



## **CROATIA**

### **Contribution to the 2015 United Nations Economic and Social Council (ECOSOC) Integration Segment**

**1. What are the potential short term policy choices and longer term gains inherent in an integrated approach to promoting full employment and decent work for all?**

Creating conditions for full employment in an environment which will generate development of new workplaces, promoting social inclusion and productivity by facilitating provisions for social welfare for everyone, promoting social dialogue at all levels, while combating undeclared work, are the key areas where the Republic of Croatia is placing its efforts. In order to achieve these goals we continue with the comprehensive and long reaching cross-sectoral reforms targeting the modernization of the labour market, educational and vocational curricula reform, tailor-made labour market policies accompanied with the social protection system modernization and labour legislation flexibilization. The new Labour Act has entered implementation and monitoring phase. To complement these policies and improve the protection of workers new Act on Health and Safety entered into force in 2014 whereas the Labour Inspectorates was granted more prominent role in the enforcement of collective agreements and in the implementation of the Labour Act. Through the modernization of social protection system which is currently underway we aim to ensure better services availability to our citizens and vulnerable groups while providing them with the life-long learning opportunities and tailor-made incentives for employment, self-employment, additional education and vocational training to facilitate their return into the labour market. Also intensive measures have been taken to assist employment of people with disability and their professional rehabilitation. Though more time is required to assess what was gained by our efforts in the long run we can observe some positive developments already regarding the decrease of unemployment and better utilization of the active labour market policies. Thus we expect that the combined effects of these reforms will yield positive impact on employment and job quality whilst retaining the present level of social protection. We remain dedicated to undertake further steps and adjust our policies whenever necessary to bring about economic prosperity, create jobs and ensure social justice and stability.

**2. How can policy coherence in economic, social and environmental dimensions be achieved in the promotion of full employment and decent work for all?**

The whole set of integrated measures to alleviate the burden of economic crisis and its impact on the most vulnerable was designed and implemented by the Croatian Government. Social effects of the global financial crisis are still present in Croatia. Demographic change including population ageing has made it clear that we need to modernize our welfare systems, respecting the principles of intergenerational solidarity and sustainability of social security systems. The problem of depopulation is the problem of the whole society and it needs to be addressed at all levels, from international to local level, particularly through innovative, mutually supportive and balanced policies and good governance. Alongside the reform of the social protection system, the reform of the pension system is ongoing to achieve long-term sustainability of the system and to harmonise it with the economic capacities of the state, while at the same time maintaining a minimum level of adequacy of the pensions. The government had secured stable pensions and measures being taken should contribute to making the pension system more transparent and cheaper. Even though the pension allowance for one pensioner is currently financed by just 1.14 employed persons, the system with transfers from the state budget is sustainable with the current number of about 1.4 million employees. We expect the situation to improve considering improved pension contribution payment compared to previous years, the stable number of pensioners of 1.2 million which will not grow and that the number of employed is expected to grow this year. According to

the latest figures released by the Croatian Pension Insurance Institute old age pensions with 40 or more years of seniority amount to HRK 3,407 or 70% of the average wage, however the average age pension is about HRK 1000 less and amounts to HRK 2,480.<sup>1</sup> The average Croatian pensioner retires after 30 years of seniority and currently their average age is 71. Figures also indicate a declining number of cases of early retirement or retirement for disability. Additionally the recent Amendment to the Act on Professional Rehabilitation and Employment of Persons with Disability<sup>2</sup> introduced procedural provisions on the right of persons with disabilities to preferential employment.

Regarding the labour market, the policies introduced were in depth discussed with the representatives of the social partners to ensure consistent application of new Labour Act provisions. The Ministry of Labour and Pension System<sup>3</sup> has established a Joint Committee<sup>4</sup> to monitor three areas of the undertaken reform such as working time arrangements, company restructuring and dismissal procedures, as well as flexible employment contracts. Also, in cooperation with representatives from trade unions and employers organisations the Ministry organized regional workshops to inform and educate relevant stakeholders about the changes introduced. The potential increase in the use of fixed-term contracts and possible risks related to labour market segmentation will be closely observed. Additionally, in cooperation with independent experts a review of the wage-setting system was conducted and its results would guide future policy action.

