



**WILCO**

Welfare innovations  
at the local level  
in favour of cohesion

## Local Welfare Systems as part of the Croatian Welfare State: Housing, employment and child care

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## TABLE OF CONTENTS

1. General background .....	3
1.1. Structure and development of the welfare state .....	3
1.2. Degree of centralisation .....	6
1.3. Trends .....	7
2. The field of housing .....	10
2.1. Demand and supply .....	10
Eligibility for social housing .....	11
Support for low-income tenants .....	12
The main sources of finance for housing construction .....	13
Connection of housing provision with illegal activities .....	13
Issues of homelessness .....	13
2.2. Structure of the administration .....	14
2.3. Housing in relation to social exclusion .....	14
2.4. Recent developments .....	15
3. The field of employment .....	18
3.1. Demand and supply .....	18
3.2. Structure of the administration .....	21
3.3. Access to the labour market .....	22
3.4. Recent developments .....	23
4. The field of child care .....	26
4.1. Demand and supply .....	26
4.2. Structure of the administration .....	28
4.3. Access to child care .....	29
4.4. Recent developments .....	31
References .....	34

## 1. GENERAL BACKGROUND

### 1.1. Structure and development of the welfare state

Croatia, as a former Yugoslav republic, was one of the best economically developed and most westernised parts of the former communist world. Before 1918 Croatia was part of the Austro-Hungarian Monarchy.

The national enthusiasm about the prosperity of Croatia, after the first free multiparty elections in the spring of 1990, was threatened by the military attack in 1991, when the war for independence started. The war had a tremendous negative impact on the development of the country in all aspects and caused many social problems relating to displaced persons, refugees, victims of the war and the demolition of the housing stock and infrastructure. During the war 25 percent of the country was under the occupation of Serbian military forces and more than 50 percent of the territory was affected by military operations. In 1993 the GDP fell by 41.5 percent compared to year 1989 (Puljiz 2008).

Since its independence, Croatia has been marked by the war, the suffering of people, a drastic decline in economic activity, the privatisation of the state corporate sector and enormous social problems (Puljiz 2008). The government, with the support of international relief organisations, provided social assistance and shelter for several hundred thousand displaced persons and refugees<sup>1</sup> from the countries in the region. A high level of unemployment and an increasing inflation marked Croatia as a war economy country with rapid deterioration of the quality of life. The social program of 1993, as an intervention of the government with a view to helping the most endangered groups of population in a partnership with local authorities and civil society organisations, created social safety nets of sorts on the local level. The Governmental Stability Program from the same year stopped the inflation and created the basis for the stabilisation of economic and social circumstances. During the 1990s all reforms, pertaining primarily to the pension and health care systems, were made with conditional support of the World Bank and the International Monetary Fund.

The war influenced demographic trends, part of the population moved to the countries in the region or as brain drain to the developed parts of the world. From 1991 to 2001 the population size decreased by 7.25 percent and vital demographic indicators, birth rate and fertility, became worse (Puljiz 2008)<sup>2</sup>. Some unresolved political issues linked to the war and authoritarian governance in the late 1990s made Croatia isolated from mainstream developments in the region relating to economic assistance provided by the European Union.

The substantial revenue deficit under the impact of the war and transition from the 1990s was a heavy burden for the development of the country in the first decade of the 21<sup>st</sup> century. Real economic recovery came with the coalition government at the beginning of the year 2000 and the growth of the GDP was 4-5 percent per year. After a significant slowdown in GDP growth in 2008, negative economic indicators continued in 2009 and 2010. Annual GDP growth in 2008 was 2.4 percent. In 2009 the GDP declined by 5.8 percent, and it is estimated that GDP will decline by 1.2 percent in 2010.

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<sup>1</sup> At the beginning of 1992 in Croatia there were 550,000 displaced persons from different parts of the country and 150,000 refugees mainly from Bosnia (Puljiz 2008: 31). The Croatian side registered 13,010 casualties and the official estimate of war damage was €35 billion.

<sup>2</sup> Croatia is a country with a population of 4.4 million.

During the last several years income inequalities and poverty have mostly stagnated or grown mildly. The at-risk-of-poverty rate in 2008 was identical to the one in 2007 (17.4 percent), but the relative at-risk-of-poverty gap increased from 21.9 percent in 2007 to 24.9 percent in 2008. The World Bank (2010) analyses and simulations show that poverty grew during 2009. It is estimated that the 2009 absolute poverty rate grew by 35 percent, or by 3 to 4 percentage points in comparison with 2008, when it was approximately 10 percent.

