as the county of Vukovar and Sirmium (4.3% of those employed) and the county of Sisak and Moslavina (3.6%). The total cost of these measures was HRK 991.9 million (€ 135.3 million).

Under the active labour market policy in the period 2002-2005, a total of 80 371 unemployed persons were found jobs, of whom 47.2% were women. It is fair to say that,

while the ALMP was efficient overall in terms of the number of those employed during this period, it was insufficiently focused on the less employable population groups, given that virtually all persons registered with the Croatian Employment Service had access to at least some of the incentives. At the same time, another unfavourable aspect was that wage subsidy measures accounted for the major part of total spending on ALMP measures, while not enough emphasis was placed on improving qualifications, the acquisition of knowledge and competence, and employability and adaptability among both the unemployed and those in employment. Furthermore, the 2002-2005 active policy programme was characterised by a significant level of *dead weight*<sup>36</sup> and other adverse effects such as displacement<sup>37</sup>. So far, there has been virtually no systematic evaluation of the ALMP measures. The exception is the public works programme (implemented in an earlier period), which, according to the assessment, failed to improve either the employability or the wages of participants. There had been no significant investment in this programme.

The CES is also the principal agent for the employment projects implemented in collaboration with the EU. These include *Labour Market Restructuring – CARDS 2001*, the purpose of which is the institutional development of the CES, the provision of services to workers made redundant in companies undergoing restructuring and the testing of their impact. *Local Partnerships for Employment* is a CARDS 2002-financed programme and its beneficiaries are four counties seriously affected by the war. Launched in October 2004 and due to end in April 2006, this project was designed to initiate and develop adult education policy, to strengthen partnerships between institutions at local level, and to build the capacities of local stakeholders for the preparation and execution of employment-related development projects. The continuation of this project was financed from CARDS 2004, and it was extended to four other war-affected counties. This new 18-month project started in November 2005. *Decentralisation and Reorganisation of CES* — a CARDS 2003 project amounting to € 500 000 — is a follow-up to CARDS 2001 and 2002. The goal of the project is to strengthen the regional and local capacity of the CES by improving skills, knowledge of technology and the experience necessary for its decentralised activity, to ensure a more direct link with local development needs and initiatives. Decentralisation of the CES is part of a long-term strategy to be implemented once the business activity of the CES is standardised and given proper information technology support. The project was expected to start in May 2005, but the start was postponed to 2006. The duration of the project is 18 months.

The project *SVILMA Development of the Adriatic Labour Market* was implemented from October 2004 until December 2006 with the aim of promoting regional cooperation with the EU and establishing links and exchanging experiences among the cross-border labour markets.

---

<sup>36</sup> A “dead weight” subsidy is one given to a person who would have got a job even without subsidies. Substitution means employing a subsidised person instead of another person not entitled to a subsidy. It is important to note that substitution may have a social justification if the persons in question belong to a group with low employability.

<sup>37</sup> Displacement means loss of jobs in companies that are not employing subsidised workers but are forced to lay off a number of workers under pressure of competition from companies that benefit from the subsidy system. See Babić, Z. (2003) Uloga aktivne politike na tržište rada u Hrvatskoj (The role of active policy on the Croatian labour market), *Financijska teorija i praksa*, 27(4):547-566. Available at: [[http://www.ijf.hr/financijska\\_praksa/PDF-2003/4-03/babic.pdf](http://www.ijf.hr/financijska_praksa/PDF-2003/4-03/babic.pdf)].

In addition to the CES, an employment promotion programme is also being implemented by the Ministry of Family, War Veterans and Intergenerational Solidarity. The Ministry provides comprehensive care to demilitarised Croatian war veterans and their family members, and is responsible for execution of the various programmes. The Ministry of Economy, Labour and Entrepreneurship implements the *Employment Promotion Programme*, focusing on the balanced development of all areas of Croatia, the creation of a favourable entrepreneurial environment, an increase in the number of small and medium-sized enterprises and the creation of new entrepreneurial zones. Significant amounts have been spent on education and promotion, through projects for start-up education and the education of entrepreneurs, for the promotion of exports and entrepreneur presentations at fairs, for the promotion of production and investment in entrepreneurial infrastructure, and for cooperatives and the development needs of crafts-persons.

Further efforts to improve both the employability and retention of older workers will have to be made in order to contribute to the sustainability of social security systems and improve the adequacy of incomes in retirement.

Taking into account the labour market situation in the Republic of Croatia and the need to determine priorities in addressing unemployment-related problems, the Government of the Republic of Croatia adopted the National Action Employment Plan (NAEP) for the period 2005-2008 at the end of 2004. The aims of the NAEP are: to improve the efficiency of the labour market in the Republic of Croatia, to raise employment and reduce unemployment, and to make adjustments for Croatia's accession to the EU. The National Action Employment Plan is based on the European Employment Strategy and is linked to the annual guidelines for labour market reforms in the member countries, but also takes into account specific Croatian features. The Croatian NAEP consists of key measures, extremely desirable measures and desirable measures. The active and preventive measures that constitute an integral part of the National Plan are designed to promote higher employment and better social inclusion, enabling the unemployed and economically inactive to undergo various forms of training to increase their competitiveness and facilitate their integration in the labour market. They are supported by modern institutions active in the labour market. Equally, new measures are aimed at increasing the number of new and better jobs through the promotion of entrepreneurship and a more favourable business environment.

Based on the NAEP for the period 2005-2008, an inter-sectoral working group drafted the Employment Promotion Plan for 2006, together with instruments for its implementation, which was accepted by the Government of the Republic of Croatia on 2 March 2006. The measures in the Annual Employment Promotion Plan for 2006 are aimed at: developing entrepreneurship through co-financing of the incorporation costs of new cooperatives, starting new trades and crafts, subsidising interest on entrepreneurial loans, promoting self-employment, providing loans to entrepreneurs in tourism, and providing education for the long-term unemployed and persons with low qualification levels, including early school-leavers, in order to enable them to acquire knowledge and skills in demand on the labour market, thus increasing their employability and matching supply and demand in the labour market. In drafting these measures, particular emphasis was placed on promoting the integration of, and preventing discrimination against, persons with an unfavourable labour market position (persons with low employability, unemployed single parents of minors, unemployed Croatian war veterans etc.), through co-financing of the costs of employment, inclusion in public works programmes carried out by local government units, and



implementing measures from the National Programme for the Roma. The measures in the Annual Promotion Employment Plan (APEP) for 2006 include: active and preventive measures for the unemployed and economically inactive, creating new jobs and developing entrepreneurship, promoting the development of human capital and life-long learning, promoting the integration of, and combating discrimination against, persons with an unfavourable labour market position, and reducing unofficial employment and regional differences. The principal agents for these measures are the CES and the 5 ministries concerned.<sup>38</sup> The CES is directly involved in implementing the following measures in the Employment Promotion Plan for 2006: active and preventive measures for unemployed and inactive persons; the creation of new workplaces and the development of entrepreneurship; the promotion of human capital development and lifelong learning; promoting the integration of, and combating discrimination against, people at a disadvantage on the labour market; reduction of unregistered unemployment and regional differences. The CES is tasked with the implementation of *preventive and active measures* with a focus on a more inclusive labour market. Preventive measures include improving the quality of services and efficiency of the CES. Active measures include co-financing<sup>39</sup> the costs of employment for young persons below the age of 29 who have no working experience, the long-term unemployed and older unemployed persons (women above the age of 45 and men above the age of 50). The CES is also responsible for co-financing education for specified and unspecified employers, co-financing the employment of special groups among the unemployed, carrying out public works and implementing measures from the National Programme for the Roma (see chapter 4.1.2). Finally, the CES also monitors and, where necessary, sanctions potential and actual beneficiaries of measures under the NAEP.

#### 4.1.1.2. Priorities and measures

- To provide intense, individualised mediation and career counselling/guidance services for employment, for the acquisition of job-search and job-creation skills, and for training and education programmes.
- To focus ALMP measures on the long-term unemployed or groups at risk of long-term unemployment, instead of targeting almost all unemployed persons. In other words, the aim is to decrease both the inflow into long-term unemployment and the numbers of those who are already long-term unemployed.
- To develop a “culture of evaluation”, i.e. examining the impacts of ALMP measures and avoiding a disorganised approach (such as allocating significant funds and then discontinuing the programmes concerned).
- To assess to what extent there is successful coordination between the competent services and ministries, and whether anything is being done to improve it. In this respect, it is important to improve the collaboration between the Croatian Employment Service and the local active employment policy initiatives, particularly where social assistance beneficiaries are concerned.

---

<sup>38</sup> The Ministry of the Economy, Labour and Entrepreneurship; the Ministry of the Family, Veterans' Affairs and Intergenerational Solidarity; the Ministry of the Sea, Tourism, Transport and Development; the Ministry of Health and Social Welfare; and the Ministry of Science, Education and Sports.

<sup>39</sup> Depending on the type of employed persons, their skills and the part of the country, the employer received a subsidy mostly in the form of a fixed percentage (mostly 60-80%) of the threshold for paying social contributions. The duration of the subsidy could not be longer than three years, with a reduction in the second and third years. For keeping such persons in employment for the following 12 months, the employer had a right to a lump-sum payment of € 1000.

- To decentralise the formulation of employment policy and to promote initiatives in the regional and local labour markets in order to stimulate partnership and include all stakeholders who may contribute to improving employment at local and regional level.
- To give back to the unemployed (and their associations) the status of social partner, which they had before.

#### ***4.1.2. Promoting the integration of, and fighting discrimination against, persons in an unfavourable labour market position***

##### *4.1.2.1. Current problems and efforts*

###### *People with disabilities*

In Croatia, particular attention is paid to promoting the integration of, and fighting discrimination against, persons in an unfavourable labour market position. In addition to the Roma, this group also includes people with disabilities. The Act on the Professional Rehabilitation and Employment of People with Disabilities (Official Gazette No 04/02) emphasises that these persons have a right to professional training and rehabilitation and to work and employment in the open market under general conditions, or, if necessary due to the type and severity of their disability or the outcome of the rehabilitation process, in special schools and professional rehabilitation institutions, under adjusted or special programmes. Furthermore, the Act provides for the establishment of professional rehabilitation institutions or sheltered enterprises, and regulates other important issues related to the training and employment of persons with a disability. The Act endeavours to create equal employment opportunities for people with disabilities in the open labour market and only in special conditions provides for their employment under affirmative action or positive discrimination with the aim of including them within the world of work. The employment of people with disabilities in sheltered enterprises is permitted only if such persons cannot be employed or cannot retain their jobs in the open labour market, despite the offer of incentives.

The APEP for 2006<sup>40</sup> provides for the introduction of consultants who specialise in assisting people with disabilities with a view to increasing their employment in a regular and protected environment as well as their self-employment. Furthermore, the APEP contains a plan for subsidising job costs and interest rates for the acquisition of machinery and equipment for the adjustment of jobs, subsidising a certain percentage of wages, co-financing part of the cost of a personal assistant, and granting three months reimbursement of all contributions paid on the wages of employed people with disabilities. Such measures promote the inclusion of people with disabilities within the labour market.

###### *Employment of the long-term unemployed persons or groups with low employability*

Although unemployment is a transient phase for the majority of unemployed persons, for some it becomes a permanent feature. This is particularly so in Croatia, where a large number of able-bodied social assistance beneficiaries have been unemployed for a long time.

---

<sup>40</sup> The structure of the total of HRK 150 million (€ 20.8 million) planned in 2006 for the active labour market policy is as follows: 13.3% for co-financing the employment of young persons without previous working experience; 11.2% for co-financing the employment of long-term unemployed persons; 10.3% for co-financing the employment of older persons; 14.8% for co-financing the employment of persons with special needs; 8.2% for co-financing the education of persons for a specified employer; 29.7% for co-financing the education of persons for unspecified employers; and 12.2% for public works. This includes the Roma population as well.

The impacts of such a situation are very unfavourable, creating huge costs. The task is thus to decrease the inflow into long-term unemployment and to reduce the number of those who are already long-term unemployed, particularly by helping the latter find work. The problems encountered by many long-term unemployed are generally multidimensional, often involving a low level of both education and motivation.

The APEP for 2006 envisages the co-financing of employment for special groups among the unemployed and their inclusion in public works programmes, thereby enhancing their employability and social inclusion, together with the development of motivation and mitigation of the social impacts of unemployment. The principal agent tasked with this is the CES.

#### *Programmes for the Roma*

Given the particularly unfavourable position of the Roma in terms of employment, poverty and social inclusion, Croatia adopted the *National Programme for the Roma* and the *Action Plan for the Decade of Roma Inclusion 2005-2015*. The *National Programme for the Roma* defines measures aimed at preparing the Roma for employment and self-employment and for co-financing the cost of jobs for unemployed persons who are members of the Roma national minority. These measures nevertheless form an integral part of the *Annual Promotion Employment Plan for 2006* and include: training and employment in all branches of the economy; inclusion of the Roma in the job preparation programmes; creation of a positive environment among employers for employment of the Roma; provision of assistance for self-employment; employment in the public works programmes; education in and development of a system for the collection of secondary raw material for recycling; and co-financing of employment in the form of a 24-month employment subsidy.

#### *4.1.2.2. Priorities and measures*

- To stimulate people with disabilities to get jobs in the open labour market. Employment and work in protected conditions, as well as work in sheltered enterprises, should be provided only in situations where open forms of employment and work are not possible.
- In addition, to promote the employment of persons with disabilities through various forms of self-employment in trades, crafts or services (to encourage the development of entrepreneurship among vulnerable groups). At the same time, the establishment of a special system of legal, tax, financial and other incentives aimed at enhancing the employment of disabled persons also needs to be considered.
- To ensure funding for the adjustment of jobs that can be performed by people with disabilities, and to increase the accessibility and compliance of the education system in order to facilitate their employment. In the case of professional rehabilitation and retraining, to train people with disabilities for specific employment positions.
- To introduce an employment quota system obliging employers to employ a certain percentage of persons with a disability.
- To implement and develop measures aimed at integrating the Roma within the labour market, through their inclusion in education and training programmes, co-financed employment, public works, job-search assistance, etc.
- To ensure full implementation of the minority employment provisions of the Constitutional Law on National Minorities.
- To gain an insight into ALMP measures in which social assistance beneficiaries participate.

## **4.2. Access to social services and social protection benefits**

### **4.2.1. Pension system**

#### *4.2.1.1. Current problems and efforts*

The pension system is one of the most important social security systems. It provides security in the event of old age, disability, death or disability of a family member, and pays for the professional rehabilitation of people with disabilities. Due to the difficulties in financing pensions and the growing number of pensioners, Croatia has launched a radical reform of its pension system. The basic starting points of the reform were defined by the Pension Insurance Act, which came into force on 1 January 1999. The new, public-private pension insurance system consists of three tiers: mandatory (public) pension insurance based on inter-generational solidarity and the private mandatory and voluntary pension insurance schemes based on individual capitalised savings accounts. The mandatory pension insurance scheme based on individual capitalised savings accounts has been in effect since 1 January 2002, covering all persons below the age of 40 at that time as well as a certain percentage of the 40-50 age group who chose of their own free will to save in the second tier of the system. The first pension payments from this tier are expected to be made in 2013. The payment of contracted pensions from the second tier is guaranteed by the state. Any person resident in Croatia may take out voluntary pension insurance based on individual capitalised savings accounts, where the state promotes voluntary insurance through subsidies and tax incentives, but does not guarantee the payment of pensions. The development of a funded component in the Croatian pension system will require careful monitoring in order to ensure that markets for investment develop in line with increasing demand, and that the funds themselves are regulated appropriately in order to provide security.

In addition to the new structure of the pension system, significant changes have been introduced in the first tier of mandatory pension insurance: the age limit for retirement has been raised (from 55 to 60 years for women, and from 60 to 65 years for men). Early retirement has been made more unfavourable. Pensions are also calculated differently (i.e. the accounting period has been expanded to include the entire working life), linking benefits more closely with contributions. This should increase coverage with a reduction in the grey economy, and therefore contribute to sustainability. Furthermore, pensions are indexed differently (now they are indexed in line with the growth in earnings and the consumer price index, and not only with earnings growth as had been the case previously), the definition of disability has become more stringent, and some other rights have been moved from pension insurance to the social assistance system (e.g. the supplement for assistance and care).

A more efficient role for the pension system in the battle against poverty and exclusion among the older population will depend on the reach of the pension system, the level of pension and the guaranteed minimum pension income. Mandatory pension insurance covers the majority of the able-bodied population of Croatia (just under 90% of the active population). However, previous studies on poverty have shown that poverty afflicts precisely those segments of the older population that have no pension income (estimated to account for around 20% of the 60+ population). It should be emphasised that older women are considerably less covered by the pension system. These data are all the more significant since this segment of the older population is not covered by the new (reformed) pension system either.