Challenges of high unemployment rate and low activity rate, together with large differences in job acquisition rate between different groups were reasons to increase service capacity of the Croatian Employment Service and to reinforce Active Labour Market Policy<sup>5</sup> delivery. ALMP expenditure has increased from HRK 625 million in 2013 up to HRK 972 million in 2014. A further increase is planned in 2015 through the EU funding. The national expenditure for 2015 stands at 0.3% of GDP, when adding the ESF / Youth Employment Initiative pipeline, the total allocation for ALMP reaches 0.5% of GDP<sup>6</sup>. ALMP interventions planned for 2015 are more focused on vulnerable groups such as the youth, long-term unemployed, low-skilled and older workers. ALMPs are also more elaborated and increased in volume, accompanied by new Guidelines to ensure smooth and efficient implementation. One of the major concerns today in Croatia is a growing problem of youth unemployment. Young people have particular problems with entering the labour market and keeping a stable job, with frequent instances of precarious jobs or atypical employment. ALMPs and matching education programs to facilitate integration of young people into labour market will be also tackled through the ESF interventions. Croatia as a member of the EU has access to the EU structural funds and within the ESF Operational Program "Efficient Human Resources for the period 2014 -2020" as foreseen allocations in the extent of over 1,5 billion €<sup>7</sup> on priorities such as high employment and labour mobility, social inclusion and education and lifelong learning.

<sup>1</sup> <https://vlada.gov.hr/news/minister-mrsic-aims-for-more-transparent-and-cheaper-pension-system/16392>

<sup>2</sup> (Official Gazette No. 152/2014)


<sup>3</sup> MLPS

<sup>4</sup> CROATIA – REVIEW OF PROGRESS ON POLICY MEASURES RELEVANT FOR THE CORRECTION OF MACROECONOMIC IMBALANCES

 Microsoft Word 97 - 2003 Document

<sup>5</sup> ALMP

<sup>6</sup> Labour Force Participation, PES and ALMP Reform - HR country fiche

 Microsoft Word 97 - 2003 Document

<sup>7</sup> Operativni program "Učinkoviti ljudski potencijali" za razdoblje 2014.-2020.

 Microsoft PowerPoint 97-2003 Presentation

### **3. How can labour policies help reduce economic and social inequalities?**

With the view to facilitate social inclusion of vulnerable groups and active participation in the labour market, the MLPS proposed Amendments to the Act on Professional Rehabilitation and Employment of Persons with Disability that were adopted in 2014 to ensure procedural provisions on the right of persons with disabilities to preferential employment. Also Croatian Employment Service<sup>8</sup> introduced specifically tailored labour market measures targeting the vulnerable groups such as long-time unemployed, older and low-skilled workers, persons with disability, specific groups of youth, women and Roma minority designed to best answer their particular needs.<sup>9</sup> Currently more than 23.000 persons are encompassed by one or other of these measures. Several targeted measures have been put in place to tackle youth unemployment. New Workplace Training initiative will be rolled out in March 2015, placing 500 young unemployed individuals in the working environment for a period of 6 months. Both the programme participants and the employers will be entitled to a financial subvention during the training period, and the young individuals will remain in the unemployment register. Also, the criteria for individuals taking part in ‘Occupational Training without Commencing Employment’ were relaxed in order to mobilise the private sector to offer more apprenticeships. This particular measure has yielded very good results with the data showing that the private sector maintains 65.7% persons in employment a year after completion of occupational training which is very encouraging<sup>10</sup>. As of beginning of 2015 the monthly financial support provided to programme participants increased from HRK 1600 to HRK 2400. The amended Act on Contributions exempts the employers who offer permanent employment contracts to the young below 30 from paying mandatory contributions, amounting to 17.2% of the gross salary for a period of 5 years. This exemption applies to both private and public employers, who both welcomed the measure. Overall budget for CES measures for 2015 is estimated to about 200 million € financed from the National State Budget and the European Social Fund.<sup>11</sup>

### **4. Why is youth unemployment a major issue in many countries regardless of their level of development?**

The youth unemployment rate in Croatia was high even during the prosperous years of the last decade, and the recent crisis and rising unemployment affected youth even more. When it comes to the level of education, by far the most numerous are youth with secondary vocational education, followed by youth without secondary education. One of the greatest challenges Croatia was addressing through IPA program<sup>12</sup>, and is also addressing through the ESF, is modernisation of VET curriculum, which are mostly outdated and don’t address labour market needs. As this is a structural problem it is expected that most of the 4-year and higher education graduates will continue coming out of the educational system without adequate modern skills and knowledge which, according to employers’ representatives perspective, cannot be addressed through internship, apprenticeship or on-the-job-training. This underlines some very significant issues and points to the intervention needs, apart from a need for general economic recovery, there is an imperative for a different approach to