The origin of the Croatian welfare state is related to the period of the Austro-Hungarian Monarchy and the influence of the Bismarckian social insurance model of paying contributions from the wage. Unlike the other countries in the communist bloc, Yugoslavia never abandoned the practice of making social insurance for social risks in the Bismarckian manner. In the beginning, social policy was very much centralised on the federal level and in the 1960s the Republics were given all responsibilities in social policy. A dual structure emerged for those employed in industry and state administration, who had work-based benefits which small farmers and the unemployed did not have (Deacon and Stubbs 2007b). In the 1970s, the system was decentralised on the level of local authorities with companies and working organisations playing a certain role in social policy, i.e. implementing a participatory self-management ideology. In the late 1980s, employers paid contributions to pension funds, health care, employment, housing and children allowances. Since 1959 the centres for social work on the level of municipalities were recognised as an institutional innovation providing social assistance and services to the needy or poor population<sup>3</sup>. Unemployment agencies, also at the local level, have been part of the social policy institutional framework since 1962. Contrary to a statement by Cerami (2006: -83), the Croatian reality was not a "social policy vacuum" as in other post-communist countries.

Bob Deacon (1993) did the first typology of social regimes in transitional countries. For him "Hungary and Yugoslavia (or at least Slovenia and Croatia) will - in the absence of highly influential labour parties, under the influence of foreign debts and with less Church involvement - gradually develop into liberal welfare state regime type" (1993: 195). It is evident that Bismarckian ideas and practices on social insurance framed modern welfare settlements in Croatia (Deacon and Stubbs 2007a: 9). In the region it was a kind of competition of international organisations, the World Bank, MMF, ILO, to influence national social policies through loans/conditional aid, technical assistance and regulatory framework. The Europeanisation of social policy (Lendvai 2007) in the procedure of accession to the EU has impact on Croatian social policy in various aspects.

Traditionally the family plays very important role in providing for welfare and social inclusion. People have the feeling of solidarity even for a broader family circle and the support for children and the elderly is very often the responsibility of family. With such practices Croatia can be classified in the group of Southern European counties or so called Mediterranean welfare model (Ferrera 1996).

Having in mind the Esping-Andersen typology, it is not easy to provide empirical evidence to classify the Croatian welfare state in terms of the prevailing welfare regime typologies. With Bismarckian roots in social insurance, with the paternalistic state from the communist period imbedded with the egalitarian syndrome and strong trade unions of persons employed in the public sector and in state-owned companies, liberal reforms made under the pressure of the World Bank, and a clientelistic policy towards victims of War and war veterans, Croatia is characterised by a hybrid type of welfare state.

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<sup>3</sup> The first university program of social work started 1952 at University of Zagreb as the first such program in communist world. Social work not banned as in Hungary and provision for unemployed existed (Ferge 2008: 144). Political elites recognised poverty and unemployment as developmental issues in county.

Here we agree that the expectation that emerging welfare settlements in transitional countries following the path of Western Europe needs to be revised (Deacon and Stubbs 2007b). Cerami (2006) argues that the transformation of the CEE welfare state is characterised by the creation of "unique hybrids" with elements of various social protection systems. A combination of Bismarckian and neo-liberal features is the main characteristic of contemporary CEE welfare systems (Cerami 2009).

The main features of the Croatian welfare state are: three pillars of the pension system; partly privatised healthcare provision with private insurance for part of the population - income test, and an employment policy with the involvement of private organisations as mediators on the labour market.