An important source of poverty among pensioners is insufficient pensions. Two thirds of pensioners have a pension below the average. On the other hand, there was a marked drop in the level of pensions drawn after the introduction of the new Pension Insurance Act due to the extension of the accounting period and other factors. The downward trend in the level of pensions received by new pensioners will stop with the expiry of the transitional provisions that regulate the calculation of pensions.

One of the more important instruments in protecting against poverty is certainly the minimum pension, which is essential in order to guarantee solidarity and redistribution principles in the pension system. Means testing is not relevant for the calculation of the minimum pension. Among those who became entitled to an old-age or disability pension during the period from 1999 and 2003, 55% obtained the minimum pension as the more favourable amount. Women are entitled to the minimum pension more often than men. However, the minimum pension is still the most favourable option for farmers, who, under this provision, have pensions that are 3 and more times as high as the pensions they would have had otherwise. The spending on minimum pensions at the end of 2005 was around 8% of the total spending on pensions.

#### *4.2.1.2. Priorities and measures*

- A continuing problem is the fact that a certain percentage of the senior population have no pension income. A long-term solution to the problem of poverty among senior citizens is certainly to expand the reach of the pension system (for instance, pension as the basic social income that all citizens are entitled to in old age, financed from the government budget). During the transition period, however, it will be necessary to provide additional protection for this group through targeted social assistance programmes.
- As Croatia is signatory to several International Labour Organisation and Council of Europe conventions, pension levels should match the standards adopted by these organisations for minimum incomes in the event of old age, disability and death.
- To create conditions for moving younger pensioners into paid work and to pay more attention to pensions received from abroad.
- To reconsider and carefully examine the future role of the minimum pension and how it is to be financed. Since it is possible to predict that the number of pensioners receiving the minimum pension will grow (because of the changes brought about by the new pension insurance law), to analyse the development of spending on the minimum pension and the sustainability of the present method for its funding.
- To monitor the transition to the funded 2nd and 3rd pillar provision for the effect it has on gender disparities in terms of incomes in retirement.
- To monitor the impact of a mixed indexation regime on older pensioner cohorts.

#### **4.2.2. Child and family benefits and child care**

##### *4.2.2.1. Current problems and efforts*

The benefits aimed at children and families include in particular child allowances, maternity benefits and the one-off grant given on childbirth. Family and child benefits cover 75% of children and 60% of households with children.<sup>41</sup> Only the right to child benefit is means-tested. The right to child benefit is currently available to households with children whose monthly income per member is below 30% of average net earnings in Croatia. It should be

---

<sup>41</sup> Source: ILO (2005) *Social Security Spending in South Eastern Europe: A Comparative Review*. Budapest: International Labour Office.

stressed again that single-parent households and households with more than two children had the highest poverty risk in 2005 (see Table 21).

The Croatian tax system also provides tax allowances for children and other dependants. Tax allowances consist of reductions in the level of taxable income. However, taxpayers earning higher incomes are also entitled to increased tax allowances for their children. Tax allowances thus run contrary to those family and social policy measures that aim to provide assistance to the poorest families with children.

The right to maternity benefit has been expanded to include unemployed mothers and mothers who engage in craft trades. In accordance with the EU legislation, a solution has been adopted whereby maternity leave is separated from parental leave in order to eliminate discrimination against fathers.

In Croatia, childcare services are not sufficiently developed, which creates problems for working parents, who are forced to strike a balance between their family and work obligations. Women are particularly affected by this phenomenon: they often have to choose between their education or employment and caring for their children, thus increasing gender inequalities.

Childcare institutions are financed from the local government budgets, leading to great geographical differences in the provision of child services (particularly between urban and rural communities). Local governments subsidise nursery and kindergarten costs with co-payments from parents, in accordance with local government decisions. In spite of the growing number of childcare institutions and services offered by private and non-governmental organisations, the growing demand for child services is not being met.

#### *4.2.2.2. Priorities and measures*

- To better target child allowance funds by introducing more income brackets in the child allowance system, since households whose income exceeds the income threshold only by a few HRK receive a significantly lower amount of child allowance.
- To expand means-testing to take account of children with a severe disability (such children should be entitled to a supplement in addition to the standard allowance).
- The right to maternity benefit for unemployed mothers should not be dependent on employment service records (employment service records should not be motivated primarily by access to some social rights).
- Child allowances should be disregarded (i.e. ignored in determining benefit entitlements in the social assistance system), which may have an impact in improving the quality of life for families with children.
- To expand the capacities and programmes of institutionalised services for children of pre-school age. These services are a precondition for the development of two-breadwinner families and the reconciliation of parenthood with work obligations.
- To develop or to apply flexible forms of employment adjusted to family obligations, which is important with a view to reconciling professional and family obligations.
- To introduce more efficient legal means of compulsion in order to collect maintenance payments, which is important in order to improve the financial status of a certain proportion of single-parent families.

### **4.2.3. Social assistance**

#### *4.2.3.1. Current problems and efforts*

The system of social assistance is defined by the Social Welfare Act in effect since 1 January 1998. The purpose of social assistance is to meet the basic living needs of those persons that alone or with the help of family members cannot meet their needs due to unfavourable personal, economic, social and other circumstances. In fact, there are two groups of social assistance beneficiaries. The first group comprises persons who have no personal income or whose personal income is below the stipulated income threshold, i.e. is insufficient to meet basic living needs. The other group of beneficiaries consists of those who receive assistance in order to meet specific needs mainly due to disability, old age, mental illness, addiction or other causes (this group includes children and young people without appropriate parental care, children and young people with behavioural disorders, and victims of domestic violence).

Under the law, social assistance is financed from both the central government budget and the budgets of the municipalities and cities. However, all standard general social assistance rights, with the exception of the housing and fuel allowances, are fully funded from the central government budget. Lower levels of government may use funds from their own budgets to finance that part of the social assistance benefit which exceeds the standard level guaranteed under the law, or they may grant entirely new rights.

In order to harmonise the social assistance system with the criteria and standards in force in the countries of the European Union, a reform of the system has been launched in the shape of the Development of Social Welfare Project, which is the result of collaboration between the Ministry of Health and Social Welfare and the World Bank. The project aims to establish a new, more rational and more efficient system directed at the socially most endangered citizens. A Social Benefit Reform Strategy is also currently under way. The aim of the Strategy is to simplify the social benefits system, make the criteria uniform, improve access to benefits and ensure that benefits are better targeted. The social assistance system is still rather complicated, and social benefits are relatively low (the standard permanent benefit for an able-bodied person without any income amounts to less than 10% of average net wages). The income threshold for entitlement to social assistance is set by government in an entirely arbitrary way, independently of any poverty lines. Moreover, this threshold, which is HRK 400.00 for an able-bodied person, has not changed since 2001 (it is not updated in line with the growth in living costs). The beneficiaries of permanent social assistance in Croatia are dominated by the unemployed.

The social assistance system has inbuilt instruments for identifying groups that are particularly endangered. Thus, increased assistance is given to those who are unable to work, pregnant women or the children of single parents. Great attention is paid to means-testing. That benefits are relatively well-targeted is also evident from the fact that over 90% of beneficiaries receiving permanent assistance have no other income apart from social assistance.

#### *4.2.3.2. Priorities and measures*

- To work on strengthening information and management for the social assistance system (further computerisation of the system). Overlaps and accumulations of benefits should be avoided. What is lacking at present is a clearer insight into the structure of social spending at local levels.

- To develop a new model of organisation for social welfare centres, to be based on the “one-stop-shop” principle, which should result in better service to beneficiaries and better organisation of work in the social welfare centres.
- If social assistance rights are to be more rational and social benefits more efficient and better-targeted, certain rights will need to be merged in order to decrease their overall number and simplify the system.
- To ensure a faster and more reliable exchange of information between social assistance and other social security systems, in order to increase the likelihood that assistance benefits will be received precisely by those persons in need of assistance and who have no other source of income (networking of the various social security systems).
- To ensure the periodical uprating (annually or every two years) of social assistance in line with the growth in living costs. Although uprating will not as such improve the material status of beneficiaries, it will at least prevent any deterioration.
- For able-bodied persons, who account for a large proportion of social assistance beneficiaries, to make entitlement to social assistance benefits more dependent on participation in work activation programmes (public works, community work and training schemes), aimed at faster employment and better social integration.

#### **4.2.4. Social services**

##### *4.2.4.1. Current problems and efforts*

Most social services in Croatia are provided within the social welfare system (Ministry of Health and Social Welfare). It is worth emphasising that, under the Constitution of the Republic of Croatia and the Local Government and Self-Government Act, social services and social care fall within the scope of local self-government. However, due to war and governance practice, they have been excessively centralised. The first steps in the decentralisation of social services have been taken following the enactment of the Social Welfare Act in 1997 and the Act on Amendments to the Social Welfare Act in 2001. Since the beginning of 2002, therefore, the founding and financing of homes for the elderly and the infirm has been transferred to the counties. Counties and other local units can open social welfare homes and institutions, such as aid or care centres. It has also been observed that the counties have shown great interest in opening homes for senior and infirm citizens, but less so for other types of social welfare homes (for instance, homes for delinquents, persons with intellectual difficulties or psychiatric patients). In addition, the new law enables the non-government sector (both profit and non-profit organisations) to open social welfare institutions. Of the approximately 200 state and non-state social welfare homes, over half are homes for the elderly and the infirm. The total number of inmates of state and non-state social welfare homes in 2004 was almost 20% higher than the number in the year 2000.

Social services are intended for those individuals who face life difficulties or those who, due to physical and mental handicaps, have specific needs that they cannot satisfy alone or with the assistance of their family (children without appropriate parental care, children and young people with behavioural disorders, old and infirm persons, people with disabilities, addicts, former prison inmates, victims of violence, migrants, refugees and others). Among the alternative forms of social services, the most widespread are foster care (primarily in the northern areas of Croatia) and the provision of small housing units and centres or clubs for persons with special needs. A strong impetus for deinstitutionalisation has come from non-governmental organisations and associations. However, legal provisions aimed at the deinstitutionalisation of social services are not sufficient: what is needed is strong support



from the state and a different social climate in which a new concept for social services and their providers can be developed.

#### *4.2.4.2. Priorities and measures*

- To make a thorough assessment of needs in the development of social services and to establish mechanisms for evaluating the implementation and impact of institutional and alternative social services. To set up a model for social planning at local and regional levels, based on a periodical and participatory assessment of needs.
- Taking human rights as the starting point, to modify the criteria for successful service performance, to develop good practice standards, and to introduce a code of professional ethics for social service providers and a supervision system.
- To further decentralise social services and expand the territorial reach of the social services network, despite the many obstacles that stand in the way of decentralisation. Many local government and self-government units have insufficient human and economic resources, and are therefore unable to respond to the complex challenges of decentralisation. In future, therefore, it will be necessary to change the territorial structure of local units or to develop mechanisms for their collaboration in designing and executing programmes.
- An important component in the reform of the social services is also their democratisation, or the efforts to ensure that the design and provision of social services is influenced by the citizens and social groups for whom they are intended (individualised services and the possibility of choice). Beneficiaries should have influence over the organisation, type and quality of services and the manner in which they are provided, so that they become a means for integration within the world of work and society. The development of private entrepreneurship and the activity of non-profit and other social sector organisations may also contribute to democratisation. To this end, donor activities, civil initiatives, and the practice of volunteering within local communities will need to be encouraged, with financial support from the authorities at different levels.
- Under the Social Benefit Reform Strategy, a new department will be set up for social services within the reformed social welfare centres, whose role will be to find and conclude contracts for the provision of certain types of social services outside the social welfare centre. Thus, the state social service system will gain new partners to provide different types of social services (non-governmental organisations, non-profit and profit organisations with special licenses for the provision of such services). Such a system implies the beneficiary's right to choose one or more services as needed and also to choose the service provider (voucher system).
- There is a need to improve the infrastructure in the existing social welfare institutions (improvement of sanitary and hygienic conditions) as well as the quality of professional services.
- In order to relieve the pressure on the service provision system, preventive programmes need to be developed in addition to the investment in the development of new services and the improved quality of services.
- The deinstitutionalisation of social services is an important step towards better accessibility and targeting of services. Long stays in institutions need to be avoided and people with disabilities should have more frequent access to day or weekly programmes. Whenever possible, people should be motivated and encouraged to receive care and support at home (foster homes, non-institutional forms of residence), meaning that the support should be community- and family-based. Deinstitutionalisation is possible only through the joint efforts of the government and non-government sector. This presupposes

the decentralisation and regionalisation of professional services for support at local levels. Various associations and institutions should establish close cooperation with social welfare centres. The institution of official custodianship, which stimulates institutionalisation, has to be reviewed, and funds will need to be set aside for deinstitutionalisation.

- To integrate the provision of social services with advocacy of the rights of marginal groups. To link these two mechanisms and include them in the financial support system of the state and local authorities.
- Better social services presuppose the systematic education and training of experts to address the needs and difficulties of various vulnerable groups.

#### **4.2.5. Health services**

##### *4.2.5.1. Current problems and efforts*

Croatia has inherited a health system that is financed from contributions paid by the employed, but has nevertheless acquired an almost universal character because of its reach (about 97% of population is covered by basic health insurance). Croatia has also inherited a tradition of well-organised public health. In the period of transition, however, the basic trend has been towards the privatisation of health. Although health spending is relatively high (total public and private spending runs in recent years at around 8.5 - 9% of GDP), certain parts of the system spend more money than is available, thus bringing the system as whole into a state of permanent financial crisis.

In June 2006, the Croatian Parliament adopted a document prepared by the Ministry of Health and Social Welfare under the title “National Health Development Strategy 2006-2011”. In July, four bills in the field of health care and health insurance were then passed. The Strategy and the four bills focus on the reform of health system financing and on reforms to make health protection more accessible and just. The reforms aim to improve the efficiency and quality of health care service delivery. One step towards this end is to enhance the system of primary health care (PHC). The computerisation of PHC has been promoted. For the first time, a programme of specialisations has been properly implemented. The implementation of an Agency for Healthcare Quality and Accreditation has been prepared to classify and accredit hospitals and thus ensure standardisation. A new drugs policy has also been introduced. The programmes for prevention activities have been strengthened by being placed at national level. Insurance for health protection at work has been introduced as a mandatory health insurance scheme and will also be based on the principles of solidarity and mutuality.

##### *4.2.5.2 Priorities and measures*

With a view to the alleviation of poverty and social exclusion, the health reform will pay particular attention to the following areas.

- A system of mandatory, supplementary, additional, and private insurance is introduced. Mandatory insurance covers basic health care rights and a list of basic drugs, while supplementary insurance pays the difference between basic health rights and additional provision. Additional insurance aims to assure a higher health care standard, while private insurance is reserved for those who are not obliged to be covered by the national health insurance. Although children and poor persons (as well as some other categories) are exempt from paying the difference, there is a need to carefully monitor the possible effects of new health bills on all those facing the problems in covering the difference.

- There are indicators showing that the health care system is not accessible to all inhabitants alike, especially in the more remote places, mountainous areas or islands. Thus, the aim will be to increase the number of primary social care units in the areas of particular concern, improve the quality of emergency medical assistance and reduce the waiting times for appropriate medical assistance or particular health services. Concerning waiting times, all health institutions will publish transparent waiting lists, which will be continuously evaluated.
- To ensure equal access to health care, the current unsatisfactory relationship between primary and secondary health care will be overhauled by implementing the measures defined in the Strategy.
- Corruption in the health care system, including the making of informal payments, will be tackled by putting into effect the measures defined in the National Programme for Combating Corruption, passed by the Croatian Parliament in March 2006. This is one of the main prerequisites for ensuring equal access to health services for all categories of citizens, the poor and the socially vulnerable in particular.
- Some of the most frequent causes of death in Croatia are related to a set of risk behaviours, making prevention a key issue for further improving health status. Some other causes are not related to these risk behaviours but can also be addressed by well-directed preventive programmes. In addition, there are some indications that risk behaviours are widespread among the population with a lower socio-economic status, and this will be a key issue in financing and developing preventive medicine and public health campaigns.

#### **4.2.6. Education**

##### *4.2.6.1. Current problems and efforts*

The Croatian education system provides for a mandatory eight-year period in elementary schools, followed by three or four years of secondary education (gymnasium or in three- or four-year vocational schools) and then by higher education in polytechnics and universities. The main issues facing the education system are the low level of education among the population in general, a very low level of engagement in lifelong learning, a mismatch between the education system and labour market needs, and the lack of basic mechanisms for improving the efficiency of the system.

