COUNTRY FRAMING REPORT

Croatia

Authored by:

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I. Introduction

In order to respond to the suggested country report, the starting point of our analysis is based on the at-the-hand classification on different items covered with the categories such as ‘existing knowledge’ and ‘policy themes’.

Under the category ‘existing knowledge’ we differentiate the following sub-items and with them linked particular issues: a) relevant statistics (statistics on older labour force participation, duration of working life, and statistics on disability and unemployment), b) working life (research on retirement decisions, - on work after retirement, - on early retirement, - on training, - on part-time work and reducing hours, psychology and management), c) active ageing (age discrimination, research on employers’ attitudes towards older workers, attitudes towards retirement, experience of older workers, life course and end of career); and d) health and pension system (research on caring, health issues in the workplace, pension inequalities).

The ‘policy themes’ are organized around several points. Category ‘pension policy’ is divided in two parts: a) changes of retirement age and gender implications (changes/raise to state pension age – gender implications, averaging over the life course, higher pensions if retirement is delayed, lower pensions if early retirement); b) contribution rules and pensions (changes/increases to contribution rules, can draw pension and earn money, lowering value of pensions/freezing payments, privatisation and individualisation of pensions, auto-enrolmet). The category ‘employment policy’ is represented by two important topics: a) flexible employment and older workers (precarious employment, training for older workers, working conditions for older worker, discouraging early retirement schemes); b) employment policy and gender (gender implications, anti-age discrimination policies). With regard to the category ‘health policies’ there was no need for additional classification schemes.

II. Preliminary findings - existing knowledge

In relation to the main relevant topics interested here, we identified a lack of purposeful data and research which could help to produce and shape new policies within the emerging EWL-area. Existing research cover, in principle, only some aspects of a specific topic, and comparative research is particularly lacking. On the other hand, statistics and data are mainly available, though there is a need for more comprehensive analysis of existing data, and for obtaining additional data for topics which have been ignored so far, like health issues in the workplace, active ageing, life course, etc.

1. Existing statistics: labour force participation, unemployment rate, duration of working life, disability

According to the Eurostat data Croatia is among countries with very low labour participation of older workers. The employment rate of older worker (55-64) in the total population of the same age group was 38.1% in 2016 in comparison to the EU average of 55.3%. While the average for the EU rose from 45.5% in 2008, the Croatian share remains almost at the same level, as the rate was 37.1% in 2008. This is result of in general a very low employment rate, high unemployment rate and, despite official rhetoric, policies which in fact force earlier retirement in many companies. Labour force survey (LFS) and European Working Condition Survey (EWCS) are also providing plenty of interesting statistics about older workers in Croatia with potential possibility for international comparison.
Croatia is with Italy among EU countries with a least number of years in employment. Duration of working life is only 32.6 years in 2015 according to Eurostat. Duration of working life in Italy was at the bottom with 30.7 years while the EU28 average was 35.4. There is also gender difference according to statistics of Croatian Pension Insurance Institute. Within group of old-age pensions men are going in pension with an average of 32 years duration of working life, and female with 28 years.

Croatia has high unemployment rate. According to the Eurostat data, the unemployment rate (as a percentage of the labour force, 15 to 74) was 13.3% in comparison to 8.6% for the EU28 in 2016. While this presented a drop from the rate of 17.4% in 2013, the fall was mainly not caused by rising employment, but by huge emigration which has been intensified since Croatia joined the EU in 2013. Good statistics on various aspects of unemployment and employment is available from the Croatian Employment Service.

Only recently, there has been more interest in analysing data on disability, particularly disability pensions (Stubbs, Zrinščak 2015). Badun (2011) has shown that the Croatia’s rate of 12,000 beneficiaries of disability pension per 100,000 population is the highest in Europe. In March 2011, a total of 328,018 disability pension beneficiaries included 138,962 whose rights, based on different categorisations used for former soldiers, derived from service in the ‘Homeland War’ between 1991 and 1995. Badun (2011) has also shown that disability pension beneficiaries are generally young (43% are under 59 years of age), and on average enter the pension system when they are 52.6 years old.