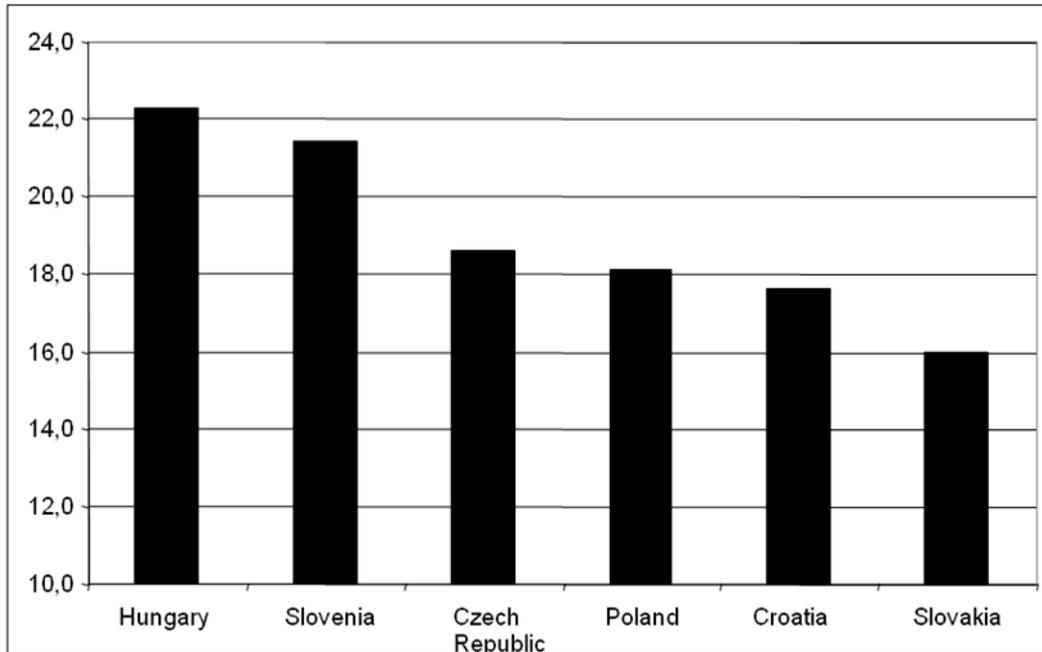
Although, the share of social costs in GDP is relatively low (see Table 1), entrepreneurs and some conservative economists are firm in their opinion that labour force is very expensive and that the country is not sufficiently competitive to attract foreign investments because of a high level of social contributions paid from salaries. Croatia has comparatively low shares of social costs in GDP in relation to new EU member states from Central Europe (see Figure 1).

Table 1 - Social protection expenditure and expenditure on social benefits  
by social protection functions, share in GDP\*

	Share in GDP (%)				
	2003	2004	2005	2006	2007
Total social protection expenditure	19.6	19.2	18.5	18.1	17.5
Total expenditure for social benefits,	18.9	18.6	18	17.5	16.9
<b>by function</b>					
Sickness/Health care	5.9	6	5.7	5.6	5.4
Disability	2.7	2.7	2.7	2.7	2.6
Old age	5.9	5.7	5.5	5.4	5.1
Survivors	2.2	2.1	2.1	2	1.9
Family/Children	1.3	1.1	1	1	1
Unemployment	0.5	0.5	0.5	0.5	0.4
Housing	0	0	0	0	0
Social exclusion not elsewhere classified	0.4	0.4	0.4	0.4	0.3

\* Data on the gross domestic product have been revised according to new, improved data sources and calculation methods. Data on the gross domestic product for 2003, 2004 and 2005 are final, while for 2006 and 2007 they are provisional (sum of quarterly data).

Figure 1 - Expenditure on social protection; CRO and new members of the EU, share in GDP (2007, ESSPROS)



## 1.2. Degree of centralisation

The Croatian public administration consists of state administration, local and regional self-government, and public services (services of general interest, in new European terms). There are two levels and four types of the state administrative bodies. At the central level there are ministries, the (so-called) state administrative organisations and the (so-called) central state offices. The system of local and regional self-government consists of 429 municipalities, 126 towns (15 of them have a special status of large towns with over 35,000 inhabitants), 20 counties and the City of Zagreb (which has a twofold status and is allowed to perform both local and regional self-government scope of affairs). Municipalities in predominantly rural areas and towns in predominantly urban areas perform local self-government scope of affairs and are first instance governance units. Counties are regional self-government units, strictly separated from the offices of state administration in terms of organisation and personnel.

The former Ministry of Labour and Social Care, as the core ministry for social policy, was divided in 2003 so that three ministries are now responsible for performing activities of primary importance for social policy. To illustrate, social care, employment and family policy are placed under the competence of three ministries. The real problem is that social policy is now more institutionally fragmented than ever before (Stubbs and Zrinščak 2007).

In three national agencies for social insurance: pension, health and employment, social partners are involved in the management, administration and implementation of social security provisions, with absolute domination of the government.

Some public services are more closely connected to the central government, because they are mostly centrally financed. These are education, health services, social security services, social assistance, science, and the like. In 2001 the previous Government launched administrative decentralisation of some of these services. Some of the public

services are locally financed, for example, pre-school education and kindergartens, libraries and museums, utility services, etc. It was, in fact, the time when the late Europeanisation of Croatian social policy started and Stubbs and Zrinščak (2005) argue that it was a kind of captured social policy.