Croatia has embarked upon a very ambitious reform of the education system, based on the document “Development Plan for the Education System for 2005-2010” (with the Croatian National Educational Standard as its main component) adopted by the Croatian Government on 9 June 2005. It sets out four crucial development priorities: (1) improvement of the quality and efficiency of education; (2) encouragement of continuing professional education of teachers and other educational practitioners; (3) development of strategies for management of the education system and its efficiency; (4) education for social cohesion, economic growth and development. The concrete objectives for the development of the education system are an increase in school enrolment, the completion ratio and participation in tertiary education, an increase in public and private expenditure, an increase in the education level of early school-leavers, and better and more efficient organisation of education and measures of educational achievement.

##### *4.2.6.2. Priorities and measures*

With a view to the alleviation of poverty and social exclusion, education policy will pay particular attention to the following areas,

- To increase the inclusion of children within pre-school education, regional differences in inclusion will be analysed, looking at the difference between rural and urban areas in particular. Potential mechanisms for encouraging the engagement of local government and self-government authorities responsible for financing pre-school education will be considered, along with the extent to which private (parental) co-financing can be expected.
- Though there are estimates of the number of children and young people who enrol but never complete primary and secondary education, the Central Bureau of Statistics does not systematically process such data, so there is no official information on the school completion ratio. Based on the estimates, however, the Ministry has set clear targets for the year 2010. Although the rate of early school-leavers is favourable in comparison to EU countries, further education and training will be promoted. In line with the Ministry's efforts to increase the proportion of schools with shift operation, the opportunity of extended school hours should be provided.
- The majority of children and young people with special educational needs attend the regular school system, but have very low expert support. In order to meet their special needs, instruments need to be put in place to ensure early identification of such children, to develop individual educational plans, and to promote additional education for teachers and other educational staff for working with children with special needs. As many schools lack experts, mobile expert teams should also be created at county level to provide needed support to schools, teachers, children and their parents.
- One of the most important aspects of the education system reform, from the perspective of reducing social exclusion, is the reform of vocational education now under way. This reform will continue to engage social partners and seek mechanisms to increase interest among pupils in skills where there are shortages and to ensure the ongoing adaptation of educational programmes to labour market needs.
- The data on study duration will be broken down by individual study programmes, which is one of the basic prerequisites for measuring the success of the higher education reform now under way.
- The existing data show an extremely low inclusion of adults in education, which is one of the key obstacles to the development of a flexible and versatile labour market. This problem is to be tackled by a law on lifelong learning currently under preparation, along with other measures. The issue of computer technology use will also be addressed, because while it has been spreading lately, the question is the extent to which this is a function of new employment.
- Education opportunities are to a great extent linked to the availability of financial support, so measures will be taken to increase scholarship opportunities, taking into account both the criteria of academic excellence and the social status of candidates.
- In order to ensure equal access to the education system for all children, the provision for the inclusion of children with special needs will be increased.
- The prevention of social exclusion should be tightly linked to the reform of the educational system: more emphasis in the classroom on human rights, the prevention of violence and discrimination, and the encouragement of solidarity and tolerance.

#### **4.2.7. Housing**

##### *4.2.7.1. Current problems and efforts*

The trend towards housing privatisation, dominant during the 1990s, did not improve housing standards, which is evident from the overcrowding and the increase in housing prices and rents. The key state programme in the housing area is POS (State-subsidised

Housing Construction). With the cooperation of local self-government units and state incentives, the programme reduces house-building costs and offers favourable home loans. Although 3 811 flats were built from 2001 in 107 different localities, and 1 462 new flats are in different phases of preparation and construction, supply does not meet the demand for housing. There are two other programmes apart from POS, which are, however, mostly directed towards the middle classes: tax benefits for buying the first home and bonuses for savings to buy a home. There are only two programmes for the poorer classes: housing allowances and fuel allowances, which cover a relatively small number of vulnerable persons. In addition to POS, a programme to provide housing for war victims has been implemented as well. Through this programme, 4 933 flats have been built from 1997 in 219 localities and about 500 are expected to be built. Separate housing programmes have been put in place for those members of the Serb minority who were former tenancy-right holders (see chapter 4.4.2).

#### *4.2.7.2. Priorities and measures*

- Croatia will draw up a national programme for social housing, since social housing has yet to be defined and there has so far not been any analysis of needs in this area and ways of meeting them, in the larger cities in particular.
- Though local self-government units give housing allowances to socially vulnerable groups, there has not yet been any analysis of the extent to which those allowances satisfy the needs of the population and the degree to which they vary among local self-government units with different financial resources. An analysis of such measures will thus be carried out and an increase in allowances for the socially vulnerable will be considered.
- In determining the most efficient system for housing allowances, the status of tenants in private rented accommodation (especially the more numerous tenant families) will be evaluated because only a small percentage of the actual number of rented dwellings come under registered rent contracts, which constitute the legal baseline for rent allowances.
- The number of shelters for homeless people will be increased in order to meet the needs.
- The status of tenants in private accommodation with contracts dating from the communist period will be analysed, as the state is obliged to guarantee them alternative accommodation.
- The supply of housing will be more intensively promoted through public-private partnerships as well as incentives for building public rental housing.
- Every four years, a national survey will be carried out to provide an estimate of the country's housing needs.

### **4.3. Preventing the risk of exclusion**

#### ***4.3.1. Introduction to the information society and knowledge-based society***

##### *4.3.1.1. Current problems and efforts*

As already mentioned in section 2.3, the number of Internet users in Croatia in 2004 was significantly smaller than in Slovakia or Slovenia. According to another source (Centre for Market Research), the situation is even worse: in April 2003 approximately 1.4 million people had access to the Internet in Croatia, i.e. 25% more than at the end of 2002. However, the Internet is used by only 66% of those with access, i.e. 21.5% of the Croatian population (an increase of only around 3%). Users include 47% of the employed, 38% of pupils and students, and 15% of the remaining population. The majority use the Internet only for e-

mails. At the same time, computer literacy among Croatian employees is very low<sup>42</sup>, especially among workers with lower educational levels. It should be emphasised, though, that the situation is changing quickly and that computer literacy among young people is quite impressive. Many are members of computer clubs and associations.

Several activities for the transition to a computer society have been conducted in Croatia lately. The Government has adopted a 2007 Operational Plan for the implementation of the e-Croatia Programme 2006. This document covers a cross-section of everything done so far for the realisation of the e-Croatia Programme objectives and the activities envisaged up to the end of 2006. A framework has been created for electronic business and the institutions have been established for further cooperation in the development of the computer society at national level (Agency for Computer Systems Support and National Council for the Computer Society).

Through projects for the application of computer technology (iProjects), the Ministry of Science, Education and Sports finances the development and application of computer and communication technologies in education, science and research. Through the NISKA project, a national electronic network of libraries has been set up, irrespective of the library type (school, scientific, university or city library). The project "Net at school" has been devised to accelerate the introduction of the Internet in schools, with the provision of free Internet access for schools, teachers and pupils and computer education for teachers and pupils. In 1991 the Croatian Academic and Research Network (CARNet) was founded for the advancement of higher education and science and the work and life of students, teachers and scientists through the use of ICT.

The Government of the Republic of Croatia has, through the Central State Office for e-Croatia, started several programmes for the computerisation of state government, aiming at raising the level of services that state government bodies provide to businesses and citizens.

#### *4.3.1.2. Priorities and measures*

- Croatia has to draw up an Action Plan corresponding to that of the EU (e-Europe 2005), i.e. similar to the plan for the candidate countries (e-Europe+), providing for: a) cheaper, faster and safer working on the Internet; b) investment in the knowledge and skills needed in the computer society and c) encouragement of Internet use. The Plan should also identify responsible institutions and define deadlines for its implementation.
- Through various promotion activities, continued efforts need to be made to strengthen public awareness of advantages offered by the computer society and to motivate citizens to participate in its construction. The public should be informed of the technical, economic and social aspects of the transition to a computer society. Here, the public media, the government, economic and other institutions, universities, schools, computer science societies and others all have a role to play.
- The poorest citizens will need easier access to computer equipment and the Internet and must be able to use computer and communication technologies.

#### **4.3.2. Strengthening and preserving the family**

---

<sup>42</sup> Source: Lowther, J. The Quality of Croatia's Formal Education System; and Frajlić, N., and Pološki, D. Croatian Labor Force Competitiveness Indicators: Results of Empirical Research, in Bejaković, P. and Lowther, J. *Croatian human resource competitiveness study*, Zagreb: The Institute for Public finance, available at: <http://www.ijf.hr/eng/competitiveness/competitiveness.pdf>

#### *4.3.2.1. Current problems and efforts*

During the 1990s, the war and unfavourable demographics undeniably affected the family and family solidarity to some extent. Croatia is one of those countries that pay particular attention to the family and its protection. However, Croatia is also confronted with the trend of family transformation and diversification, even though the family structure in Croatia is changing more slowly than in other European countries (lower divorce rate, lower number of children born out of the wedlock, etc.). The changes in family structure are also reflected in emerging new social risks. The growth in the number of single-parent families may be noted in particular — from 12.4% in 1991 to 15% in 2001. These families have an above-average poverty risk (see chapter 2.1). In over 80% of cases, the single-parent family is a unit consisting of mother and children. Between 1991 and 2001, there was an increase in the number of families with three or more children. Those families also have a poverty rate above the average. In addition, special state support is needed not only for families with children and young people, but also for families caring for dependent older persons or persons with disabilities.

Family-related measures over the past 15 years have not been completely consistent. In 1996 the National Programme for Demographic Development was issued, which for the first time clearly defined the new population and family policy. The Programme comprised a series of measures for families with children (generous child allowances, favourable housing loans, three years of maternity leave for mothers with three or more children, etc.), but it was not implemented due to the lack of financial resources. In 2003, the Government of the time adopted the National Family Policy as a broad system of social support for the family. The measures it contained related to housing, the labour market, family services, the promotion of parenting, health care for mothers and children, and family allowances. Special attention was paid to gender equality and female employment. But the National Family Policy was not implemented either.

The current Government (since 2003) has also adopted several measures to improve the material situation of mothers and families with children (reestablishment of three years maternity leave for mothers with three or more children, prolongation of maternity leave for unemployed mothers, increase in maternity benefits, etc.). New family and population policy measures have been announced. Responsibility for family policy is shared primarily between the Ministry of the Family, Veteran's Affairs and Intergenerational Solidarity and the Ministry of Health and Social Welfare, demanding a high level of coordination among the various bodies of these two ministries. Furthermore, some local government units allocate a large proportion of their social expenditure to children (free school meals, free transport to school, free schoolbooks), and Zagreb City has even introduced its own form of child allowance.

Lately, significantly greater attention has been paid to the prevention of family violence, primarily towards women and children. (see chapter 4.4.4). If children or other persons (elderly people or persons with disabilities) need basic care or where there are problems in family relations and functioning, public or private institutions offer various services from counselling to nursing. Where parentless children are concerned, placement with a foster family is recognised as a more humane, natural and cheaper way of care than placement in an institution, because it provides the protection of a family and the opportunity to live in a family environment. However, special support is needed for young people leaving child care institutions or foster families in order to prepare them for independent life. The Ministry of

Health and Social Welfare, for example, offers financial assistance to students from child care institutions.

In 1997, the Government established the Committee for the Prevention of Child and Youth Behaviour Disorders. Its task is to monitor and analyse risk factors affecting the development of behaviour disorders in children and young people, suggest measures for alleviating the influence of negative factors, monitor and direct prevention activities, and suggest legal changes and ways of protecting children and young people with behaviour disorders. The Committee has emphasised, through its counselling and round tables, the key role of the local community in the prevention of child and youth behaviour disorders and in particular the importance of the prevention of behaviour disorders in schools.

Access to family services could help avoid social exclusion risks (when the family members cared for remain in their natural environment and when those providing care, mostly women, succeed in reconciling their professional and family duties). Unfortunately, social assistance benefits are extremely low and cannot significantly alleviate the poverty of those families who primarily depend on this system. Likewise, many services for children or other family members are not available in rural areas. Lower income families can hardly afford the care services provided by the private sector.

#### *4.3.2.2. Priorities and measures*

- To ensure better coordination of family policy measures and consistent implementation of those measures (so far often lacking).
- To eradicate child poverty through coordinated action by the state, regional and local authorities
- To make society aware of the problems of parenting and single parenting.
- To improve work with risk families in order to better direct benefits towards child needs.
- To improve and promote foster care to a greater extent.
- To further develop programmes (a strategy) for the prevention of child and youth behaviour disorders in educational institutions.
- To strengthen the role of local communities and encourage the cooperation of all relevant actors in the prevention of behaviour disorders.
- To further develop counselling services for individuals and groups at a higher risk of social and pathological behaviours.
- To organise peer group help and support for children and young people with behaviour disorders.

### **4.3.3. Preventing over-indebtedness**

#### *4.3.3.1. Current problems and efforts*

The successful alleviation or elimination of social exclusion implies action to prevent over-indebtedness. Since there is no register of credit commitments, people in all income categories can borrow from different sources and thus exceed a reasonable level of debt. The activities of the authorities responsible for the prevention of loan sharking (police, justice) have proved inadequate. Informal loans not dissimilar to loan sharking are often offered in public places or in the media. Citizens should be warned more often of the risks of such loan arrangements. Moreover, a currency crisis would affect more those groups on lower incomes and thus precipitate the use of informal loan arrangements.

#### *4.3.3.2. Priorities and measures*



- To warn against the consequences of over-indebtedness and prevent the practice of informal (often illegal) loans.
- To provide counselling services (NGOs, financial institutions, Croatian National Bank).

#### **4.4. Assistance for the most vulnerable groups**

##### ***4.4.1. People with disabilities***

###### *4.4.1.1. Current problems and efforts*

The population of those with disabilities is heterogeneous in terms of the causes and degree of disability. The majority are elderly people (see chapter 2.10). Compared with other countries in the European Union, however, Croatia has a far larger share of people with disabilities in the active working population (people with disabilities make up 24.4% of all persons aged between 15 and 64).

In 1997, the Committee for People with Disabilities of the Republic of Croatia was founded as an advisory and professional government body to issue proposals, opinions and professional explanations on the status, protection and rehabilitation of people with disabilities and their families, and on the implementation of activities to ensure their welfare. The Committee's members are the representatives of state bodies, scientific institutions and national associations of people with disabilities. Croatia has started to harmonise its legislation and regulations with European standards, with the aim of promoting an active policy towards people with disabilities and their integration within society as equal citizens.

At the beginning of 2003, the Croatian government adopted a "National Strategy for an Integral Policy for People with Disabilities 2003-2006", which addresses the key issues facing people with disabilities (unequal rights, architectural barriers, poor participation in decision-making, insufficient information, dependency on the system of social care and assistance, an inefficient system of education and unsuccessful professional rehabilitation). The main purpose of the strategy is to promote and ensure the rights of people with disabilities, making society more aware of the problems of people with disabilities and their integration within social life. The strategy covers nearly all areas of social life significant to people with disabilities: family and civil society; health, sport and recreation; education; professional rehabilitation, employment and work; housing and mobility; pension insurance; social assistance and care; and information access. However, some measures envisaged by the Strategy have never been implemented due to the lack of funds or a tight schedule. In addition, the Strategy has been criticised for its failure to ensure stronger and more efficient cooperation among state administration bodies and partnership between state administration bodies and NGOs. In 2006, work on a new strategy started.

In order to plan in greater detail preventive measures and programmes for people with disabilities, Croatia adopted the Register of People with Disabilities Act, which prescribes the way of collecting, processing and safeguarding confidential information on people with disabilities. The work on this register started in 2002, and it is maintained by the Croatian Institute for Public Health. The data for the register have been collected through the Ministry of Education, the Ministry of the Family, Veterans' Affairs and Intergenerational Solidarity, the Croatian Institute for Pension Insurance and the Ministry of Health and Social Welfare. By 30 September 2005, the register contained 635 348 individual records on people with disabilities.

The policy towards people with disabilities emphasises an active approach, implying an effort to make people with disabilities take control of their lives as much as possible, along with action to secure their rehabilitation. The accent is on professional and social evaluation, i.e. on the capabilities rather than the limitations of people with disabilities. The success recently achieved is the result of joint action or partnership between the state and civil sectors, people with disabilities and their families.

#### *4.4.1.2. Priorities and measures*

Though some moves have been made to enhance the living conditions of people with disabilities, in order to make the system more responsive to their needs, the following tasks remain priorities:

- deinstitutionalisation and promotion of community care (effort to spread non-institutional forms of care throughout Croatia),
- provision of better physical access to infrastructure and buildings and means of public transport,
- putting in place the personnel, spatial and financial conditions for the inclusion of children with difficulties within the regular educational system,
- introduction of a personal assistant service for people with the most severe and highest degree of disabilities,
- design of a development plan for the professional rehabilitation, vocational education and training, employment and work of people with disabilities (provision of professional rehabilitation, employment and work on the open labour market according to individual capabilities and needs, and only exceptionally under special conditions and in sheltered enterprises),
- detailed evaluation of measures of incapacity for people with intellectual problems and psychiatric illnesses in order to prevent discrimination and violation of human rights, with consideration to be given to introducing concepts such as assisted decision-making and partial incapacity,
- greater enforcement of the legal regulations relating to people with disabilities,
- special attention to be given to preventive measures; an activity programme has been proposed for the promotion of health and prevention of situations causing disability and serious injury (health checks for insured persons and other groups),
- Further continuous implementation of programmes to raise awareness among society of the needs, rights, capabilities and abilities of people with disabilities (mitigating discrimination).