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<sup>8</sup> CES

<sup>9</sup> <http://www.hzz.hr/default.aspx?id=10023>

<sup>10</sup> Youth Guarantee Delivery and Youth-related CSR CROATIA -EMCO Country Fiche – Croatia2

<sup>11</sup> Labour Force Participation, PES and ALMP Reform -HR country fiche

<sup>12</sup> EU Instrument of Pre Accession Assistance

education, curricula, as well as qualifications standards based on learning outcomes. Especially so in vocational education which should provide more hands-on experience and strengthen entrepreneurial skills, by bringing vocational and career guidance and employers closer to schools. There is also a need to create a systematic approach to follow up on youth school drop-outs as well as the checkout from the CES register in order to prevent falling into NEET<sup>13</sup> status which can be converted into long-term unemployment. With the raising awareness of the long-term socio-economic implications concerning the growing percentage of NEETs, specific measures were developed within the structural funds programming instruments for the 2014 -2020 focusing on youth and NEETs. Croatia has also prepared the Youth Guarantee Implementation Plan<sup>14</sup> which foresees measures on providing quality employment, traineeship, action learning, and apprenticeship and education continuation for the youth below the age of 30. The YGIP envelopes analysis of the current situation of youth on the Croatian labour market, gap analysis between the current situation and necessary support system requirements for better inclusion in further education or labour market. It also provides measures and reforms to establish quality support system via cooperation of all relevant labour market institutions and stakeholders. Youth Guarantee and available funds will bring added value by enabling Croatia to strongly commit to the changes it needs to make by providing support to build capacity, and thus be able to provide youth with quality education, life-long learning, support and skills they need to be able to function independently in the labour market. The full roll-out of the Croatian Youth Guarantee is expected in 2017 and will guarantee that “Every young person under 25 and person under 30 will be given a quality offer of a job, a traineeship, on-the-job training, apprenticeship or a continuation of education within 4 months of becoming unemployed.” In November 2014 the webpage of the Youth Guarantee was launched and serves as a central point of access for all relevant information on opportunities for education, work and employment and other available forms of support and career guidance. The preparation of other projects under the Youth Guarantee is planned for February 2015 and will be financed through the ESF.

## **5. Can agricultural sector development help generate youth employment in African countries?**

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## **6. What measures are needed to link entrepreneurs to global supply chains?**

The SME require measures enhancing their export capacity. In order to enable SMEs to participate in global supply chains, significant are the measures supporting their participation in value chains at national level and abroad (this supports their „development skip“ which in economic terms means that the industrial development should not be bottom up and/or sectoral but the medium development countries may be involved in global economy by small business in line with the achieved development based on special knowledge and excellence of particular products/services which are competitive at global level. Required is one place for follow up of developments and state of play in global supply chains; it is not the same if you deal with food, medicines, software or commercialized innovation; changes on global market (demand, buyers, market leaders, global logistics centres etc.) make impact on those who enter individually and fragmented; support to clustering and cluster networking is needed. Measures for intensified use of e-business due to entering electronic markets are in any case a win-win approach.

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<sup>13</sup> Not in Employment, Education nor Training

<sup>14</sup> YGIP

Market research measures - improved information on supply chains, culture of the country and the target market, logistics support and all measures referring to exporter. Measures for acquiring knowledge for strategic management (good strategic management for global chains comprises knowledge: on partners in supply chain, maturity of concluded contract and possibility of market risks, continuous market follow up (possible political crisis, pending war, climate disaster, financial markets decline, demand/consumption decline), careful stock management (which present burden for business), concern for the end consumers, information on culture and consumer practice.

## **7. What role do governments, the UN system, the ILO tripartite constituents and civil society play in ensuring rights at work?**