2. Existing research: some notes about working life and active ageing

Existing research on the working life with regard to the retirement decisions, early retirement, work after retirement, etc. is relatively poor. In relation to the early retirement there is one research article (Baloković 2011) which actually reviewed early retirement system in the Republic of Croatia before the pension reform which started in 1999. Early retirement was politically encouraged and forced model in 1990s as a way to solve rising unemployment, and though it is politically discouraged since then, it has continued to be an option.

This is reflected in population attitudes. According to recent research the Croatian working population „show a strong wish for early retirement. More than 40 percent of the employed persons want early retirement (men slightly more than women). A little less than 40 percent fear that their health might influence their work ability before the legally prescribed age of retirement. Desire for early retirement is discerned much more in the population with little formal education (57 percent of the population with primary education and without it, 47 percent of those with secondary education and 29 percent of those with college or university degree) and in the population reporting poor health. Most men (60 percent) expect retirement at 65, and only 6 percent expect retirement after 65. As for women, the percentages of women who want to retire at 65 and at 60 are more or less the same (37 or 36 percent respectively). Similarly, only 6 percent of women expect to be retired after 65.“ (Akrap et al. 2013: 4)

Although we were not able to detect some new research about work after retirement, the paradigm of „active ageing“ is present among experts dealing with the „third age population“ and has been mentioned in periodical EC/EU reports on the working life covering EU-27 or EU-28 countries (e.g. EC 2012, Kalitera et al. 2014; Bejaković 2015). The issues such as „research on training“, research on part-time work, reducing hours“, are not systematically explored. However, there are some economic and sociological studies offering a broader perspective for dealing with those issues in the future. For example, some economist stressed the skill mismatches important for future labour market needs (Bejaković, Mrnjavac 2014) while Matković and others explored the trends and challenges regarding the vocational
education and social cohesion (Matković et al. 2013). Studies suggest that there is an urgent need to modernise vocational education and training and promote adult learning. The level of participation in vocational education and training (VET) at upper secondary level in Croatia is one of the highest in the EU — 71.3 %, compared to the EU average of 48.3 % in 2015. However, the employment rate for recent upper secondary graduates, at 46.1 % in 2014, is significantly below the EU average of 73 % and is the third lowest percentage in Europe after Italy and Greece. The employment gap between youth with upper secondary and tertiary education is more significant than in other EU countries, especially 1-3 years after gaining a qualification. A relatively small proportion of VET graduates find their first employment in the occupation that they trained for. (EC, 2015, p.10).

The difficult transition from vocational schools to the labour market has its roots in the outdated VET curricula and limited opportunities for quality work-based learning, leading to a skills mismatch. As a result, one third of employers report difficulties in recruiting suitable employees. Once they are employed, people are highly unlikely to keep updating their skills. In 2015, only 3.1% adults participated in education and training - compared to the EU average of 10.7 %. In terms of improving upskilling and the continuation of learning, in January 2016, the Ordinance on conditions and paths for continuing education in order to achieve a higher level of qualification was passed which enables pupils who have completed a lower level vocational programme to continue their education at a higher level free of charge. On the other hand, there is little progress with the system for recognising prior learning and validating non-formal and informal learning, as it is dependent on progress made in developing qualification standards in the Croatian qualifications framework (EC, 2015, p.11).

When talking about attitudes toward older workers, there is only one pioneering research of employers’ attitudes toward older workers published in the book “New Perspectives on a Longer Working Life in Croatia and Slovenia” (Vehovec ed. 2008). One chapter was focusing on “Employer attitudes towards older workers: A comparative study of Croatia and Slovenia” in order to investigate a lack of demand for older workers. Employers from both countries agree that older employers perform better than their younger counterparts in the following: willingness to work hard, reliability, attentiveness, professionalism, decision making competence, loyalty and honesty and integrity.

So far, researchers in Croatia did not take advantage from the EWCS database. The sixth database of EWCS has been available since 2016 and Croatia is integrated among other countries. Based on this database first research will be published till the end of 2017 or early 2018, and the article is dealing with a quality of working life among 50+ employees comparing Croatia with other countries (Galić, Parmac Kovačić and Vehovec, forthcoming).