Social and health protection programmes should be, in one way, coordinated and planned at the level of counties. Counties are responsible for providing services to elderly in previously state-owned homes for the elderly, and health services.

Cities and municipalities are responsible for preschool child care, as well as facilities and services. In the field of social care- social assistance and social services, they can increase the level of social assistance calculated at the national level and provide extra social assistance and social services from their budgets. In fact, there are welfare states on the local level in richer cities with relatively big budgets, and a parallel system of welfare states, centrally managed by centres of social care.

Housing allowances calculated using the same formula at the national level are the responsibility of cities and municipalities. The level of benefits can be locally increased. Since 2001 counties are responsible for providing heating allowance within this scheme.

The degree of autonomy of the local government in this area, having in mind the ongoing debate on decentralisation, is very much fragmented and it was result of an *ad hoc* policy making process. Local governments are totally autonomous in preschool child care, but the current practices are neither efficient nor sustainable. Local authorities are on their own in the provision of these services, and in the case of small and poor local authorities prospects of setting up kindergartens are not realistic.

So, with Bismarckian roots, a dual structure of social welfare programmes is in place, including "insiders"- those with social rights - and "outsiders" - mainly the unemployed population without working experience.

### 1.3. Trends

The majority of social welfare organisations are in the hands of the state, on a different level, and yet they continue to resist accepting a new style of governance, which realised on efficiency, effectiveness or implementing new public management. Executives in these organisations are regularly filled by members of political parties, their professional capacities and public reputation are rarely relevant criteria for their selection. Organisations which are part of state administration can be qualified as rather bureaucratic institutions, less open and less accountable to their stakeholders. Since the Ministry of Labour and Social Care was divided, the administration of social care is under the pressure of de-professionalisation and marginalisation.

Strategic planning, implementation of principles of good governance, and practice of the open method of coordination are challenges faced by state organisations in the field of social development.

Public welfare organisations providing social services (for the elderly, children and vulnerable groups) are governed by a board. The majority of board members are appointed by political parties, and they, in turn, select executives according to political instructions. In such circumstances there is no space for entrepreneurial spirit or efficient use of resources. However, private initiatives in this field, especially those providing services for the elderly, bring the spirit of entrepreneurship and make efficient use of resources. The majority of these private initiatives are non-profit organisations and their clients can get

co-payment contracts, having part of the cost paid by the government. Board members in these private organisations are more active, these organisations market their products, and they are examples of practice of new public management (Bežovan 2010b).

Empirical evidence from the European Values Study (EVS), derived on the basis of analyses of norms and values of citizens, Arts *et al.* (2003) suggests that Croatia belongs to the group of Central European countries. This group includes the Baltic states, while countries such as Bulgaria, Romania and Ukraine are placed in the post-totalitarian group of countries. Croatia belongs to the group of countries where citizens have a higher degree of trust in the market economy. As concerns the group of post-communist countries, citizens in Slovenia and Croatia have more post-material values (Arts and Halman 2004).

The level of activity, civic engagement and the level of trust of Croatian citizens according to the empirical evidence from EVS (1999) (Baloban 2005) and EVS (2008)<sup>4</sup> are relatively low. Only 17 percent of the population are members of civic organisations while 7 percent of the population are involved in voluntary work. The level of interpersonal trust and the level of trust in state institutions and political parties are rather low. Citizens are more inclined to make donations for humanitarian purposes, and substantive funds can be raised when campaign organisations enjoy citizens' trust (Bežovan and Zrinščak 2007). Croatian citizens still practice their solidarity in the circles of primary social groups like the family and the close neighbourhood. People from the young generation, the better educated and the more affluent, practice more civic virtues.

In the Croatian context, using the cultural-civilisation approach developed by Sztompka, widespread support for a strong welfare state and highly redistributive policies among people can be fully understood (Cerami 2006).

Civic engagement and practice of civic virtues are threatened by a syndrome of amoral familism where public affairs are not a concern of average citizens (Banfield 1958).