In today's world the roles of the United Nations and the International Labour Organizations still remain uncontested by any other inter-governmental organization, especially concerning issues of labour, protection of human and workers' rights and decent work agenda. The contribution of the ILO and its partners in combating the consequences of the crisis has been significant, and give us hope that together we can achieve a better future. Government of Republic of Croatia and the social partners strongly believe that close tripartite cooperation between the government and strong social partners is crucial for promoting and creating fair and productive industrial relations, in accordance with the basic principles of the ILO. We also strongly believe that constructive social dialogue has been a key factor in the successful management of economic crises and structural changes and reforms that we are facing and implementing today. Effective and efficient social dialogue, based on mutual respect, ensures a stable framework for business and workers, enabling a creation of job-oriented economy. It reduces the risk of conflict, and mitigates the social consequences of the economic crisis. Our goal and challenge is further improvement of the system of collective bargaining, and also strengthening the position of the social partners in the process of consultations with the Croatian Government and their participation in the European social dialogue. The MLPS's mission is to increase work force competitiveness and social security at old age, to affirm value and dignity of work, to promote human capital investment through education and new skills, to ensure suitable education system and training matching the labour market demands and to advocate equal opportunities and access to the labour market for the marginalized social groups and citizens. The responsibility for development and reform implementation needs to be shared by the social partners and civil society providing their adequate participation. The Code of Practice on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts is in force in Croatia since 2009. Regular consultations on social & economic policy are maintained with social partners through the Economic-Social Council and its working bodies on the national level and on the county level. Also when deliberating over appropriate legislative solutions to undertake the necessary reforms, the MLPS seeks to establish high level of cooperation with the social partners, experts and the interested public and to remain open for comments and suggestions, utilizing the process of consultations to come up with the best solution. That is the only long term success model to achieve economic prosperity, employment increase, harmonization of the labour market, wage and tax policy, social policy and improvement of the standard of living.

## **8. What is the future of work? How are countries preparing their education systems to respond to this change? What are the investments required?**

Building a knowledge-based society demands strategic vision on economic development, but also continuous investment into human resources, based on the well-designed policies at both,

national and international level. Government of the Republic of Croatia, together with all stakeholders, proactively carries out the reform of education system. With this agenda, the MLPS closely cooperates with other line ministries and other relevant institutions to reform the educational and vocational system in accordance with the today's labour market requirements and the concept of lifelong learning. In order to connect the labour market with education, foundations, procedures and capacities will be established for the preparation procedure of occupational and qualification standards to complement the implementation and development of the Croatian Qualifications Framework (CROQF). The data collected from employers about the competences required for specific jobs is used to develop specific occupational standards as well as sector profiles. It will help determine the demand for occupations in a certain industry based on historical data and future needs and demands of the labour market. A new set of occupational standards, qualification standards and education programmes will also be formulated for the improvement of the connection between the needs of the labour market and education, while securing conditions for a comprehensive access to education on all levels as well as the employability of population. Also, the National Human Resources Development Council was established to ensure the national priorities and implementation mechanisms in the field of human resource development. New qualification standards, educational and training programmes will be designed to answer more adequately to employers' needs. Thus the structure of knowledge and skills should correspond better to the frequent shifts of economy caused by globalization, technological development, and innovations ensuring in the long run more opportunities for the youth. By creating supportive legislative and educational framework through the continuous reduction of the skills mismatch we are taking long-term view to the youth employment. Besides these strategic long-term policies we are addressing this issue through the many specific measures targeting particular demographic youth groups. All these policies are focused to facilitate increased employability of our young people. Additionally, the Strategy for Education, Science and Technology was adopted in October 2014 announcing a number of ambitious measures which include the preparation of a comprehensive vocational education development plan, the reform of curricula and quality assurance mechanisms. Presently, seven economic sector profiles have been developed and further sectoral councils are being appointed, whose role is to approve qualification standards. A project for tracking labour market outcomes of higher education graduates from 47 professional study programmes has successfully merged student data with social security and unemployment data. The new database will be used from mid-2015 to conduct analysis on graduate employability. Moreover, a study on the availability of work-based learning in vocational schools has been initiated in order to inform policy making.<sup>15</sup> Forum for lifelong career guidance was established in September 2014 as a national body comprised of representatives from relevant ministries, public institutions and stakeholders from the field of education, employment and social protection with the objective to enhance policies integrity on professional career guidance. The Forum will complement activities already implemented by existing Centres for lifelong career guidance<sup>16</sup> that deliver quality tailor made services of lifelong career guidance to all citizens, especially young people such as pupils and students, which are not traditional clients registered in CES. By the end of 2014 CISOK centres were operative on 11 locations. In all CISOK centres 23 counsellors provided services to 39.220 persons in during 2014.<sup>17</sup>

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<sup>15</sup> CROATIA – REVIEW OF PROGRESS ON POLICY MEASURES RELEVANT FOR THE CORRECTION OF MACROECONOMIC IMBALANCES

<sup>16</sup> CISOK (Centar za informiranje i savjetovanje o karijeri)

<sup>17</sup> Labour Force Participation, PES and ALMP Reform -HR country fiche



**Contribution of the Ministry of Social Policy and Youth for the session of the United Nations Economic and Social Council to be held from 30 March until 1 April 2015 in New York**

Global economic crisis has affected almost all member states of the European Union, including the Republic of Croatia. Besides the unemployment growth, the economic crisis influenced the increase of the number of the employed who do not receive salaries or, if they do, the salary payments are greatly delayed, thus increasing the risk-of-poverty rate of the entire, but also employed population.