#### **4.4.2. Refugees, displaced persons and returnees**

##### *4.4.2.1. Current problems and efforts*

The main task is to complete the process of return as soon as possible. The return process started in 1995 and, by the end of 2006, there were 342 897 registered returnees, all of them Croatian citizens, comprising 64% ethnic Croats and 36% ethnic Serbs.<sup>43</sup> During 2006, 4 633 returnees were registered, of which 81% were ethnic Serb returnees from Serbia and Montenegro (SM) and from Bosnia and Herzegovina (BiH). The exact number of refugees that want to return to Croatia is not known. The number of potential returnees (based on return requests and on reconstruction and housing requests) is between 20 000 and 25 000. The return issue for 2 327 internally displaced persons, 2 442 refugees from BiH and 1 648

---

<sup>43</sup> Source: the Ministry of the Sea, Tourism, Transport and Development - Office for Refugees, Returnees and Internally Displaced Persons.

displaced persons in Croatian Podunavlje still has to be resolved in Croatia. The process of returning property to private owners has almost finished, but there are still some 17 cases left, accounting for less than 0.5% of previously confiscated property. Furthermore, there are still just under 2 100 reconstruction requests to be resolved (since 2002, the majority of reconstruction beneficiaries have been ethnic Serb citizens — around 80%). An electrification programme has been implemented in 50 or so return localities with mostly minority populations. In addition, several communal (re)construction projects in the areas of return (mostly areas of special state concern), as well as economic and social regeneration projects in these areas have been implemented. In 2006, HRK 535 million (€ 73.3 million) from the state budget (including credits by international financial institutions (EIB, CEB, WB) and grants from CARDS) was spent on the above-mentioned projects. In the coming years, increasing funds for these purposes are planned (e.g. in 2007 it is planned to earmark HRK 844.4 million or € 115,6 million).

The main challenge is to accelerate the implementation of housing programmes for former tenancy-right holders wishing to return to Croatia. Around 8 500 applications from returnees for whom a housing solution has to be provided upon their return to Croatia remain to be dealt with. In the areas of special state concern, housing has been provided to around 45% of applicants. Outside the areas of special state concern (i.e. the urban areas), the corresponding figure is around 2%. Since 2005, the Ministry of the Sea, Tourism, Reconstruction and Development has begun an intensive housing programme in order to resolve the issue of former tenancy-right holders in particular in the areas of special state concern where the acquisition and construction of 4 000 dwellings worth HRK 3.3 billion (€ 452 million) has been scheduled over the next five years).

In January 2005, the Sarajevo Declaration was signed by Croatia, BiH and SM, aiming at the closure of refugee return to all three countries. The Declaration obliges the three countries to complete the process of refugee return by the end of 2006 so as to ensure a permanent solution for the refugees remaining in their respective territories, either in the shape of a return to their homeland country or through local integration (assuming that each refugee in the region is well informed about return and can make a personal decision about it).

In cooperation with the OSCE, in 2005 the Government of Croatia has designed an extensive media campaign in Croatia, BiH and SM in order to encourage refugees temporarily staying in neighbouring countries to return to Croatia as well as to raise the awareness of local communities in Croatia of their responsibility for the integration of the returnees.

#### *4.4.2.2. Priorities and measures*

- The primary objective was to create preconditions for an unrestricted return of refugees and to complete the return process by the end of 2006 in order for refugees to have an opportunity to return or integrate into local communities. To this end, cooperation is needed between Croatia and its neighbouring countries Serbia, Montenegro and BiH, as well as with international donors and humanitarian and financial organisations.
- To complete the reconstruction of the housing stock damaged or destroyed during the war by the end of 2007, and to increase funds for (re)construction of communal infrastructure and economic regeneration in the areas of special state concern.
- To keep on and resolve the issue of tenancy-right holders inside and outside of the areas of special state concern (8 500 applicants whose return depends on housing provision).
- Since a number of persons will be left without financial assistance with the loss of their status as refugees and returnees, some refugees and returnees are likely to end up in the

social assistance system, so the growth in the resources required for social assistance will need to be predicted.

#### **4.4.3. The Roma population**

##### *4.4.3.1. Current problems and efforts*

Although Croatia does not have a numerous Roma community, its members face similar problems as those in other European countries. According to the 2001 census, there were 9 463 ethnic Roma persons in Croatia (0.2% of the total population of Croatia), although their number is 3 to 4 times larger according to estimates by the Council of Europe. One factor explaining the discrepancy in the figures could be the reluctance of Roma to have their ethnic origin publicly recorded for fear of discrimination by public authorities. The greatest number of Roma live in Međimurje county, where they make up 2.4% of the total county population, or 30.5% of all persons who have declared themselves as Roma. If the number of Roma people from Zagreb is added, then more than half of the Roma population live in these two counties.

Roma suffer from poverty and generally poor living and housing conditions, low levels of education, exclusion from formal work (high unemployment), poor health and spatial segregation. For the Roma, being poor means not only living without money but also poor labour market and educational prospects, inadequate housing, bad health status and shorter life expectancy. Roma continue to face discrimination and prejudice on the part of the majority population, for example in employment, education and housing.

Roma are excluded from formal employment (many of them perform their economic activities in the shadow economy). The Roma make use of social assistance in disproportionately larger numbers than their share in population would indicate (almost  $\frac{3}{4}$  of Roma households live only on social assistance or combine social assistance with other incomes).

In 2003, the Government adopted the **National Program for the Roma**, aiming at systematic assistance to Roma people to improve their living conditions, to include them in social life and decision-making processes at local and higher levels and to keep their own identity, culture and tradition. In addition, in 2005 the Government adopted the **Action Plan for the Decade of Roma Inclusion 2005-2015**, which comprises different measures in education, employment, health care and housing. Apart from the bodies of central and local/regional authorities, the programme is implemented also by other governmental and non governmental organizations, international institutions, Roma associations etc.

Apart from poverty and unemployment, the Roma face spatial, cultural and political marginalisation. Roma communities are separated and spatially isolated. There is very weak contact between the Roma communities and the non-Roma environment. Some Roma settlements lack basic infrastructure and a large proportion of the Roma live in housing with extremely poor facilities. Yet, decisions to legalize Roma settlements have been taken according to the National Program for the Roma and the Action Plan for the Decade of Roma Inclusion. Twelve out of 14 counties in which Roma settlements exist developed their plans for the legalisation of Roma settlements and improvement of housing conditions. For example, thanks to funds from the European Commission and the Government, 9 Roma settlements were legalised in the Međimurje county, which has the largest number of Roma settlements. Some Roma do not have Croatian citizenship because they are poorly informed

as to the procedure for acquiring citizenship as well as the bodies to which they can address complaints on decisions. In order for the Roma to get full information on how to exercise their rights (citizenship, health care insurance, social welfare), the Ministry of Justice offers legal advice free of charge. In 2005 the Office for National Minorities in collaboration with the Ministry of Interior and the Ministry of Health and Social Welfare issued a publication **My Rights** in the Croatian and Roma languages. Moreover, the Ministry of Interior in collaboration with the Roma associations organised mobile teams to go to Roma settlements and give instructions concerning citizenship and other rights.

The exclusion of Roma children from the education system is a serious problem. A large number of Roma children have a poor knowledge of the Croatian language, which creates problems for the inclusion of these children within pre-school and primary school institutions. There is also a lack of adequate textbooks in the Roma language. Roma children can also face discrimination, stereotyping and prejudice in the school system. Roma children tend to leave school early (even in the beginner classes of primary school), but there are no accurate data on this. According to available data, 623 Roma children are enrolled in pre-school programs, 2 921 in primary education and 94 in secondary or post-secondary education. Nineteen Roma assistants are employed in primary schools and they encourage Roma children to go to school regularly and help them cope with the educational materials.

According to the Constitutional Law on National Minorities 3 Roma representatives were elected for the first time to the representative bodies of local self-government. During the first elections for councils and representatives of national minorities in 2003, 20 councils of the Roma minority were elected as well as 7 representatives, which is a step toward wider inclusion of the Roma population into decision-making processes.

As the Council of Europe emphasises, countering the stereotypes and racist prejudice against the Roma should be an integral part of any policy designed to help them. The authorities have to pay much more attention to this problem in their programmes and measures.

#### *4.4.3.2. Priorities and measures*

To improve the inclusion of the Roma children in education and their educational success, the following measures are suggested:

- all Roma children should be prepared for school through a pre-school programme and be enrolled in compulsory primary education,
- daily stay programmes for Roma children at elementary schools, with additional and complementary activities and the participation of educated Roma classroom assistants to act as mediators between pupils, parents and school staff and management,
- increase the number of Roma children of both sexes that enrol and complete secondary and post-secondary education ,
- creation of a school environment in accordance with the principles of intercultural/multicultural education
- keep Roma culture, language and customs (building of cultural centres for the Roma in Čakovec and Zagreb).

In addition, measures are needed to:

- create the preconditions for the inclusion of Roma representatives in the bodies of local and regional self-government,
- improve access to and quality of health care for the Roma population,
- include Roma women in decision-making processes to a greater extent,
- encourage greater employment of the Roma through public work and training for particular professions,
- improve housing conditions of the Roma population (legalisation of Roma settlements and development of their infrastructure),
- prevent violence and discrimination against Roma,
- empower the Roma to participate more in the projects devised for them and follow up (evaluate) the efficiency of various projects for the Roma.

#### **4.4.4. Other vulnerable groups**

##### *4.4.4.1. Current problems and efforts*

Apart from people with disabilities, refugees and displaced persons, and the members of the Roma community, there are other smaller vulnerable groups deserving public attention — the **homeless, drug addicts, and victims of domestic violence**.

Homelessness is a relatively new phenomenon in Croatia. Before 1990, homelessness was prevented by various measures, among other things by placing the homeless in institutions. There is insufficient information on the structure and types of homelessness (e.g. the ratio between visible and hidden homelessness). The shelters and camps provide basic assistance to the homeless. Besides housing, the shelters and camps provide other services such as regular health examinations, the provision of food and clothing, counselling etc.

Recently, significant attention has been given to the victims of domestic violence. In 2003 the **Act on Protection against Family Violence** was adopted, and for the first time defined all types of family violence and introduced a series of protective measures, from harassment prohibition to exclusion of the violent person from the family. Since then, the **National Strategy for the Protection against Family Violence in 2005-2007** has been adopted, containing short- and long-term measures and providing for systematic monitoring of their implementation. The aim of the National Strategy is to harmonise the domestic legislation with international regulations, raise public awareness of family violence issues, carry out an analysis of the shelters for violence victims, educate professionals on the issue and encourage better cooperation between the authorities in the prevention of and response to violence. The shelters available to victims of family violence (mostly women and children) are insufficient or non-existent in many areas of Croatia. NGOs have the key role in the functioning of shelters. In addition to the National Strategy, the Protocol for Procedures in the Case of Family Violence was also adopted.

In 2004 the **Programme of Activities for Preventing Violence among Children and Young People** and the **Protocol for Procedures in the Case of Violence among Children and Young People** were adopted. They define the obligations of the state authorities in the event of incidences of violence among children and young people (educational institutions, social welfare centres, local and regional self-government units).

The spread of substance abuse among young people is increasing and starting from a younger age. The monitoring of substance abuse as an ethical and social phenomenon is the task of the Croatian Institute for Public Health. 6 000 persons are registered every year in the

drug abuse treatment system. Of those treated during 2004, around 72% were heroin addicts. By the end of 2004, the total number of persons recorded in the register for the monitoring of drug addicts was over 20 000. The proportion of treated drug addicts among the population in 2004 was above the Croatian average in Istria county, Zadar county, Šibenik-Knin county, Varaždin county, Primorje-Gorski Kotar county and Zagreb City. Drug addiction is an issue primarily linked to urban centres. In the past ten years, there has been an increasing trend in the number of drug addicts serving prison sentences (e.g. in 2004 their number was ten times that in 1994). Some addicts need continued anti-addiction treatment after leaving the corrective institution, showing the need for post-corrective treatment. By the end of 2005, the Croatian Parliament adopted the **National Strategy for Substance Abuse Prevention in the Republic of Croatia for 2006-2012**, aiming at decreasing drug demand and supply. This strategy replaced the earlier one adopted in 1996. In 2001 the Act on Substance Abuse Prevention was issued. The Office for Substance Abuse Prevention and the Committee for Substance Abuse Prevention became responsible for coordinating the implementation of the fight against drug abuse. The Strategy envisaged the issuing of an Action Plan defining more precisely the individual objectives, ways of achieving them, implementation deadlines and the financial resources needed.

#### *4.4.4.2. Priorities and measures*

- Although homelessness is a relatively new and marginal social phenomenon, the current partial analysis shows that there is a lack of accommodation capacity for the homeless, especially in big cities. Additional surveys are therefore needed to determine the actual need for capacity and to arrive at a profile for the homeless. Civil society organisations (church organisations) play a big role in the care of the homeless and their activities should be continuously supported.
- More efforts should be made to prevent homelessness and to integrate homeless people within society (e.g. the prevention of alcoholism and drug abuse, increasing the supply of public housing, inclusion of the homeless in employment programmes, and appropriate social assistance).
- Where drug addicts are concerned, the main focus should be on prevention programmes. The state is obliged to incorporate activities for the prevention of drug abuse among young people within the educational system and other systems for children and youth protection. More efforts are needed to ensure the early discovery of users among children and young people and the possibility of carrying out narcotic drug tests should be considered, while respecting personal dignity, professional ethics and individual rights under the law. In addition, the re-socialisation of addicts is also important as well as their re-inclusion within the community after a successfully completed rehabilitation programme. Social integration programmes are especially necessary in the areas of social skills development and the stimulation of education and employment.
- It is extremely important to develop the cooperation between state and non-governmental organisations in the implementation of the programme to reduce drug demand and supply, to provide regular financing for non-governmental organisations and to enable non-governmental representatives to participate in coordination bodies at national and local level.
- Also important are continued media and other campaigns against family violence, more suitable assistance and support for family violence victims (further development of a counselling centre network, increase in the number and capacities of hidden shelters, inclusion of violence victims in therapeutic programmes), surveys to identify those social groups and situations linked to a higher incidence of family violence, fast, efficient and

coordinated response by various state bodies to incidents of violence in the family, and financial and professional support for the role of NGOs in the provision of assistance to victims of violence.

#### **4.5. Deprived areas and regional differences**

##### *4.5.1. Current problems and efforts*

In view of its extremely wide regional differences, Croatia has proposed a Strategy for Regional Development of the Republic of Croatia (sponsored by the Ministry of the Sea, Tourism, Transport and Development) and established the Fund for Regional Development of the Republic of Croatia. Particular parts of Croatia were of course strongly affected by the war and/or are considerably lagging behind in their development. There are thus several categories of deprived areas in Croatia: (1) war-affected areas, (2) mountainous regions and some regions along the frontier with the former Yugoslav republics, and (3) islands. The proposed Strategy for Regional Development of the Republic of Croatia envisaged a programme for the development of areas with developmental difficulties, in which the Government would define measures to eliminate these difficulties. The Government of the Republic of Croatia has already adopted several packages of measures for such multi-deprived areas.

The **Act on Areas of Special State Concern** was adopted primarily with the goal of alleviating the consequences of the war, restoring confidence and stimulating growth and sustainable development. The law mainly provides for various measures in housing policy (state-owned rented housing, allocation of building land or material, (re)construction of family houses, etc.), since the housing stock was heavily damaged by the war. The law also envisages various tax allowances for the population in the area, investors and local self-government units. The project for the reconstruction of communal infrastructure in the areas of special state concern, amounting to €100 million, started in 2004 and should be completed in 2007. It includes the reconstruction of communal services, local roads, public housing, and other community buildings and utilities. The border regions, especially those affected by war, also have low investment by the private sector and are characterised by polarised local communities and general depopulation.

The Serb minority in areas of special state concern is facing the same problems as other ethnic groups (missing or destroyed infrastructure, very high unemployment, poverty, economic underdevelopment, depopulation, etc.). In addition, however, settlements (villages) with a Serb majority are even more depopulated (a significant proportion of refugees have not yet returned) and the structure of returnees is more unfavourable (older people predominating, which adversely affects economic revival and development). Some villages with very few residents are without electricity. In some areas, the relationships among residents are also quite tense.