More or less, the role of citizens and civil society organisations in policy processes in the 1990s was rather marginal and partly conflicted due to authoritarian governance. Still, during the war and the humanitarian crisis engaged citizens and the spontaneously registered civic organisations made very visible contributions to relief programmes and, in fact, generated a new type of solidarity. International relief organisations gave very important inputs to the understanding of the role of civic organisations and to their development (Stubbs and Sertić 1996). The development in the 1990s was dominantly marked by a paternalistic position over all civil initiative in social policy and even a political will to control their activities (Bežovan 1995). Besides that, processes of passing legislation for setting up civil society organisations and the provision of tax incentives for their operations and incentives for donations by companies and citizens were imbued with mistrust of the new political elite (Bežovan 2005). The new positive approach of the coalition government from 2000 gave more space to civil society organisations providing legislation of the European standard for the registration of such organisations and a very competitive tax incentive for operations and donations to social civil society organisations. Legitimacy of citizens to freely associate and set up independent organisations not controlled by the state in various ways was a key challenge for the development of civil society. Cooperation of civil society organisations with some local authorities and other stakeholders in more developed parts of the country has been seen as the root of the development of welfare mix (Bežovan and Zrinščak 2001).

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<sup>4</sup> Thematic issue of the journal „Bogoslovska smotra“, vol. 80., no. 2. 2010 published the first results of EVS 2008.

According to the recent studies (Bežovan 2007, 2010b) the role of civil society in social policy is very visible in the following fields: advocacy of social rights for vulnerable groups, the provision of social services not covered by the state, innovations in social programmes, and the provision of social services under a contract with the state. The sustainable development of the emerging welfare pluralism and a paved way for welfare mix development are vulnerable because of the mistrust of the government and professionals employed in public benefit companies providing social services. Reasonable empirical evidence bears witness to "the blazing of a trails" for new developments in the social policy field.

During the long period of accession of the country to the EU, the issue of legitimacy of civil society organisations as important stakeholders in social policy has been solved for the most part. For the time being, the striking issue for the development of social civil society organisations is their identity and a social policy framework with a good governance standard (Bežovan and Matančević 2011).

The discourse on social welfare has been affected by the process of accession of the country to the EU. The milestone in that process was the preparation of the Croatian Joint Inclusion Memorandum (JIM) which began in the second part of 2005. Stubbs and Zrinščak (2007: 98-99) see four positive aspects for social policy. First of all, social statistics has improved with the Eurostat methodology. Second, various stakeholders took part in the process of preparing the JIM through conferences, workshops, meetings, and an open method of coordination was actually implemented. Previous practice involved the preparation of strategy documents "behind closed doors". In addition, indigenous social policy experts were involved in the drafting of the JIM, within a clear framework and with supervision by the European Commission. And finally, the contribution of the Commission on aspects of social policy, particularly related to the issues concerning discrimination, active labour market policies and a coordination of services, was important for a qualified debate.

Besides that, there were several priorities in the JIM agreed on by all stakeholders, with a recommendation to carry out applied research related to the said priority of social policy. The results of these studies were presented at conferences and the stakeholders gained new applicable knowledge.

The implementation and evaluation of the JIM comprised the practice of the open method of co-ordination, and the participating stakeholders experienced the new standard in the policy process.

## 2. THE FIELD OF HOUSING

### 2.1. Demand and supply

After the political changes of 1990, the first government announced the implementation of a comprehensive housing reform. Housing contributions for employed people were cancelled, as well as the role of companies in providing for their employees housing needs. Withdrawal of the state from the housing, privatisation - the sale of public housing, and strengthening of free market relations characterised Croatia's housing policy in the beginning of the 1990s (Bežovan 2008). Decentralisation of competence, in the sphere of housing policy, to the local level as is the case in developed countries, having in mind financial resources of municipalities, remained so restricted that active housing policy could not be prepared and realised (Lux 2003: 408). Such circumstances can be seen as "political deficit" in the process of setting up effective housing policy.

The most important part of the housing reform implemented during the 1990s in Croatia, as well as in other countries in transition (Hegedüs *et al.* 1996), is the sale of public housing - a "give away" privatisation. Public housing represented 25 percent of total housing stock, located mostly in larger cities, while in Zagreb 45 percent of housing was public. Privatisation started in 1992 and in two years a larger part of stock was sold to sitting tenants at big discount<sup>5</sup>.

The process of selling public housing was happening concurrently with the process of denationalisation. Several social groups became victims of this process, while the new political elites gained considerably, as they obtained expensive housing units for small amounts of money (Bežovan 2008). The new political elite claimed for themselves large housing units at desirable locations. In fact, they obtained the housing right in public housing, which they bought at a big discount<sup>6</sup>. Part of the money from the sale of public housing was supposed to be spent on social housing construction and for the social groups which were victims of the denationalisation process<sup>7</sup>. However, this legal obligation was fulfilled by a very small number of local authorities known for their practice of a democratic and modern style of governance (Bežovan 2004). The sale of public housing stock changed the housing tenure structure (Table 2).