Generally speaking, systematic research on the old age, beside some research from a medical point of view, is almost not existent. The concept of active ageing is touched very superficially, mainly by pointing out the need to focus on it (e.g. Zrinščak 2010, 2012, Spajić-Vrkaš, Vrban, Rusac 2013). Age management is rarely researched topic (Pološki Vokić, Grgurić 2011), as is age discrimination, which is studied mainly from the legal point of view (Grgurev 2011, Zekić Erberhard 2014, Bodiroga Vukobrat, Martinović 2011, etc.). Recent research based on the SHARE questionnaires, will be able to provide new analysis (Strmota 2017). Thus, there is an urgent need to have more research on topics related to ageing and the workplace.
3. Existing research: some notes on caring, health and pension system

There is not much research on caring and those studies which are available cover mainly the topic of work-life balance, i.e. how the work influence domestic obligations, particularly caring for children and other dependant family members. Research suggest that work characteristics, primarily work hours, experience of work and perception of job safety, influence work-family conflict, while among family characteristics, the most important factor influencing work-family conflict is the care for elderly / infirm persons (e.g. Dobrotić, Laklija 2009). Research on caring for older people is even more rare and existing studies are mainly policy oriented showing how the care for elderly is performed by family and other non-formal organizations, whereas the formal care is insufficiently underdeveloped and even ignored by authorities (e.g. Rusac, Štambuk, Žganec and Ajduković 2011; Badun 2015; Dobrotić 2016). The existing knowledge does not provide sufficient information about the quality of life of older people along their socio-demographic characteristics and different needs they have.

A health issue in the work place is obviously interdisciplinary topic. Among articles focused on health issues from a medical point of view only one article has an economic perspective and deserves to be especially highlighted (Badun 2017). Focusing on costs of occupational injuries and illnesses in Croatia the article shows, firstly, that it is not possible to compare costs of occupational injuries and illnesses in Croatia with costs in other countries due to the inclusion of different cost components and various methods applied. Secondly, financial costs to employers are twice higher than costs to the government. As financial costs of occupational injuries and illnesses are significant, even without including the costs to workers, authors' recommendation to policy makers is to put additional efforts into their prevention. In addition, it is necessary to achieve data transparency of Croatian Health Insurance Fund’s expenditures and to be able to track all costs clearly. The recommendation is also to separate occupational injuries from occupational illnesses and that data of accidents at work must be the same in all official sources.

There are a few studies on pension inequalities in respect of pension beneficiaries caused by special circumstances (Badun 2009, Vukorepa 2017). Badun reviewed all beneficiaries who have been granted pensions under more favourable conditions and Vukorepa analysed only cohort of workers in arduous and hazardous jobs. The scope of such jobs or the actual level of their arduousness and hazardousness has been changing over time due to technological advancements and development of health and safety measures. This has implications on justification for a reduction of the former generosity. Vukorepa (2017) proposed retirement policy changes based on legal analyses and data research “that would strike a better balance between, on the one hand, the general need to prolong working lives and, on the other hand, the specific individual needs for early labour market exits for really frail workers”.

With regard to the immigration issues, as Croatia is mainly a country of emigration, there is almost no research on immigration - an exception is the work by Božić, Kuzmanović, Barada, 2013. This should be changed in future due to the foreseen rise of migrants and asylum seekers. There is some research on ethnic minorities and these studies suggest social distance toward ethnic minorities and possible discrimination on the labour market (e.g. Maslić Šeršić, Vukelić 2012). However, there are no research on gender and health issues of the (extending) working life in relation to migrants and minorities.

III. Preliminary findings - Policy themes

1. Pension policies

The pension system in Croatia is a mix system, based on three pillars. The first one is pay-as-you-go system financed by obligatory contributions paid by employees and managed by the
Croatian Institute for Pension Insurance. The second and the third pillars are fully funded contribution schemes, while the second one is obligatory and the third one voluntary. The mix system was introduced in 2002, replacing the PAYG system. The voluntary pillar has remained underdeveloped as there were only 266,000 persons included at the end of 2016.