The **Act on Mountainous Regions** sets out incentives for economic growth, demographic recovery, sustainable development, the resolution of social issues and the raising of living standards in areas where unfavourable living conditions (in economic, infrastructural, demographic and other respects) are the result of climate and natural features. The difficulties in these areas are the result of the lack of basic services, an ageing population, poverty, inappropriate housing conditions, isolation, poor health services, a low education level and the impossibility of developing sustainable agriculture in a modern market economy. The measures envisaged by this law include: the use of particular state resources



free of charge (land, forest), the stimulation of economic activities through partial tax relief, customs relief for the import of agricultural machines and livestock, etc.

The specific needs of the islands stem from their particular natural and geographic conditions and differ from island to island. Some islands are economically less developed, and are in many cases affected by depopulation, ageing of the population, and a lack of services and economic opportunities due to their remoteness. **The Act on Islands** envisages a programme for the sustainable development of the islands. The programme will evaluate natural resources on the islands and their exploitation. Among the measures envisaged, transport connections to the islands are particularly important (the construction of bridges and introduction of ferries for each inhabited island not connected to the mainland by bridge). The islanders are excused from bridge toll payment, and pupils, students and retired persons have free public road transport on their island as well as transport on the ferries connecting their island with the mainland and other islands. People with disabilities who as a result cannot use public transport are entitled to the reimbursement of private transport costs. The prices of public transport on the islands should be harmonised with the transport prices in their respective counties. The accent is on the stimulation of activities to make island development sustainable.

#### *4.5.2. Priorities and measures*

- The sustainable development of Croatia as a whole presupposes a reduction in the regional inequalities in the economic, infrastructural, educational, health, cultural, demographic and social spheres.
- Continued application of recent regional policy measures, with more consistent use of regulations adopted by the Croatian authorities (the Government has not yet implemented part of its measures or made the anticipated investment in the areas concerned).
- Clearing of mines in the formerly occupied areas.
- In allocating resources for the implementation of the active labour market policy programme, priority should be given to (multi-)deprived areas and regions, which usually have an unemployment rate above the average.
- Designing of specific support projects for rural areas (in particular for the transformation of inefficient agriculture).
- Proposing and implementing measures to enhance the self-employment of women in rural areas (e.g. agriculture projects, care services within the community).
- One of the challenges in the border regions is the construction of internal capacities in order to encourage the local population on both sides of the frontier to jointly identify and create opportunities for local development and employment (construction of infrastructure, education, employment, mitigation of ethnic intolerance).
- Stimulating cooperation between government bodies and civil society organisations in regional development policy (so far the focus has been more on cooperation between authorities).
- Planning of local development through local partnerships and monitoring of the impact of public investment in regional development.
- Taking into account the priorities, goals and measures defined in the county development strategies and regional action plans in designing measures at national level (bottom-up approach).
- Central government still has to take charge of the transport connections between the islands and mainland, because transport is a major requirement for the island population to ensure equal access to services available on the mainland (education, health,

employment etc.). The development of telemedicine and tele-education could be of great importance in this respect.

#### **4.6. Mobilising all relevant stakeholders and resources**

##### *4.6.1. Current problems and efforts*

Since the fight against poverty is one of the main targets of the Croatian Government's social policy, September 2002 saw the adoption of the first **Programme for the Fight against Poverty and Social Exclusion**. The Programme comprised a set of short- and medium-term measures, especially for the socially vulnerable groups (long-term unemployed, elderly people, children, social assistance beneficiaries, people with disabilities etc.), in labour law, wage policy, employment policy and unemployment protection, tax policy, the pension system, social care, housing, education, family policy, and civil society. The Programme defined deadlines and agents for particular measures, with the accent on coordinating all those areas relevant for the prevention and alleviation of poverty. In the design of the Programme, however, the partnership with civil society organisations was not sufficiently emphasised (they were not sufficiently involved in of the preparation of the document). The report issued at the end of 2003 on the implementation of the measures shows that particular measures were implemented within the given deadlines, (prevention programmes for health education and reducing the spread of illness with the purpose of improving the quality of life of at-risk and poor groups, introduction of a minimum income, establishment of criminal responsibility in the event of failure to fulfil obligations towards an employee, etc.), whereas other measures were not implemented at all or did not achieve the anticipated results.

In September 2005, the Government of Croatia started work on the **Joint Memorandum on Social Inclusion (JIM)**. The purpose of this document is to prepare Croatia for full participation in the open model of coordination in fighting poverty and social exclusion in the EU accession process. In order to prepare the JIM, a working group was formed with representatives of the line ministries and other state bodies, local authorities, civil society organisations, labour unions and employers' associations. The Ministry of Health and Social Welfare acts as coordinator. For the production of particular chapters of the JIM, opportunities are available for dialogue and exchanging opinions among government, social partners and civil society organisations.

**Social dialogue** is one of the important preconditions for the definition and implementation of economic and social policy at national, regional and local levels, so is also an important precondition for promoting social inclusion. In order to successfully realise the forthcoming reforms, the Croatian Government has reached an agreement with representatives of the employers and labour unions called the "Partnership for development", which contains the main joint targets in the area of economic and social policy. Croatia has an adequate institutional framework for promoting social dialogue, comprising in particular the Economic and Social Council as an advisory body to the Croatian Government, the Governmental Office for Social Partnership, the economic and social councils at county level, the representatives of the social partners in three working bodies within the Croatian Parliament, the Social Insurance Fund and other public institutions. At the level of companies, institutions and particular branches and industries, social dialogue is developed through the activities of the labour union associations and employers' associations, in concluding collective agreements and facilitating labour union activities in companies and in employee councils and supervisory boards.

Despite established institutional mechanisms and some positive examples of active participation by social partners in the formulation and implementation of individual policies (e.g. during the vocational education reform or the preparation of the national employment programme), social dialogue has not yet reached a satisfactory level since such positive practices are still more the exception than the rule. Especially critical is the social dialogue at the level of particular industrial branches and companies, because obstruction of the work of labour union councillors and workers' representatives is a frequent practice. In many companies, not only those that do not register their workers, the violation of workers' rights is a frequent occurrence in the absence of appropriate preventive mechanisms.

Since the end of the 1990s, great attention has been given to the development of partnerships between local authorities and **civil society organisations**. This is especially evident in the foundation of the Government Office for NGOs, the National Foundation for Civil Society Development, the Council for Civil Society Development and in the changes to many laws regulating the role of civil society at the beginning of 2000. The 2001 programme for cooperation between the Government and the non-governmental, non-profit sector envisages the development of a code of good practice, standards and criteria for the allocation of financial support to associations, programmes and projects. In July 2006, the Government adopted the national strategy for the creation of a suitable environment for civil society development which formulates a set of measures in various areas of social life (including civil society financing, development of the social economy, regional development and volunteering).

Within the programme for the fight against poverty and social exclusion, civil society organisations play a major role. Their activity is particularly important in the area of direct support for the socially vulnerable and other persons with various needs, the empowerment of social welfare system beneficiaries and the development of new social services in partnership with public institutions and local government units. Despite the positive experience, it should be pointed out that a CIVICUS (World Alliance for Citizen Participation) index survey on civil society, implemented by the NGO CERANEO (Centre for Development of the Non-profit Sector) in 2004 and co-funded by the EU, showed that civil society organisations are still insufficiently involved in the problems of poverty alleviation and that there is still a great need for their stronger engagement.

Local authorities also play an important role in promoting social inclusion (especially individual cities and local communities, depending on financial resources). In the area of social care, the role of local authorities primarily involves housing and social services.

#### *4.6.2. Priorities and measures*

- To encourage and promote social partnership and dialogue (influence employers and the business sector to take responsibility towards their own employees and towards the broader community in order to have an important impact in solving different social problems in the community).
- To strengthen the cooperation and partnership between NGOs and between government and NGOs (include NGOs in all phases of decision-making). To make greater use of the expertise of NGOs in the development, implementation and evaluation of social programmes. The NGOs have an important role as representatives and advocates of the interests of marginal groups.

- To include local authorities to greater extent in the prevention and alleviation of poverty and social exclusion, especially in housing and social services.
- To bring in independent academic institutions to assist the state structures in monitoring and evaluating these measures.

## **5. PROMOTION OF GENDER EQUALITY IN COMBATTING POVERTY AND SOCIAL INCLUSION**

Gender equality is given much attention in this document for two essential reasons. Firstly, gender equality is a fundamental value under the constitution of the Republic of Croatia, upheld by national laws and a series of international agreements, including the UN Convention on Elimination of All Forms of Discrimination against Women and the provisions of the EU Treaty on gender equality. Secondly, poverty and social exclusion, as already demonstrated in previous chapters, have a clear gender dimension. This dimension is particularly visible in the greater poverty risk for women, higher (long-term) unemployment rates among women, lower average earnings compared with men, and higher social risks for single-parent households and elderly persons living in single-person households. In this document, therefore, the data are presented wherever possible by gender as well.

Over the last five to six years, great progress has been made in the legislative and institutional regulation of gender equality, making gender equality, albeit very gradually, an important social issue.

In the promotion and implementation of gender equality policy, significant progress was achieved by the enactment of the Gender Equality Act in 2003, providing for protection against discrimination based on gender and the creation of equal opportunities for men and women. Additionally, new anti-discrimination provisions have been adopted in criminal, family and labour legislation. Under the Gender Equality Act, it is forbidden to discriminate in employment in the public and private sectors, including government bodies, in matters relating to the terms and conditions of employment, such as promotion at work, access to all types and levels of training, working conditions, including pay, and membership and participation in workers' or employers' associations or in any other professional organisation. Furthermore, when advertising job vacancies, employers must state in unequivocal terms that candidates of both sexes may apply for the job.

In addition, labour law prohibits direct or indirect discrimination against persons seeking employment or in employment. Harassment, including sexual harassment, constitutes discrimination, and any persons considering themselves to be victims of discrimination may file a claim for damages, where the burden of proving that there has been no discrimination lies with the employer. Labour law also requires employers to ensure equal pay for women and men for equal work or work of equal value.

To ensure enforcement of the Gender Equality Act, a Gender Equality Ombudsman was appointed in 2003 and a government body, the Office for Gender Equality, was established in 2004. Coordinators for gender equality were appointed in all state ministries and other government administration bodies, while commissions for gender equality were established at county level. The Croatian Parliament has had a gender equality committee since 2001.

In October 2006, the Croatian Parliament adopted a new document entitled “National Equality Promotion Policy 2006-2010”. This document sets out objectives and a large number of measures for improving the general social position of women and for raising awareness of the need to respect women's human rights. In this context, improvement of the social position of female members of the national minorities and women with disabilities as well as the elimination of discrimination against Roma women were singled out as separate aims and measures. With a view to creating equal opportunities on the labour market, the most important objectives are to reduce unemployment among women, to eliminate all forms of discrimination against women in the labour market, to foster women's entrepreneurship, to ensure truly equal opportunities for women and men in the labour market through efficient enforcement of labour legislation and by encouraging women to use the existing mechanisms for filing discrimination claims, and to strengthen and promote measures enabling the reconciliation of family and professional obligations, including raising awareness of the need to equally distribute domestic and family work between men and women.

The work of non-governmental organisations is very important for the promotion of gender equality, because, through their activities and advocacy of public policies, they raise public awareness, participate in tackling various problems, help provide a public platform for discussion of women's human rights and education of the public, and propose solutions for public policies.

Despite significant progress in the institutional and legislative promotion of gender equality, the fact is that Croatia lags behind considerably in implementation, which has a direct impact on the possibilities for reducing the poverty and social exclusion of women. In this context, it is extremely important to continue working on the public's awareness of gender and a more consistent incorporation of the gender dimension in all aspects of social life.

## **6. STATISTICAL SYSTEMS AND INDICATORS**

Statistical data on poverty and social exclusion in Croatia are collected primarily by the Croatian Bureau of Statistics (CBS). In addition to the CBS's databases, data for poverty analysis are also available from other official institutions and agencies (Ministry of Finance, Ministry of Health and Social Welfare, Croatian Pension Insurance Institute, Croatian Health Insurance Institute). The two main databases on poverty and social exclusion are the Household Budget Survey (HBS) and the Labour Force Survey (LFS).

The HBS is the key source of poverty data. Since 1998, it has been continually (i.e. annually) conducted by the CBS. In the first survey in 1998, sampling did not encompass all areas of Croatia (due to war circumstances). After 2000, the sample, which was harmonised with the 2001 Census, covered the entire country. In implementing the Survey, however, the lack of a proper framework for the sample, a regularly updated population register, continues to be a problem. The Survey consists of four questionnaires: the Questionnaire for Household Members, the Questionnaire for Households, the Diary and a Replacement Questionnaire if the household did not keep a Diary. The Diary is used for collecting information on the purchase of everyday goods (food, drink, tobacco products and consumer goods). The questionnaires used enable large quantities of information to be collected on the living standards of Croatian citizens and, importantly, they comply with Eurostat standards.

In 2004, the CBS started publishing the Laeken indicators of social cohesion, based on the HBS, covering the period from 2001 until today. The methodology for poverty analysis has been harmonised with that of Eurostat. Data are based on income, which is also defined in accordance with Eurostat's recommendations. Poverty indicators are based on the EU's official poverty line (60% of equivalent median income, using the modified OECD equivalence scale). The unit of analysis is an individual, and poverty indicators are calculated according to two definitions of income. The first definition includes only income in cash, while the other definition takes into account both income in cash and income in kind (production for own purposes and other forms of non-monetary income).

Since 2001, the CBS has calculated the following poverty indicators: 1) at-risk-of-poverty rate with a breakdown by age and gender, most frequent activity status and gender, household type, tenure status; 2) at-risk-of-poverty threshold (illustrative values); 3) at-risk-of-poverty rate before social transfers; 4) relative at-risk-of-poverty gap; 5) dispersion around the at-risk-of-poverty threshold; 6) inequality of income distribution — S80/S20, the quintile share ratio; 7) inequality of income distribution — the Gini coefficient.

In view of the fact that the HBS is not a panel survey, longitudinal analyses of poverty have so far not been possible. The CBS plans to introduce EU-SILC within the statistical system with the Programme of Statistical Activities of the Republic of Croatia, 2004 – 2007. The deadlines for implementation of EU-SILC will depend on the progress with the PHARE 2005 programme, which will define a national methodology, create questionnaires, conduct pilot research projects and analyse the results obtained.

In addition to the HBS, the LFS may also be used as an additional source of data for poverty analysis (although it primarily serves as a source of information on labour force activity). The LFS has been conducted in Croatia since 1996 on a six-monthly basis, and the LFS data are broken down by gender. It is conducted in accordance with the guidelines and requirements of ILO and Eurostat. The LFS is the most important source of data for international comparison of employment and unemployment indicators, enabling Croatia to be compared with the EU countries (as well as all other countries conducting the LFS) and allowing the monitoring of employment and unemployment indicators over time periods.

The following Laeken indicators are calculated on the basis of the LFS: 1) the long-term unemployment rate; 2) persons living in jobless households; 3) early school-leavers not in education or training; 4) the long-term unemployment share; 5) the very long-term unemployment rate; and 6) persons with low educational attainment. As for life expectancy at birth, this indicator is calculated by the Population Division of the CBS.

Despite being representative at national level, the LFS and HBS are not representative at county level, which prevents a reliable insight into the regional distribution of poverty and similar regional indicators. As Croatia has yet to define NUTS2, it is not possible to calculate the regional cohesion indicator (dispersion of regional rates of employment). In addition, it is not possible to calculate the at-persistent-risk-of-poverty rate with a breakdown by gender or the self-defined health status by income level on the basis of the LFS or HBS (due to the non-harmonised methodology, however, the latter is not calculated in other European countries either).

The LFS data have been regularly submitted to Eurostat since the reference year 2002, while the HBS data have so far not been submitted to Eurostat (the data submission deadline for 2005 is by the end of 2007).

The CBS plans to regularly collect social protection data under the ESSPROS methodology. So far, the organisational chart for the social protection system in the country has been defined, cooperation has been established with institutions in the social system, 15 social protection schemes have been identified, descriptive data on various benefits under individual schemes have been collected, and work has started on the collection of financial data on revenues and expenditures in 2003.

The main limitation of the official statistical data on poverty and social exclusion is the insufficiency or lack of information on members of national minorities. The second problem is the lack of data on the number and structure of persons with disabilities (such data cannot be extrapolated from HBS), so in its reports the CBS (like Eurostat) does not publish the at-risk-of-poverty rate for this group. Moreover, there is a need for more diverse data on migrants, the homeless and stateless persons. More attention needs to be paid to regional statistics. As a relatively new area of statistical monitoring, gender statistics is developing gradually.

## **7. SUPPORT FOR SOCIAL INCLUSION POLICIES THROUGH THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA)**

The following EU-funded programmes and projects include social inclusion-related activities or have disadvantaged groups among their beneficiaries.

As can be seen from Table A, over a period of 15 years, 28 programmes and projects have been financed/co-financed by the EU with a total amount of €454.3 million.