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<sup>5</sup> Sitting tenants got a discount for years in employment, number of children, a disabled family member, for being a victim of the war.

<sup>6</sup> From time to time, even fifteen years later, journalists in newspapers are still discovering unknown scandals of that kind.

<sup>7</sup> About 4,500 housing units, with tenants who previously enjoyed the status of a public housing tenant, have been part of restitution to its owners. Owners claim their property back, do not accept such low rents and, often, without legal basis force tenants to leave their flats. Tenants in these housing units are at risk, which makes them socially excluded.

Table 2 - Housing Tenure Structure in Croatia and in Zagreb 2001

Housing tenure	Croatia		Zagreb	
	Households	100.0%	Households	100.0%
	1,477,377		275,464	
Home ownership	1,225,235	82.9	222,697	80.8
Private renting	49,259	3.3	11,742	4.3
Social housing	42,195	2.9	9,630	3.5
Renting part of the flats	12,570	0.9	2,630	1.0
Housing with relatives*	110,008	7.4	23,375	8.5
Others	38,110	2.6	5,731	2.1

Source: Census, 2001.

\* Professionals from the Croatian Bureau of Statistics think that 60 percent of these are on the private rental market, the estimate is that the proportion is actually 8.4 percent.

After the privatisation and restitution a very limited number of housing units have remained in the hands of local authorities and different state bodies.

According to the 1996 Housing Rent Act unsold public housing became housing with protected rent<sup>8</sup>. In fact, these are social housing units. These housing units are predominantly owned by local authorities and the government determines the level of the rent. The rent in social housing is very low, amounting to 2.61 HRK/m<sup>2</sup> (0.36 €), which is not sufficient for maintenance. The low rent is part of the clientelistic type of governance<sup>9</sup>. Some tenants are not willing to pay even such a low rent and landlords have no means to effectively deal with this issue. Willingness and ability to pay the rent is a problem in other transitional countries too (Hegedüs 2007).

Private renting, which includes about 120,000 flats (8.4 percent of total housing stock), falls into grey economy. Although there are regulations on landlord-tenant contracts, in 2005, only 17,000 such contracts were registered in county.

Shortage of social housing is more than evident: needs for social renting housing in the four larger cities, including the capital, have been estimated at 3 to 5 percent of the local housing stock (Bežovan 2010a).

#### *Eligibility for social housing*

Social housing is a responsibility of local authorities; however, on the national level there is no programme or legislation dealing with this issue. In practice, cities make their own policy in this field and they make decisions, such as by-laws, which determine eligibility criteria. The City of Zagreb, with the largest programme of social renting housing lays down the eligibility criteria as follows:

"The right to social housing can be given to the persons who have continuously resided in the area of the City of Zagreb for at least ten years, and who do not have their housing issue resolved, nor do they have a possibility to resolve it in any other way:

<sup>8</sup> Protected rent housing is the official expression for social housing. It is unknown to the general public. However, local authorities also use the expression social housing.

<sup>9</sup> Process of setting up rents should be according to the quality of flats.

- persons who do not own a habitable house or apartment in the area of the City of Zagreb or in the Republic of Croatia, as well as the members of their household;
- persons who are not using adequate housing as social tenants;
- persons who are, as social tenants, using housing that does not fulfil minimum hygienic-technical living conditions or who live in the object for which the decision on removal due to decrepit condition and threatened stability has been issued;
- persons whose total monthly income per household member does not exceed 75 percent of the average monthly wage in the City of Zagreb in the previous year."

Standards for determining the priority list are: housing situation, social-health situation, duration of residence in Zagreb.

### *Support for low-income tenants*

The programme of housing allowance is the only one that can be considered support to low-income tenants. The Social Care Act, which has been in force since 1998, provided for Croatia's current housing allowance system. Local authorities - municipalities and towns - became responsible for allocating social welfare funds in their programmes.

A housing allowance can be granted, after a means test procedure, in case the monthly income of a single tenant or family, calculated from the previous three months does not exceed the amount of (currently) HRK 500 (€68) per family member. This threshold is also implemented for those eligible for permanent social cash assistance<sup>10</sup>. Changes of threshold depend on political will.