For the purpose of the promotion of joint policies aiming towards the reduction of poverty and social exclusion, in March 2014 the Government of the Republic of Croatia adopted the Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia (2014-2020). The intention is to encompass all strategic areas by measures influencing the reduction of poverty and, even more important, preventing creation of new poor citizens. As a result, the Strategy includes areas of education, employment, health, pension system, housing, social services, regional development and financial overdebtedness.

In order to foster employment and provide as much citizens as possible with decent work and living, ensuring economic growth must also respect principles of social justice and should contribute to narrowing the gap between the rich and the poor. As highlighted in the European Platform against Poverty and Social Exclusion, all people should benefit from economic growth, and those who are at risk of poverty or suffer from poverty should be ensured decent living and participation in society. Social welfare systems thus need to be effective and ensure protection mechanisms, particularly for the most vulnerable groups of society: the long-term unemployed, elderly workers, women and members of national minorities and especially children and youth. In this context, social entrepreneurship also plays an important role by promoting principles of social inclusion and non-discrimination, as well as development of social innovation.

A system of appropriate employment measures should also be complemented by allowance, service and benefit's systems with the aim of the fastest return of the unemployed on the labour market possible, as well as making preconditions for their uninterrupted inclusion on the labour market particularly by ensuring pre-school services as well as services for dependant household members.

Open Method of Coordination principles the EU applies in the area of social policy and social protection makes an exceptionally important framework for action in the coordination of policies promoting social cohesion and equality through adequate, available and financially sustainable social protection systems and social inclusion policies.



## **Contribution of the Ministry of Agriculture**

In the light of the year 2015 is a unique opportunity to integrate and position forests and the future International Arrangement on Forests (IAF) in the broader context of the post-2015 Development Agenda and the SDGs, as well as a kind of breaking point year for entire UNs system, United Nations Forum on Forests as one of ECOSOC functional commissions UNFF11 stands at a critical juncture to shape the future of the multilateral policies and institutions related to forests, while also contributing to the processes leading up to the Conference on Financing for Development in July 2015, the Summit for the Adoption of the Post-2015 Development Agenda in September 2015, and the UNFCCC COP21 in December 2015.

The crucial question to answer in UNFF11 session is how UNFF and post-2015 IAF can fully contribute in the tree major ongoing processes?

**Question 9.** Investments in SFM, especially performed by private sector would also induce creation of desired “green jobs” as a possible and sustainable answer which will consequently led to the provision of solution to climate change problems. Forest as itself contribute immensely to the climate change mitigation as well as to adaptation and therefore is very important to recognize the significance of all types of forests and trees for sustainable development of all people (including thru creation of new, descent and low environment footprint jobs), and their contributions in addressing the complex and interconnected global challenges.

**Question 10.** To generate the greatest job potential while maintaining environmental sustainability “green investments” are deeply needed. In the light of UNFF that primary means – integration of forests (UNFF) in the Post 2015 Development Agenda and linkages to other Major Processes. The relation of the future UNFF and HLPF is crucial, as well as future role of UNFF on the implementation of the forest related SDG's and targets. Creating linkages to major forest related processes/funds such as GEF, the Green Climate Fund, REDD+, Aichi targets, etc. as well as encouraging and enabling of private investments in achieving Sustainable Forest Management (SFM) in all its components including social one which also implicate creating of new, descent and green jobs is also of paramount importance.

**Question 11.** Related to institutional framework and governance arrangements needed for the successful integration of the economic, social and environmental dimensions of sustainable development to, inter alia, facilitate descent work, it is very important to further stress out that the future IAF should be designed to effectively address the key challenges related to forests, policy setting, implementation, mobilization of resources, and coordination and collaboration on sustainable management of all types of forests and trees outside the forests. In that light it would be also very important and desirable to develop a Strategic Plan for the future IAF, in a form of Time-bound programme of work, with required resources and flexibility, specifying priority areas and the roles and responsibilities of the core components of the future IAF.