**Table A. EU-financed social inclusion-related projects in Croatia (1991-2006)**

SOURCE OF FUNDING	PROJECT TITLE	EC CONTRIBUTION in €	NATIONAL CO-FINANCING	TOTAL PROJECT BUDGET in €
ECHO (1991-1999)	Direct humanitarian aid to the victims of the war	293 800 000		293 800 000
OBNOVA (1996-2000)	Reconstruction of housing, economic and social infrastructure in the areas of return of refugees and displaced persons	57 950 000		57 950 000
EIDHR (1991-2001)	European Initiative for Democracy and Human Rights	1 900 000		1 900 000
CARDS (2001)	Sustainable return of refugees and displaced persons	23 200 000		23 200 000
CARDS (2001)	Vocational education and training	600 000		600 000
CARDS (2001)	Labour market restructuring	3 000 000		3 000 000
CARDS (2001)	Reform of asylum policy	2 100 000		2 100 000
CARDS (2001)	Small-scale operations (social services)	1 000 000		1 000 000
CARDS (2002)	Sustainable development in return areas	14 000 000		14 000 000
CARDS (2002)	Promotion of democracy and human rights	500 000		500 000
CARDS (2002)	Social service delivery by the non-profit sector	1 500 000		1 500 000
CARDS (2002)	Modernisation of VET	1 120 000		1 120 000
CARDS (2002)	Local partnerships for employment	900 000		900 000
CARDS Regional (2002)	Democratic stabilisation and civil society development	7 000 000		7 000 000
CARDS (2003)	Return of refugees and internally displaced persons	15 000 000		15 000 000
CARDS (2003)	Promotion of democracy and human rights	500 000		500 000
CARDS (2003)	Social service delivery by the non-profit sector	500 000		500 000
CARDS (2003)	Upgrading of vocational education and training schools	4 000 000		4 000 000
CARDS (2003)	Training of employment counsellors for the disabled and persons difficult to place	90 000		90 000
CARDS Regional (2003)	Social Institutions Support Project	2 000 000		2 000 000
CARDS (2004)	Sustainable development in the Areas of Special State Concern	14 000,000		14 000 000
CARDS (2004)	Promotion of democracy and human rights	700 000		700 000
CARDS (2004)	Social service delivery by the non-profit sector	2 200 000		2 200 000
CARDS (2004)	Adult learning	1 500 000		1 500 000
CARDS (2004)	Local partnerships for employment (II)	1 500 000		1 500 000
CARDS (2004)	Addressing social exclusion in VET schools	55 000		55 000
PHARE (2005)	Roma support project	1 300 000	167,000	1 467 000
PHARE (2005)	Active employment measures for groups threatened by social exclusion	2 000 000	250,000	2 250 000
<b>TOTAL</b>		<b>453 915 000</b>	<b>417,000</b>	<b>454 332 000</b>

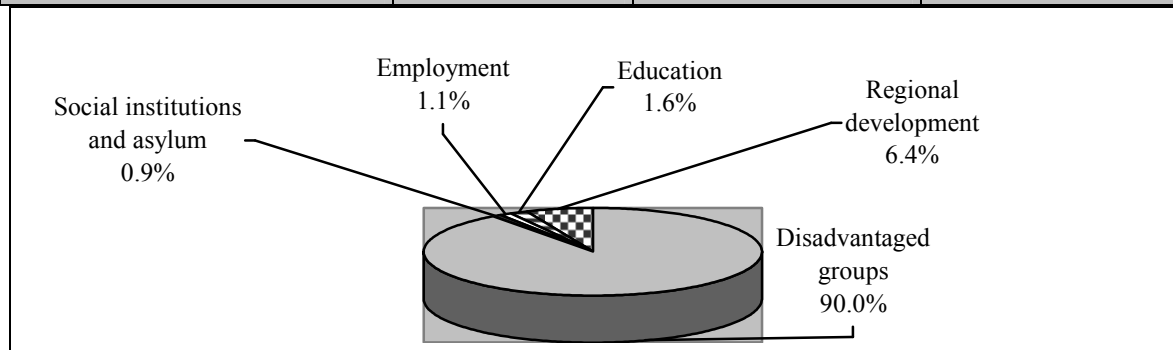
These programmes and projects are generally of a broad ‘umbrella’ nature often including many components addressing different types of activities and/or target groups. Among these 28 actions, 17 are devoted to disadvantaged groups, accounting for approximately 90% of the funding (Table B). This contrasts with the pattern in the Central and Eastern European



countries, where most funds were allocated to regional development and to reducing regional disparities. EU assistance has been mainly devoted to alleviating the social and economic consequences of the Croatian Homeland War.

**Table B. Distribution of funds by target area**

PROJECT TARGET	NUMBER OF PROJECTS	TOTAL BUDGET in €	% IN OVERALL BUDGET
Disadvantaged groups	17	408 612 000	90.0
Social institutions and asylum	2	4 100 000	0.9
Employment	3	5 400 000	1.1
Education	4	7 220 000	1.6
Regional development	2	29 000 000	6.4
<b>TOTAL</b>	<b>28</b>	<b>454 332 000</b>	<b>100.0</b>



For the 2007-2009 period, the focus will be on IPA Component IV where the main priorities will follow the European Social Fund (ESF) priority axes for the next-generation Structural Funds.

The programming for pre-accession assistance in the area of social inclusion takes into consideration the priorities set out in the strategic documents of the Croatian Government, such as the National Action Employment Plan (2006-2009), which provide the political framework for future ESF-type interventions, along with the Lisbon Strategy and the European Employment Strategy, and the priorities and objectives identified in this memorandum.

The key activities for social inclusion in the 2007-2009 period for which IPA support will be sought will be as follows: social inclusion from a labour-market perspective (including equal access and the labour market re-integration of job-seekers, the inactive and other vulnerable groups).

## 8. CONCLUSIONS

If we take as our starting point the fact that poverty and social exclusion represent significant challenges for Croatian society, the Government of the Republic of Croatia considers participation in the open method of coordination on poverty and social exclusion to be a high priority after accession to the EU. Drafting of the JIM represents an important step towards full participation in this process. One of the features of the JIM is a multi-dimensional and comprehensive approach to tackling poverty and social exclusion, requiring all areas of socio-economic life to be taken into account (labour market, social protection, education, housing, public services etc.). Accordingly, the preparation of the JIM was based on a broad

process of consultation, involving government institutions and bodies, NGOs, social partners, academic institutions, etc.

Having accepted the common strategic objectives of the EU established in Lisbon, Nice and Stockholm, and taking into account the current economic and social situation in Croatia, the Government of the Republic of Croatia adopts a general long-term approach based on the knowledge-based economy and the fostering of mutual links between economic, employment and social policies. The JIM has identified the main sources of social exclusion, the groups most vulnerable to poverty and social exclusion, the key challenges and, finally, the most important policy measures that can facilitate social inclusion in Croatia. It thus contributes to a better understanding of the concept of social exclusion and the anti-poverty policies.

The analysis in the JIM confirmed that Croatia has a relatively low rate of economic activity and employment, and a relatively large dependent population. The risk of poverty and social exclusion is primarily related to long-term unemployment and economic inactivity. In addition to the groups that are excluded from the labour market, poverty and exclusion tend to affect elderly persons (particularly women) without pension benefits, persons with disabilities, single-parent families and families with many children, certain groups of displaced persons, minorities, the homeless, former addicts etc. Investment in education and training is a priority in combating poverty. However, reforms and changes in the social protection systems are also of vital importance for the protection of certain vulnerable groups.

**The Government of the Republic of Croatia and the European Commission have identified the following challenges in the fight against poverty and social exclusion:**

- To raise the level of employment and create greater employment opportunities for the long-term unemployed and other vulnerable groups in the labour market;
- To improve the education structure of the population, harmonise education with labour market requirements and stimulate adult education;
- To financially stabilise the health system without jeopardising equal access to health services;
- To expand the network of social services, developing a system of community-based services and improving access to services;
- To facilitate access to housing for socially at-risk groups;
- To promote gender equality in combating poverty and social inclusion and to take into account gender differences in policy formulation and implementation;
- To enable the revitalisation and sustainable development of deprived areas and promote the regionally balanced development of Croatia.

**In the light of the analysis in the previous chapters of the JIM and the new framework for the social protection and social inclusion process<sup>44</sup>, adopted at the European Council in March 2006, the Government of the Republic of Croatia and the European Commission have agreed that the policy priorities in combating poverty and social exclusion should be as follows:**

---

<sup>44</sup> [http://ec.europa.eu/employment\\_social/social\\_inclusion/docs/2006/objectives\\_en.pdf](http://ec.europa.eu/employment_social/social_inclusion/docs/2006/objectives_en.pdf).

- To raise the employability of those groups most affected by long-term unemployment and inactivity, primarily by focusing active labour market policy measures on persons with disabilities, Roma, older workers, and former addicts; in employment, to give special attention to eliminating discrimination against women; to ensure full implementation of the minority employment provisions of the Constitutional Law on National Minorities; to keep records on the participation of social assistance users in active labour market programmes;
- To broaden secondary and higher education coverage (by broadening compulsory education, by monitoring and reducing the number of early school-leavers, i.e. by promoting the completion of different types of education in accordance with labour market needs and by implementing measures to ensure successful graduation and shorten the duration of studies); to reform vocational education in order to adjust it to labour market requirements; to invest more in and systematically promote life-long learning;
- To expand the network of social services for children, the elderly and persons with disabilities (particularly in small towns and rural areas); to establish an action plan to deinstitutionalise services for children and people with disabilities (to stop building new institutions, to expand alternative forms of social services and to reduce the number of beneficiaries in welfare institutions); to support the provision of services within the community where beneficiaries live; to develop a strategy for the decentralisation of social services (delegation of ‘founding rights’ for all welfare homes to county level) with the focus on areas of special state concern; to foster cooperation between local communities and NGOs in the provision of services; to give beneficiaries a choice; to promote better reconciliation between work and private life, especially for women, by investing in childcare structures;
- To put stronger efforts into the prevention of disease or disability (more frequent health checks); to provide equal access to health services for the entire population (in particular for those living on islands, mountainous areas, etc.);
- To define and develop a concept of social housing; to develop a more adequate system of housing allowances and assistance for households in a poor housing situation; to build capacity for shelters for the homeless; to speed up the solution of housing problems for returning refugees, through housing care programmes, particularly for former tenancy-right holders.
- Through economic and fiscal policy measures, to work systematically on the reduction of regional and urban/rural differences; to develop economic projects adjusted to local conditions and aligned with the county strategies for development and regional action plans; to offer better financial support to NGO programmes aimed at multi-deprived areas.
- To agree on a long-term and sustainable solution to the problem of poverty among senior citizens, protecting them during the period of transition through targeted social assistance programmes.
- To ensure access for all to quality health services, to monitor and evaluate the implementation of the “National Health Development Strategy 2006-2011” regarding its impact on the alleviation of poverty and social exclusion.

In its efforts to implement the above measures, the Government of the Republic of Croatia is aware of the need to set up appropriate institutional mechanisms in order to ensure, to the maximum extent possible, efficient cooperation between various bodies of the Government, social partners, local authorities, civil society organisations, social service providers as well as representatives of those groups that are experiencing poverty and social exclusion. The

Government is also aware of the fact that, in the implementation of the measures, particular attention has to be paid to the pronounced differences in the levels of poverty and social exclusion between urban and rural areas, as well as to the multi-deprived areas. Existing gender inequalities will also be taken into account in policy formulation and implementation.

Equally, the Government notes that social inclusion is a continuous process requiring permanent monitoring, as well as adjustment of adopted measures in line with new circumstances and changes. In this respect, it is particularly important to evaluate the efficiency of the proposed measures and policies by using clearly defined indicators, enabling comparisons between Croatia and other countries. In this way, it is possible to improve the system for the statistical monitoring of poverty and social exclusion.

The Government is of the opinion that its participation in the Open Method of Coordination (which will follow after accession to the EU) and sharing experiences with other member countries may contribute to improving policies against poverty and social exclusion.

The Government is prepared to continue the work started with the JIM follow-up process. For this purpose a ministerial task force will be constituted, which will be appointed by the Minister of Health and Social Welfare. The task force will coordinate the activities of the JIM Follow-up Monitoring Committee, which will comprise representatives of the ministries and institutions in charge of the tasks defined in the JIM follow-up, as well as representatives of local governments, social partners, non-governmental organisations, social service providers and the academic community.

The task of the JIM Follow-up Monitoring Committee will be:

- to supervise the implementation of the objectives, tasks and activities included in the JIM follow-up process,
- to identify problems arising during the implementation of the JIM follow-up process, and
- to propose measures to be taken to eliminate the identified risks and problems.

The members of the Committee will be provided with information on the latest developments in social inclusion policy both at EU and national level. Meetings of the JIM Follow-up Committee are expected to be held on a quarterly basis, although extraordinary meetings may be held if needed.

During the first JIM follow-up period between the signing of the JIM and summer 2008, Croatia is committed to implementing the following:

- Launching a study on disadvantaged youth (early school-leavers and the transition from school to work), using the comparative framework of the 'Thematic Study on Policy Measures concerning Disadvantaged Youth'<sup>45</sup>;
- Preparing a strategy on the decentralisation of social services, focusing on the Areas of Special State Concern;
- Launching a study on the problems of over-indebtedness (credit card debt, loan sharks);
- Preparing an action plan on de-institutionalisation;
- Reconsidering and carefully examining the future role of the minimum pension and how it is to be financed. Since the number of pensioners receiving a minimum pension is likely to grow (because of the changes brought about by the new pension

---

<sup>45</sup> [http://ec.europa.eu/employment\\_social/social\\_inclusion/docs/youth\\_study\\_en.pdf](http://ec.europa.eu/employment_social/social_inclusion/docs/youth_study_en.pdf).

insurance law), the evolution of spending on the minimum pension and the sustainability of the present method of funding will be analysed;

- Addressing the financial burden imposed by co-payments and insurance premiums on the more vulnerable groups through the implementation of specific measures targeting these groups (low-income, chronically ill).

In order to monitor the implementation of the JIM follow-up process, the Ministry of Health and Social Welfare (the ministry in charge of coordinating social inclusion policy) will submit to the Government once a year an informative report on the implementation of the JIM follow-up process in the preceding period. The report will also provide an analysis of the situation in comparison to the preceding year in the fields of the economy, employment, education, housing, health, social services, e-inclusion, transport, legal issues, rural and regional development and gender equality, and will list the measures to be taken to improve the situation of the groups at risk of poverty and social exclusion. All ministries responsible for the measures defined in the JIM follow-up process will be involved in the drafting of the informative report, and it will be adopted by the Monitoring Committee for the implementation of the JIM follow-up process during one of its meetings.

A meeting will be held by the middle of 2007 to review the activities undertaken by the governmental institutions and agencies responsible for the implementation of the JIM follow-up process, the difficulties, the problems and good practices. All stakeholders involved in the fight against poverty and social exclusion will be given a chance to participate in the meeting. In particular, it will be important to gain the support of the social partners for the implementation of the JIM follow-up actions. In addition, another follow-up meeting to discuss the main issues singled out at the first meeting is expected to be held at the end of 2007 (possibly organised by TAIEX).

The Government undertakes to submit an implementation report on the JIM follow-up before summer 2008 to the JIM partners and to the European Commission, taking into consideration the objectives of the EU framework of March 2006 for the social protection and social inclusion process (eradicating poverty and social inclusion; provision of adequate and sustainable pensions; provision of accessible, high-quality and sustainable health and long-term care). This Report will be presented and discussed in a JIM follow-up seminar with all stakeholders and the European Commission in spring 2008.

## STATISTICAL ANNEX

**Table 1: Selected macroeconomic indicators**

	2001	2002	2003	2004	2005	2006-2008
GDP growth (%), constant prices	4.4	5.6	5.3	3.8	4.3	4.6
GDP per capita (€), current prices	4 998	5 507	5 906	6 397	6 972	7 650**
GDP per capita in PPS (as % of GDP per capita for EU-25)	-	-	45*	46*	47*	-
Current account balance of payments, (% GDP)	-3.7	-8.6	-7,1	-4,9	-6,3	-6.4
Consumer prices, average (% change)	3.8	1.7	1.8	2.1	3.3	2.5
Average real net salary (% change)	1.6	3.1	3.8	3.7	1.5	-

*Sources:* Croatian Bureau of Statistics (CBS), Croatian National Bank, Ministry of Finance.