The housing allowance can be granted to a single tenant or family not using a flat exceeding their needs, stipulated by special rules. The housing space stipulated by the rules is rather restrictive and makes this rule residual, that is, only a limited number of households are eligible for housing allowances.

Equally, a single tenant or family is not entitled to the housing allowance if they own or co-own a house, flat or weekend cottage. The housing allowance does not exceed half of HRK 500, which is the threshold for this social right. In exceptional cases, the full HRK 500 allowance can be granted if the centre for social care assesses it as the only way to avoid the separation of children from the family<sup>11</sup>. In the same programme, since 2001 citizens living in their own houses have been entitled to the housing allowance for housing utilities.

According to the 2001 amendments to the Act, local self-governments are responsible for providing funds for the housing allowances, while counties, as regional governments, provide heating allowances<sup>12</sup>. Heating costs are covered by decentralised money from the state budget and the maximum amount per household for one year is HRK 880 (€120.50).

The housing allowance can be paid out in cash directly to the beneficiary or by paying the costs to the provider of the service by the competent body. Only 1.8 percent of households are receiving housing allowances, and if we add heating allowances, the estimated proportion is 2.4 percent. In comparison to central European transitional countries, only

<sup>10</sup> Mentioned threshold can be seen here as an arbitrarily set up poverty line and very much dependent on the political will.

<sup>11</sup> This part of social assistance is not connected to general income adjustment program what is responsibility of the government and administrated through centre for social care.

<sup>12</sup> Government did this reform in order to help families living in municipalities- mostly villages. Municipalities don't have housing allowance program because of local budget deficits.

Slovenia has a smaller share of households receiving a housing allowance (Hegedüs and Teller 2005).

From 2001 to 2009 a relatively constant number of housing allowances per year was recorded. The monthly housing allowance in 2005 was HRK 165 (€ 22.6). The average heating allowance was HRK 72 (€ 9.8). This means that an average household was getting, for both purposes, HRK 237 per month, or € 32.40. In fact, this is equal to the average amount of housing allowance in Poland, Slovakia and Czech Republic (Hegedüs and Teller 2005: 190).

### *The main sources of finance for housing construction*

In general, commercial banks are the main source of finance for housing construction. Housing saving banks offering a premium for savers paid out from the state budget, whose users come mainly from well-off families without housing needs, do not play an important role on the housing finance market. The government provides limited funding for the housing programme of war veterans, and the so-called POS programme which provides housing at controlled prices for first-time buyers, mainly young families.

Recently, under the pressure from banks which invested money in cca 15,000 unsold housing units, the government introduced a new programme of subsidies for first-time buyers.

### *Connection of housing provision with illegal activities*

The housing market in larger cities is controlled by speculative interests of different stakeholders who are not willing to follow urban rules. Fighting for extra profit, developers misuse their position and corrupt local government officials to get building permits with higher density<sup>13</sup>. In such circumstances, quality of construction, has also become a serious issue.

The private rental market, as an important part of housing provision in larger cities, has traditionally belonged to illegal renting<sup>14</sup>. Landlords are not willing to conclude a rental contract and to pay the tax and tenants without the contract are not eligible for housing allowance.

During the war part of the local authorities' housing stock was illegally occupied and in the City of Zagreb there are almost 2,000 such cases (Bežovan 2010a). As war veterans are very often illegal tenants, eviction is politically a very sensitive issue.

Illegal construction of family houses, without a building permit, on the edge of the cities again became a problem during the war.

### *Issues of homelessness*

The homeless, as an increasing vulnerable group in Croatia, can depend on the social welfare programme in seven larger cities (Bežovan 2010a). Homeless shelters with certain capacities are found in larger cities, where the problem of homelessness has emerged. In three cases the cities organise and pay for the costs of shelters, and in three cases they do it in co-operation with civil society organisations. Homelessness is a new social risk which

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<sup>13</sup> Government made decisive steps to make more order on housing construction market setting up the criteria for developers-investors eligible to be involved in construction of larger housing building.

<sup>14</sup> Government don't worry about fact that only 17,000 of housing renting contracts, out of 120,000, are registered in the county.

is a product of numerous factors (Bakula-Anđelić and Šostar 2006). Civil society organisations, providing advocacy and mobilising additional resources, are more efficient than cities in providing social services for this socially excluded population.

## 2.2. Structure of the administration

Housing is so fragmented to the point that it cannot be considered a policy, and is mainly left to local governments to deal with. At a national level there are two top-down, above mentioned programmes: POS for first-time buyers and the programme for war veterans.