There are several critical issues in connection with the pension system. The pensions system is characterized by very unfavourable dependency ratio (ratio between pensioners and contributors), which was 85.64%, or 1.17 contributors for every pensioner at the end of 2016. Also, the earlier retirement has been widespread and the share of pensioners with 40 or more qualifying years is still very low, as was only 14.84% at the end of 2016. Around 41% of pensioners (and among them more women than men) have less than 30 years of service. This is reflected in the financial instability of the system and the fact that it does not provide the basic security in the old age. The at-risk-of-poverty rate was 20.0% in 2015, but was 22.8% for men aged 65 and more, and 28.7% for women in the same age group. For one-person household, 65 years or over, the at-risk-of-poverty was even 40.4. in 2015 (CBS 2016). On the other hand the expenditures for all types of pensions amounted to 11% of the GDP in 2014, which was a bit lower than was the EU28 average (12.9%), but a bit higher than in many other Central and Eastern European countries.

Problems with the pension and employments policies are nicely summarized in the Country Report Croatia 2016 (EC 2016) which indicated that low activity rates are mainly the result of early retirement for men, while for women the family care responsibilities also play a major role. As explained in the Report, the impact of retirement is most visible among men in prime age, and it explains more than half of the inactivity already starting in the age bracket 40 to 44. For women, retirement is the predominant reason not to work in the 55 to 59 age bracket. It is underlined that with 12% of the working age population in some form of retirements, Croatia tops the EU ranking.

The influence of the second pillar (obligatory fully funded contribution scheme) on future pensioners is hard to predict. So far, and due to short period of paying contributions to the second pillar (from 2002), and in particular in cases of earlier retirement, the part of the pension based on savings in privately managed funds, has been extremely low. There are predictions that this will be the case also in future, and especially for those with low earnings, and those with periods of unemployment, which questions the impact of the partial privatization of the pension system on the living standards of pensioners, and in terms of gender distribution.

The instability of the pension system is a result of a number of partial reforms, which go in different directions, making system non-transparent and confusing; for example, at this moment there are 18 laws relevant to the pension system. This can be illustrated with recent changes and its possible gender implications. Namely, the pensionable age differs between men and women. It is 65 years for the old-age and 60 years for early retirement for men. For women, the gradual equalisation was introduced in 2011, by which there is an increase by 3 months each year, and it will be only in 2030 when men and women will have the same

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pensionable age – 65 years for the old-age, though still 60 for early retirement. From 2031 to 2038 the new gradual increase for both sexes is envisaged, which means the rise of the retirement age to 67, and early retirement to 62 by 2038. In 2011 an incentive to work longer was introduced, by adding of 0.15% for each month of later retirement, up to 9% of the total augmentation.

On the other hand, the penalization for taking early retirement was reduced from 0.34% to 0.15% in 2007 (the election year!), which meant that the pension could be only 9% lower, and not 20.4% as it was before that change. In 2011 the size of penalty was changed in relation to the number of contribution years. In 2014 the formula was changed again and the size of penalization varies again from 6% to 20.4%, but those who have 60 years and have at least 41 years of contributions, can gain the full pension, without penalization. The penalization was also abandoned for earlier retirement for those who have been unemployed for at least two years as a result of bankruptcy of their employers. There are no much incentives for people to work longer as many laws in the public sector do not allow (with a few exceptions) to work after 65. Income tax also favours retirement as an option over working. Still, the Government envisaged the introduction of some measures to encourage longer working careers in its National reform programme from April 2017, though it remained unknown if this would be implemented and with which specific measures (Government of the Republic of Croatia 2017).

2. Employment policies

With regard to specific employment policies covering issues such are flexible employment, training for older workers and the creation of proper working conditions for older worker, Croatia does not produce any well designed policy which could effectively deal with such issues.

Recently, the acceptance of flexible employment has become popular among politicians as one of the milestones of the future employment and labour market policy. Some of these ideas were realized, yet with a huge resistance of trade unions, a part of the general public and social scientists. The lack of flexibility in the Croatian labour market prior to the new Labour Act, as highlighted by various studies (World Bank 2011, Matković 2013, Račić 2013, Kunovac 2014) was primarily due to the country's employment protection regulation being among the strictest in Europe. This inflexibility was particularly reflected in the high value of the composite index for the country of the strictness of employment protection legislation (EPL) developed by the Organisation for Economic Co-operation and Development (OECD).