For the period 2006-2008, estimation by the Government of RC, Central Office for Development Strategy and Coordination of EU Funds: Strategic Development Framework for 2006-2013, available on-line at

<http://www.strategija.hr/Default.aspx?sec=2> and European Commission Directorate-General For

Economic And Financial Affairs Economic Forecasts Autumn 2006, available on-line at

[http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2006/ee506en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2006/ee506en.pdf)

\* Eurostat estimates

\*\* 2007

**Table 2: Number of employed and unemployed persons – administrative data**

(Absolute numbers - in '000)

	2001	2002	2003	2004	2005
Able-bodied population (15+)	3 680	3 700	3 571	3 590	3 636
- ESTIMATE					
Economically active population	1 729	1 749	1 722	1 720	1 729
Total employed	1 348	1 359	1 393	1 410	1 421
- Employed in legal entities	1 056	1 060	1 088	1 103	1 113
- Employed in crafts and free-lance professions	216	229	242	252	258
- Active insured persons – farmers	76	70	63	54	49
Unemployed – according to administrative sources	380	390	330	310	309
Administrative unemployment rate (%)	22.0	22.3	19.2	18.0	17.9

*Source:* CBS

**Table 3: Employment and unemployment rates in EU-25 and Croatia (based on LFS)**

	2002	2003	2004	2005
Total employment rate <sup>1</sup>				
EU25	62.8	62.9	63.3	63.8
Croatia	53.4	53.4	54.7	55.0
Employment rate - men				
EU25	71.0	70.8	70.9	71.3
Croatia	60.5	60.3	61.8	61.7
Employment rate - women				
EU25	54.7	55.0	55.7	56.3
Croatia	46.7	46.7	47.8	48.6
Total employment rate, older workers (55-64)				
EU25	38.7	40.2	41.0	42.5
Croatia	24.8	28.4	30.1	32.6
Employment rate, older workers - men				
EU25	48.8	50.3	50.7	51.8
Croatia	34.2	38.1	40.9	43.0
Employment rate, older workers - women				
EU25	29.2	30.7	31.7	33.7
Croatia	16.9	20.3	21.0	23.8
Total unemployment rate <sup>2</sup>				
EU25	8.8	9.0	9.1	8.8
Croatia	14.7	14.1	13.6	-
Unemployment rate – men				
EU25	7.8	8.1	8.1	7.9
Croatia	13.2	12.8	12.0	-
Unemployment rate - women				
EU25	10.0	10.2	10.3	9.9
Croatia	16.5	15.6	15.6	-
Total long- term unemployment rate <sup>3</sup>				
EU25	3.9	4.1	4.1	3.9
Croatia	8.9	8.4	7.3	7.4
Long- term unemployment rate - men				
EU25	3.3	3.6	3.6	3.5
Croatia	7.4	7.4	6.0	6.5
Total long- term unemployment rate - women				
EU25	4.6	4.7	4.7	4.5
Croatia	10.7	9.5	8.9	8.4

<sup>1</sup> Employed persons aged 15-64 as a share of the total population of the same age group

<sup>2</sup> Unemployed persons as a share of the total active population

<sup>3</sup> Long-term unemployed (12 months and more) as a percentage of the total active population

For 2005 for Croatia, data *source*: Eurostat, EU Labour Force Survey, Principal results 2005, *Statistics in focus*, Population and social conditions, 13/2006, European Communities, Luxembourg, 2006.

For all other years, Eurostat

[http://epp.eurostat.ec.europa.eu/extraction/retrieve/en/theme0/strind/emploi/emploi\\_t?OutputDir=EJOutputDir\\_495&user=unknown&clientsessionid=AD2DFF38563AF7DD1E8DC3C3B83A3D2A.extraction-worker-2&OutputFile=emploi\\_t.htm&OutputMode=U&NumberOfCells=144&Language=en&OutputMime=text%2Fhtml&](http://epp.eurostat.ec.europa.eu/extraction/retrieve/en/theme0/strind/emploi/emploi_t?OutputDir=EJOutputDir_495&user=unknown&clientsessionid=AD2DFF38563AF7DD1E8DC3C3B83A3D2A.extraction-worker-2&OutputFile=emploi_t.htm&OutputMode=U&NumberOfCells=144&Language=en&OutputMime=text%2Fhtml&)

**Table 4: Structure of employment by sector, Croatia and EU-25**

<b>Economic sector</b>	<b>2001 (%)</b>	<b>2002 (%)</b>	<b>2003 (%)</b>	<b>2004 (%)</b>	<b>2005 (%)</b>
<b>Agriculture</b>					
EU 25	5.3	5.2	5.1	5.0	4.8
Croatia	15.6	15.3	16.9	16.5	:
<b>Industry</b>					
EU 25	26.2	25.7	25.3	24.9	24.7
Croatia	30.1	29.7	29.8	29.9	:
<b>Services</b>					
EU 25	68.4	69.1	69.6	70.1	70.5
Croatia	54.3	55.0	53.4	53.7	:

Source: Eurostat,

**Table 5: Structure of unemployed persons by age and gender (December 2004-2005, %)**

	<b>Youth unemployed (15-24)</b>	<b>Middle-aged unemployed (25- 54)</b>	<b>Older unemployed (55-64)</b>	<b>TOTAL</b>
2004				
Structure	21.4	70.5	8.1	100.0
Share of men	44.0	37.5	72.0	41.7
Share of women	56.0	62.5	28.0	58.3
2005				
Structure	20.3	70.2	9.5	100.0
Share of men	42.1	36.3	70.9	40.7
Share of women	57.9	63.7	29.1	59.3

Source: Croatian Employment Service Yearbook

**Table 6: Duration of unemployment (2005, %)**

	<b>M</b>	<b>F</b>
Up to 1 year	45.0	40.1
1-2 years	15.6	16.4
2-3 years	8.7	10.3
Over 3 years	30.7	33.2
Total	100.0	100.0

Source: Croatian Employment Service Yearbook



**Table 7: Structure of employed and unemployed persons by education level (2005, %)**

	No schooling and primary school leavers	Primary school	Secondary vocational education of up to 3 years and qualified and highly skilled workers	Secondary vocational 4-year education and general secondary education	Post-secondary education, first academic degree, associate degree	Schools of higher education, universities, academies of art, master's and doctoral studies	Total
<b>Employed</b>							
2005	4.8	15.8	33.7	26.3	6.7	12.7	100
<b>Unemployed</b>							
2005	6.4	23.1	39.2	24.6	2.9	3.9	100

Source: for employed, CBS (LFS, Publication: Persons in Employment by Activity and by Sex);  
for unemployed, Croatian Employment Services Yearbook

**Table 8: Regional differences in Croatia**

County	Unemployment rate (% , 2005) <sup>1</sup>	% of 65+ persons (2001)	Natural population growth rate (2004)	% persons with disability (2001)	% permanent social assistance beneficiaries (2004)
Zagreb	14.8	13.9	-1.3	9.7	1.2
Krapina-Zagorje	14.3	16.5	-5.4	13.0	1.0
Sisak-Moslavina	29.3	18.1	-5.6	11.1	4.9
Karlovac	26.5	19.9	-7.7	9.5	4.6
Varaždin	14.4	15.2	-2.8	10.9	2.0
Koprivnica-Križevci	17.7	16.5	-5.2	10.2	2.5
Bjelovar-Bilogora	25.4	17.3	-5.5	9.7	3.5
Primorje-Gorski kotar	13.6	16.2	-2.9	7.9	1.0
Lika-Senj	21.1	22.7	-7.3	10.2	2.2
Virovitica-Posavina	29.5	16.1	-4.1	9.2	5.4
Požega-Slavonia	20.1	15.8	-2.7	11.5	3.5
Brod-Posavina	30.0	15.1	-2.2	9.0	4.9
Zadar	20.5	15.7	-0.3	8.8	2.9
Osijek-Baranja	26.7	14.9	-2.8	9.2	4.5
Šibenik-Knin	26.6	19.5	-4.6	10.8	10.3
Vukovar-Sirmium	32.0	14.4	-1.0	8.8	3.8
Split-Dalmatia	22.6	14.3	1.6	10.2	1.7
Istria	7.3	15.6	-2.0	7.3	0.6
Dubrovnik-Neretva	17.5	15.9	0.4	7.9	1.3
Međimurje	16.6	13.6	-0.3	8.3	4.9
Zagreb City	9.8	14.9	-0.9	10.3	1.6

<sup>1</sup> Unemployment rate calculated as unemployed/employed + unemployed. The total number of employed persons includes those employed in legal entities and by natural persons, craftsmen and free-lance professions, as well as farmers. Data for employed persons are as at 31 March, for unemployed persons average for year 2005.

Source: for employed, CBS (Statistical Information, 2006, p. 81);  
for unemployed, Croatian Employment Service's Monthly Statistics Bulletin 4, p. 24.

**Table 9: Social Protection Expenditure (as % GDP)**

	1999	2000	2001	2002	2003	2004
Total expenditure	26.2	26.7	26.5	25.0	23.7	23.4
Health affairs and services	7.2	7.5	7.2	6.7	6.4	6.6
Social security affairs and services	16.3	16.5	16.9	16.0	13.9	13.6
Welfare affairs and services	2.1	2.1	2.0	1.8	2.7	2.6
Other expenditure on social security and welfare	0.5	0.5	0.4	0.5	0.6	0.6

Source: Ministry of Finance (Classification according to GFS Manual 1986, IMF).

Note: Data include expenditure by consolidated central government and by non-consolidated local and regional self-government. Since 2002, data pertaining to local and regional self-government cover only the 53 largest units of local and regional self-government, which account for 70-80% of the total transactions of local and regional self-government.

**Table 10: Basic demographic indicators**

	HR 1998	HR 2003	HR 2004	EU 25 2004	EU 15 2004
Population in mid-year ('000)	4 501	4 442	4 439		
Age groups, %					
- 0-14	19.7 <sup>1)</sup>	16.41	16.1	16.4	16.3
- 15-64	68.5 <sup>1)</sup>	67.18	67.2	67.1	66.7
- 65 +	11.8 <sup>1)</sup>	16.39	16.6	16.5	17
Dependency ratio (65+/0-14) in %	60.0 <sup>1)</sup>	99.8	103.1		
Age dependency ratio (65+/15-64), in %	17.2 <sup>1)</sup>	24.4	24.7		
Total fertility rate	1.45	1.33	1.35	1.50	1.52
Average age of women at first childbirth	25.4	26.1	26.3		
Newborns, per 1000 inhabitants	10.5	8.9	9.1		
Newborns out of wedlock, %	8.1	10.1	10.4	31.6	32.8
Natural population growth (per 1000)	-1.2	- 2.9	-2.1		
Life expectancy					
- men	68.92 <sup>2)</sup>	71.4	72.0	74.9 <sup>3)</sup>	75.9 <sup>3)</sup>
- women	76.55 <sup>2)</sup>	78.4	79.0	81.3 <sup>3)</sup>	81.8 <sup>3)</sup>
- difference	7.63	7.0	7.0	6.4	5.9
Marriages, per 1000 inhabitants	5.38	5.0	5.1	4.8	4.7
Divorces, per 1000 marriages	163.4	220.9	219.6		
Divorces per 1000 persons			1.1	2.1	2.1

<sup>1)</sup> 1991 (estimate of 1998 population by age and gender based on age and gender breakdown in 1991 census)

<sup>2)</sup> 1999

<sup>3)</sup> 2003

Sources: CBS, Eurostat

**Table 11: Structure of total population by age and characteristics (%)**

	Total population	Able-bodied population (15-64)	Economically active population	Employed persons	Unemployed persons
0-14	17.1	-	-	-	-
15-39	34.2	50.8	53.3	49.4	68.5
40-49	15.1	22.6	28.2	30.0	21.1
50-64	17.9	26.6	16.5	18.1	10.4
65+	15.7	-	2.0	2.5	-
Total	100.0	100.0	100.0	100.0	100.0
Absolute figures	4 437 460	2 969 981	1 952 619	1 553 643	398 976

Source: CBS

**Table 12: International migration in Croatia**

	HR 1998	HR 2003	HR 2004
Immigration	51 784	18 455	18 383
Emigration	7 952	6 534	6 812
Migration balance	44 192	11 921	11 571

Source: CBS

**Table 13: Household and family characteristics**

	HR 1991	HR 2001
Private households, by number of members, %		
Single households	17.8	20.8
2 members	22.5	23.6
3 members	20.2	19.0
4 members	23.5	20.6
5 members	9.2	9.2
6 members	4.4	4.3
7 and more	2.4	2.5
Families by number of children (%)		
0	27.1	27.0
1	33.4	33.6
2	31.7	29.7
3 and more	7.8	9.7
Families by type (%)		
Married couple with no children	27.1	27.0
Married couple with children	60.5	58.0
Mother with children	10.2	12.5
Father with children	2.2	2.5

Source: CBS

**Table 14: Basic health indicators**

	HR 1998	HR 2003	HR 2005	EU 25 2003	EU 15 2003
Mortality rate	11.6	11.8	11.7		
Mortality rate per 1000, 65+	69.2	56.2	54.4		
Infant mortality rate	8.2	6.3	5.7	5.4	4.5
Perinatal mortality rate	8.9	8.5	6.4*	6.5*	6.4*

Source: CBS, Croatian National Public Health Institute, Eurostat, HFA Database-WHO January 2007  
 Note: \* Croatian National Public Health Institute, according to international reporting criteria, for total borns above 1000 g birth weight

**Table 15: Ten leading causes of death**

	HR 1998	HR 2003	HR 2005
Ischemic heart disease	18.19	19.85	19.21
Cerebrovascular diseases	16.83	15.9	15.74
Heart failure	6.32	7.24	5.95
Malignant neoplasms of trachea and lung	4.91	5.02	5.10
Chronic liver diseases and cirrhosis	2.87	2.37	2.42
Malignant neoplasms of the colon	2.60	3.09	3.37
Diabetes mellitus	2.27	2.03	2.08
Complications and ill-defined effects of heart disease	2.27	1.88	
Atherosclerosis	2.16	1.89	1.98
Pneumonia	2.00	2.34	3.15

Source: Croatian Institute for Public Health

**Table 16: Health self-evaluation**

What is your health like in general?	%
Very good	24.7
Good	33.7
Average	26.7
Bad	10.7
Very bad	4.0
No answer, did not want to answer	0.2

Source: International survey - South East European Social Survey Project 2003, A. Simcus et al. (Aleksandar Štulhofer – national coordinator for Croatia), national sample = 2500 subjects.

**Table 17: Educational level, 15-year-olds and older (%)**

	1991	2001	2001 women	2001 men	2001 15-64	2001 65+
No schooling	5.3	2.9	4.4	1.2	1.0	10.6
Primary school (1st -3rd form)	3.3	4.5	6.0	2.9	2.2	14.3
Primary school (4th -7th form)	21.2	11.2	13.8	8.4	6.4	31.9
Primary school (ISCED 2)	23.4	21.8	23.8	19.5	23.2	15.7
Secondary (ISCED 3)	36.0	47.1	40.2	54.6	53.6	20.0
Post-secondary (ISCED 5b)	4.0	4.1	3.8	4.4	4.3	3.1
First degree, Masters, PhD (ISCED 5a, 6)	5.3	7.8	7.4	8.3	8.7	4.1
Unknown	1.5	0.7	0.6	0.7	0.5	0.4

Source: CBS

**Table 18: Educational level by age groups between 20 and 49 (2001)**

	20-24	25-29	30-34	35-39	40-44	45-49
No schooling	0.42	0.42	0.46	0.56	0.66	0.77
Primary school (1st -3 <sup>rd</sup> form)	0.46	0.57	0.67	0.88	1.41	1.89
Primary school (4th -7 <sup>th</sup> )	0.89	0.72	0.81	1.42	3.56	6.07

form)						
Primary school (ISCED 2)	10.0	14.82	17.33	18.55	20.09	22.74
Secondary (ISCED 3)	83.9	65.92	63.86	61.68	57.01	52.09
Post-secondary (ISCED 5b)	1.87	4.27	4.31	4.91	5.38	5.6
First degree, Masters, PhD (ISCED 5a, 6)	1.98	12.67	12.01	11.57	11.46	10.29
Unknown	0.44	0.59	0.52	0.39	0.4	0.51

Source: CBS

**Table 19: Housing status (2001, %)**

Fully or partly owned by private persons	82.9
Tenant paying a preferential rent	3.3
Tenant paying a freely arranged rent	2.9
Partial renting (subtenant)	0.9
Kinship with owner or tenant	7.4
Other	2.6

Source: CBS

**Table 20: Poverty and inequality indicators (according to the Laeken methodology)**

	RH 2001	RH 2002	RH 2003	RH 2004	RH 2005	EU-25 2003	EU-15 2003	NMS 2003
At-risk-of-poverty rate (%)	17.2	18.2	16.9	16.7	17.5	16	16	15
At-risk-of-poverty threshold for single household (illustrative values)								
- in HRK	17 966	19 254	18 896	20 714	21 238	-	-	-
- in €	...	...	2 442#	...	...	7 576	9 299	1 846
- in PPS	...	...	4 131#	...	...	7 603	8 923	3 211
At-risk-of-poverty threshold for household consisting of two adults and two children (illustrative values)								
- in HRK	37 728	40 433	39 681	43 499	44 599	-	-	-
- in €	...	...	5 128#	...	...	15 911	19 527	3 877
- in PPS	...	...	8 675#	...	...	15 966	18 738	6 742
At-risk-of-poverty rate before social transfers (pensions included in income) (%)	34.7	33.7	33.3	33.7	34.9	25	25	27
At-risk-of-poverty rate before social transfers (pensions excluded from income) (%)	42.9	40.0	42.3	41.4	43.2	40	39	44
Relative at-risk-of-poverty gap (%)	22.7	23.2	21.1	22.4	22.9	22*	22*	21*
Dispersion around the at-risk-of-poverty threshold								
40%	5.8	6.3	5.2	5.2	5.4	5*	5*	4*
50%	10.5	11.7	10.2	10.5	10.7	9*	10*	8*
70%	24.1	26.0	24.6	24.3	25.5	24*	24*	22*
Quintile ratio (S80/S20)	4.3	4.5	4.4	4.5	4.5	4	4	5
Gini coefficient	0.28	0.29	0.29	0.29	0.29	0.29	0.29	0.29

Sources: for Croatia: CBS

for EU-25, EU-15 and NMS: Eurostat.