After a long and intense public discussion, the Labour Act was finally adopted by the Croatian Parliament on 15 July 2014, with the aim to increase the number of people employed; to create a legal framework that enables employers to develop more flexible business models and to adapt to market demands, while maintaining employee protection and combating the grey economy. The main amendments are; greater flexibility in working hours; easier cancellation of employment contracts in certain cases; encouragement of atypical forms of employment. „However, although the new Labour Act has introduced significant changes, there is a lack of enthusiasm for its implementation and this is a serious problem„, (Eurofound 2015).

In parallel with new legislation, there is a rise of various part-time and precarious forms of jobs in Croatia, especially when it comes to the question of new and youth employment. According to Butković’s and Samaranđija’s recent study (2016), the introduced changes primarily targeted the non-standard types of employment, which contributed to further
segmentation of the Croatian labour market, deepening the gap between well protected workers on standard contracts and other workers who increasingly face uncertainty: „The most widespread form of non-standard employment in Croatia is fixed-term work (16.9 per cent in 2014). In 2015, more than 95 per cent of all new employment in the country was reserved for fixed-term work, which overshadows all other forms of non-standard employment. Furthermore, some categories of workers (such as youth) were disproportionally affected by the increase in fixed-term employment“ (Butković, Samardžija 2016:12).

Social partners in Croatia have adopted different approaches to dealing with non-standard or precarious work, confronted with the reality of its constant growth. „The general strategy of the trade unions has always been aimed at reducing the proportion of non-standard or precarious work in the Croatian labour market. The study documented that the sectoral trade unions in all four sectors aimed to reduce non-standard employment and promote standard employment. … The strategies so far could be described mostly as short-term responses which will need to be further developed … Therefore, in the long run, the trade union strategies of addressing non-standard work need to amplify the current focus on collective bargaining by providing clear strategic guidelines for actions towards public authorities and the employers“ (Butković, Samardžija, 2016, 14).

Some other studies documented also different non - standard forms of employment, such as are temporary, seasonal, self-employment etc. (more in: Vukorepa et all, 2016; Murati, 2016; Novaković 2016, 2017). Still, beside new forms of fixed-term work, it seems that other forms of non - standard or precarious work are generally less wide-spread than in most other EU member states. Statistical data and available analyses on this topic seem to be insufficient.

There are no specific policies in relation to gender discrimination, in addition to the usual protection of motherhood in relation to the working place.

3. Health policies

As already said, Croatia has a very high share of disability pensions, mainly due to the Homeland war in 1990s. Croatia has two categories of disability pension within the first pillar of the pension system – for non-occupational and occupational risks, covering long-term benefits for those facing permanent loss of work capacity, whether – total or partial (Stubbs, Vukorepa, Zrinščak 2017). Entitlement to the disability pension requires fulfilment of the following conditions: partial or total disability and completed necessary qualifying period. There was a change in the law, and from 2014 disability is assessed based on the residual work capacity, involving reassessment every three years. There is also the possibility of random check-ups.

Pensioners receiving disability pensions (including war veterans) made up approximately 25% of the total number of pensioners (Stubbs, Vukorepa, Zrinščak 2017). There is a drop in the number of disability pensioners since 2015 which is a result of an administrative provision, in force since January 2015, by which all “total disability pensions” are to be converted to old-age pensions for all those beneficiaries reaching the age required for an old-age pension. „Hence, the average number of “converted” pensioners was 87,037 in 2015, and 86,745 in 2016. From all the new entrants into the pension system per year (within the regular system), disability pensioners make up a significant percentage (5.55% in 2013, 6.74% in 2014, 4.27% in 2015, and 5.60% in 2016)” (Stubbs, Vukorepa, Zrinščak 2017:39).

IV. Conclusion/Summary
The report shows that though some data and research exist, there is a huge gap – in terms of data, research and policies - in addressing issues such as working life of older population, active ageing, and gender and health implications of the EWL, and of the pension system. In parallel with the process of post-communist transformation and in particular with the process of “Europeanization”, concepts of active aging, gender equality, quality of the working life and extended working life entered the Croatian social and political milieu, but did not result so far with any clear and effective policies. It’s hard to predict if, how, and when this would be changed in future but an important step in this direction is to provide more data and research, which would feed public debates on such issues.
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