# Source: Eurostat.

\* Data refer to the year 2001.

Note: In the EU-15 countries, income includes income in cash only, while in other countries (including Croatia) total income comprises both income in cash and income in kind. Income in kind is partly included in total income as it is considered to be an important component of total disposable income in these countries. Income in kind includes e.g. privately produced goods intended for personal consumption (food produced by the household itself) or free services as part of a professional activity.

**Table 21: At-risk-of-poverty rates with breakdown by different features (Laeken methodology)**

	2001	2002	2003	2004	2005
<b>At-risk-of-poverty rate</b>	17.2	18.2	16.9	16.7	17.5
<b>At-risk-of-poverty rate by age and gender</b>					
M	15.4	17.7	15.8	15.1	15.9
F	18.7	18.6	17.9	18.1	18.9
0-15 yrs.	15.9	16.7	15.2	14.8	19.7
M	13.9	17.9	15.6	13.7	18.2
F	18.0	15.4	14.7	15.9	21.3
16-24 yrs.	15.2	16.4	15.4	13.1	15.3
M	16.9	19.0	16.2	13.5	15.9
F	13.6	13.5	14.6	12.7	14.7
25-49 yrs.	13.3	13.9	12.5	12.3	13.1
M	12.6	14.0	12.4	12.3	12.9
F	14.0	13.7	12.7	12.4	13.2
50-64 yrs.	14.7	17.6	15.5	15.0	15.6
M	13.8	16.9	15.4	14.8	15.0
F	15.5	18.3	15.5	15.1	16.1
65 yrs and more	28.5	29.0	27.9	29.5	25.6
M	23.5	25.6	23.6	24.4	20.9
F	31.8	31.2	30.6	32.9	28.5
<b>At-risk-of-poverty rate by most frequent activity status and gender</b>					
Employed	5.2	5.8	5.2	4.4	3.9
M	6.0	6.6	6.0	4.5	5.0
F	4.1	4.9	(4.3)	(4.3)	(2.7)
Self-employed	20.1	19.0	18.4	22.6	13.7
M	20.0	17.3	16.8	21.7	(13.7)
F	20.2	21.0	20.1	23.8	(13.8)
Unemployed	32.2	35.0	32.4	32.0	33.4
M	35.6	42.5	39.7	39.4	36.9
F	29.6	28.1	26.6	25.7	30.0
Pensioners	21.3	23.2	20.7	20.5	19.3
M	19.4	23.7	20.3	20.5	19.1
F	22.9	22.9	21.0	20.5	19.5
Other economically inactive	20.0	21.3	20.3	19.7	23.7
M	15.8	19.5	17.7	14.8	19.2
F	22.7	22.7	22.0	23.0	26.8
<b>At-risk-of-poverty rate by household type and age</b>					
Single household	33.3	35.1	34.7	35.9	31.1
M	22.4	28.6	28.3	27.6	(22.1)
F	36.7	37.5	37.3	40.5	34.2
Person aged 30-64	26.1	26.2	(24.7)	28.1	25.7
Person aged 65 and more	40.4	41.2	41.8	41.9	35.2
Two adults with no dependent children, both aged under 65	11.9	16.3	11.8	14.4	12.3
Two adults with no dependent children, at least one 65+	27.5	30.1	26.1	28.7	25.6
Other households with no dependent children	9.7	9.4	9.3	9.0	7.7
Single parent with one or more dependent children	28.9	27.7	(29.1)	21.0	34.8
Two adults with one child	13.0	11.2	14.9	9.8	12.8
Two adults with two children	14.9	12.8	13.7	10.5	13.1

Two adults with three and more children	15.9	24.9	19.1	24.2	31.0
Other households with dependent children	16.8	15.0	13.0	13.1	13.4
<b>At-risk-of-poverty rate by tenure status</b>					
Tenant or subtenant (arranged, preferential or full rent)	20.7	18.9	20.2	(10.5)	21.6
Owner or free housing	17.0	18.1	16.8	17.0	17.3

Source: CBS

( ) Insufficiently reliable data

**Table 22: Number of child beneficiaries of child allowance with regard to income level per household member (November 2005)**

Income thresholds and child allowance level	Income per household member as % of average net pay in the Republic of Croatia	Number of children
I. Lower income threshold (up to 15% of average net pay)  Allowance level = 299 HRK (about 40 €); 6.5% of average pay.	up to 3%	92 744
	3-6%	22 840
	6-9%	33 309
	9-12%	39 642
	12-15%	41 946
<b>Total I.</b>		<b>230 481</b>
II. Higher income threshold (from 15-29% of average net pay)  Allowance level = 166 HRK (about 23 €); 3.6% of average pay.	15-17%	404 441
	17-20%	41 185
	20-23%	41 289
	23-26%	38 415
	26-29%	33 197
<b>Total II.</b>		<b>194 527</b>
<b>Total I.+II.</b>		<b>425 008</b>
III. No income threshold	...	16 399
<b>Total I.+II.+III.</b>		<b>441 407</b>

Source: Croatian Institute for Pension Insurance

**Table 23: Beneficiaries of permanent social assistance (end of 2004)**

	%
<b>By gender</b>	
M	49.4
F	50.6
<b>By age</b>	
Up to 7 yrs	13.5
7-15	15.9
15-18	6.1
18-30	9.7
30-40	12.5
40-50	14.0
50-60	10.0
60-75	14.7
75 and more	4.6
<b>By employment status</b>	
Employed	0.7
Self-employed	1.2
Pensioner	2.0
Unemployed	45.3
Adult with disability	14.7
Children and youth within regular education	30.3
Others	5.8
<b>By duration of receiving social assistance</b>	
Up to 6 months	8.8
From 6m to 1 year	13.4
1-2yrs	19.5
2-5 yrs	24.3
5-10 yrs	29.6
10 and more	4.4
<b>By education of applicant*</b>	
No education or incomplete primary school education	43.2
Completed primary school	30.2
Secondary school	24.8
Post-secondary school	1.8
<b>By household type</b>	
Single	48.2
Single parent	6.8
Parents (adults) with children	30.5
Families with no children	14.5
<b>Singles and families with no income sources</b>	94%

Source: Ministry of Health and Social Welfare

\* "Benefit applicant" is the person who applied for the benefit on behalf of him/herself and the family while the term "beneficiaries" refers to the applicant and all the members of the family making use of the benefit received.



**Table 24: Quality of life indicators**

Indicators	Mean value on a scale of 1-10 or percentage	2006	2003			
		HR	EU-25	BG	RO	TR
1. <b>Health</b> - Quality of national health service (1 very poor quality – 10 very high quality)	mean value	5.2	6.2	3.7	5.6	3.9
2. <b>Employment</b> –Work is boring (percentage of employed people who strongly agree or agree)	%	12	11.4	11.6	11.1	41.7
2b. -Likelihood of losing job (very likely or likely)	%	7	9.1	52.3	17.7	27.3
3. <b>Income deprivation</b> - Unable to pay scheduled bills for accommodation or utilities	%	23	13.3	6.2	34.1	30.4
3b. - Satisfaction with own standard of living (1 very dissatisfied – 10 very satisfied)	mean value	5.6	6.9	4	6.1	4.6
4. <b>Education</b> - Quality of education system (1 very poor quality – 10 very high quality)	mean value	5.8	6.3	4.4	6.5	4.4
4b. - Satisfaction with own education (1 very dissatisfied – 10 very satisfied)	mean value	6.0	6.9	6.4	7.8	4.7
5. <b>Family</b> - Satisfaction with family life (1 very dissatisfied – 10 very satisfied)	mean value	7.5	7.9	7.1	8.1	7.8
5b. - More than fair share of family responsibilities (measured on three item scale)	%	13	25	18	21	43
5c. - Support from family members (received help in at least three out of four situations)	%	61	64	57	69	58
6. <b>Social participation</b> - Religious service attendance (at least once a week)	%	24	17	4	23	41
6b. - Use of the Internet	%	33	46*	17	21	27
6c. - Trust in people (1 ‘you can’t be too careful in dealing with people’ - 10 ‘most people can be trusted’)	mean value	4.6	5.6	4.4	5.4	4.5
6d. - Voted in last election	%	78	80	79	89	84
7. <b>Housing</b> - Persons per room	mean value	1.3	0.8	1.1	1.1	1.3
7b. - No indoor flushing toilet	%	4	3	28	40	12
7c. - Renting dwelling	%	5	30	4	5	27
7d. - Owning dwelling outright	%	70	27	85	81	57
7e. - Owning dwelling with a mortgage	%	9	22	1	1	2
8. <b>Transport</b> - Commuting time (less than 20 minutes to travel to work or study)	%	27	26	32	34	34
8b. - Quality of public transport (1 very poor quality – 10 very high quality)	mean value	5	6.1	4.9	6.2	4.9
9. <b>Safety</b> - Unsafe or rather unsafe to walk around at night in the area where one lives	%	13	77	61	65	61
10. <b>Leisure</b> - Too little time for hobbies and interests (three-item scale)	%	41	43	58	66	53
11. <b>Life satisfaction</b> - Quality of social services (1 very poor quality – 10 very high quality)	mean value	4.7	6	3.6	5.6	4.2
11b. - Tensions between rich and poor people (% of people who think there is lot of tension in their country)	%	62	35	54	53	60
11c.- Tensions between young and old people	%	24	16	17	29	33
11d. - Tensions between workers and management	%	60	36	37	49	48
11e. - Tensions between different ethnic groups	%	35	45	13	33	46
11f. – Optimism (agree completely or somewhat with the statement ‘I am optimistic about the future’)	%	73	64	47	67	63
12. – <b>Happiness</b> (1 very unhappy to 10 very happy)	mean value	6.5	7.5	5.8	7.1	6.4

*Source:* indicators for EU-25 and Bulgaria, Romania and Turkey in EuroLife database, by European Foundation for the Improvement of Living and Working based on EQLS 2003; data for Croatia based on UNDP Research on Quality of Life and Risks of Social Exclusions 2006 using EQLS questionnaire (N= 8 534).

\* data for EU-15

**Table 25: Income deciles by source in 2001 and 2002**

	Deciles																			
	1.		2.		3.		4.		5.		6.		7.		8.		9.		10.	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Income from paid employment	4.9	5.3	8.9	8.0	14.0	14.6	26.2	24.3	32.0	40.4	40.5	48.3	56.8	55.6	57.3	62.0	64.4	65.3	54.8	58.6
Income from self-employment	12.5	14.6	15.6	13.2	18.5	20.3	20.4	19.5	21.2	16.4	19.5	16.3	13.1	16.9	17.8	15.8	14.7	17.0	22.1	22.3
Property income	1.0	2.2	0.3	0.4	1.1	0.9	1.4	0.9	1.1	1.0	0.4	1.0	0.9	0.5	1.2	1.1	1.8	0.9	2.1	1.4
Pensions	53.6	43.6	49.8	48.9	49.0	45.9	37.9	41.7	33.7	31.9	32.5	25.5	22.0	19.9	16.3	15.8	13.7	10.7	8.9	6.7
Transfers and other financial sources	31.1	34.3	25.7	29.4	18.1	18.2	15.0	13.7	12.2	10.3	7.8	8.8	7.7	7.2	7.9	5.4	5.3	6.0	6.8	11.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

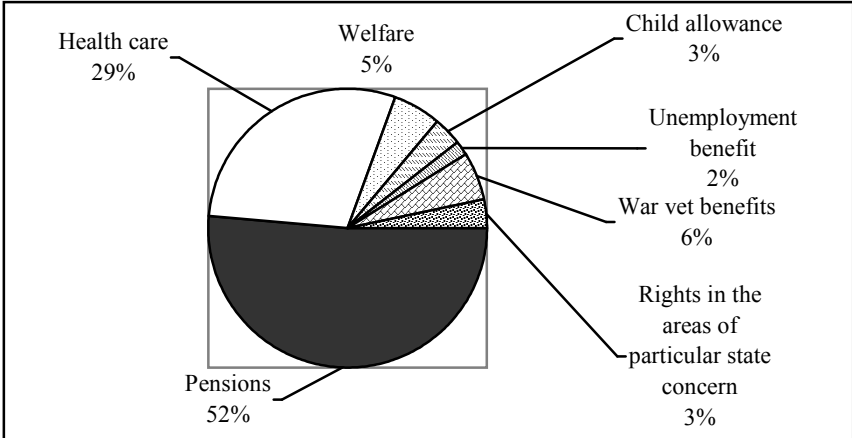
Source: CBS

**Table 26: Income deciles by source in 2003 and 2004**

	Deciles																			
	1.		2.		3.		4.		5.		6.		7.		8.		9.		10.	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Income from paid employment	3.4	6.2	6.5	3.3	19.5	12.3	23.9	30.6	36.2	35.8	49.1	51.8	53.1	56.1	62.6	62.7	62.0	65.7	67.5	67.4
Income from self-employment	14.3	17.6	15.9	12.5	17.2	15.9	18.2	15.5	17.8	18.6	15.1	17.7	16.0	17.0	15.8	17.7	18.5	14.8	18.1	18.1
Property income	0.3	(:)	0.1	0.3	(:)	1.2	(:)	0.4	0.4	0.3	0.4	(:)	(:)	(:)	(:)	0.8	0.1	0.3	0.8	0.7
Pensions	45.4	43.7	44.2	48.0	39.6	44.6	39.1	34.7	26.8	30.8	21.5	17.7	17.7	13.0	12.2	9.5	9.9	9.7	6.8	6.7
Transfers and other financial sources	36.6	33.0	33.3	35.9	23.8	26.0	18.9	18.9	18.8	14.5	13.9	12.8	13.5	13.9	9.7	9.3	9.5	9.5	6.9	7.0
Total	100.0	100.00	100.0	100.00	100.0	100.00	100.0	100.00	100.0	100.00	100.0	100.00	100.0	100.00	100.0	100.00	100.0	100.00	100.0	100.00

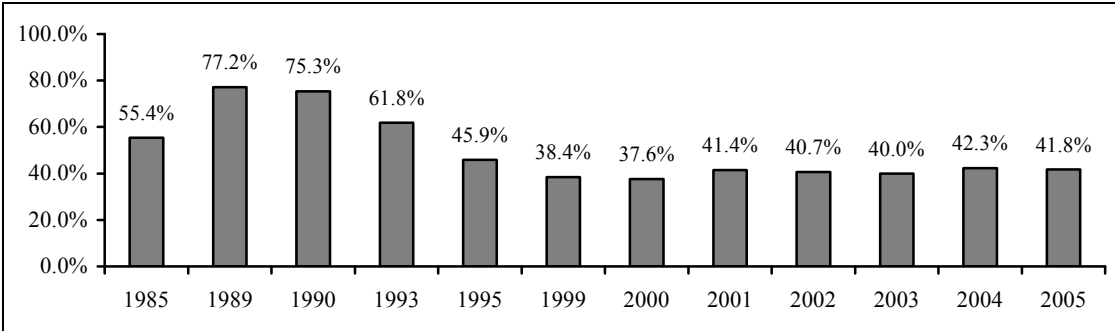
Source: CBS (:) Income from property is the income from royalties on patents, licences and authors' rights, from interest on savings, from bonds and other securities, and from letting a flat, house, weekend/summer house, garage and rooms, minus the payment of interest on arrears or on loans. Since the value of the income from property in these deciles is negative, these data are not shown here.

**Figure 1: Structure of social protection expenditure (2003)**



Source: Social Security Spending in South Eastern Europe: A Comparative Review. Budapest: International Labour Office. 2005.

**Figure 2: Average pension as a proportion of average earnings (1985-2005)**



Source: Croatian Institute for Pension Insurance