Local authorities are autonomous in providing social rented housing, while the government only determines the level of rent. Pursuant to recent changes in the regulation of the POS programme, local authorities can set up non-profit housing organisations<sup>15</sup> and receive a favourable loan. Land and infrastructure are the responsibility of local authorities. Recent practices of this approach, used only in two cities, are not sufficient to assess its relationship with the government. However, POS as a top-down programme evokes an image of a paternalistic and clientelistic relationship to the government and will be a burden for the future development under this programme.

Recent changes within the POS programme in terms of decentralisation and the concept of non-profit housing organisations might have, under certain conditions, some developmental potential. It is evident that some local authorities do not have the capacity to be an efficient stakeholder in a decentralised programme.

The decentralised programme of housing allowance, in case of increased housing costs (power, gas, water) is a heavy burden for local authorities with less revenue. Re-centralisation of the housing allowance is the solution to developing efficient and effective programmes (Bežovan 2010a).

## 2.3. Housing in relation to social exclusion

The concept of social exclusion is relatively new and it has been promoted during the process of accession to the EU. The Croatian Joint Memorandum on Social Inclusion (2007) addressed the issue of social exclusion and the role of housing in the social integration of vulnerable groups.

Social exclusion and poverty are visible among tenants in social housing, particularly those families who became social tenants because they could not afford to buy these flats when they were part of the public housing stock before 1990 (Bežovan 2010a). The flats were smaller in size (55 m<sup>2</sup> on average), poorly maintained, older and inhabited by marginal social groups. In total they made up about 50,000 housing units or about 2.5 percent of the housing stock. In fact, as in other transitional countries, it is a marginal part of housing stock "... of socially and economically marginalised people" (Tsenkova 2003: 203). For Hegedüs (2007: 174) it "...is the most dilapidated part of the housing stock and where the poorest households are concentrated".

After a "give away" privatisation, some tenants, in one way, were forced to become homeowners. Majority of them are now pensioners and low-income families who struggle to pay for housing costs.

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<sup>15</sup> For the time being only four cities have set up non-profit organisations, and their development will depend on the political will of local politicians, i.e. the level of democratisation, and professional capacities of the people involved in the operation of the organisations.

Larger numbers of poor homeowners are found in villages, and are mostly older population in isolated parts of the country. The market value of this property, housing and agricultural land (they used to be farmers) is very questionable.

Owing to the legacy of egalitarian policy inherited from the communist period a special concentration of low-income housing in housing blocks is not visible. Illegally constructed family houses of a poor standard on the edge of towns were traditionally spots of social problems concentration. This was an important topic of sociological research before 1990. In fact, it was a housing strategy of migrants, low skill workers employed in labour intensive industry. Policy regarding the improvement of the level of communal infrastructure and, with that, an active approach to social problems were among the priorities of urban development before 1990.

The new wave of migrants (refugees and displaced persons) to the edges of cities came with the war in the 1990s, but not all of them were necessarily low-income people. It is civil society organisations which mostly deal with the issue of social problems concentration in these settlements.

Ethnic segregation in housing is visible in cases of the Roma population (Miletić 2005). According to the JIM, the Roma suffer from poverty and generally poor living conditions. One of the measures of the Action Plan for the Decade of Roma Inclusion 2005-2015 is the legalisation of Roma settlements and the improvement of housing conditions.

Cases of the Roma people integrating into the newly built social housing estates in Zagreb, where the concept of social mix was implemented, caused big problems because of their lifestyle and the whole settlement got a negative image.

About 4,500 housing units, with the tenants who before 1990 had the status of public housing tenant, have been restituted to their owners. Now these people are tenants in private housing, with a contract to pay social rent. Owners claim their property back, do not accept such low rents and, often, with no legal basis, force tenants to leave their flats (Bežovan 2010a). Tenants in these housing units are victims of the denationalisation process and they bear the stigma of the people who live in private property without paying the real cost<sup>16</sup>.

It is important to stress that the money from the sale of public housing was also supposed to be spent on providing housing for tenants in denationalised housing stock.

#### **2.4. Recent developments**

The social housing issues belong to a wider area of social policy, which is fragmented, marginalised and de-professionalised. On the other hand, priorities of the pension and health reform seem to question even the legitimacy of the debates on social housing. Relevant stakeholders: majority of local authorities, developers, construction industry, trade unions, and the church do not care about social rental housing and some of them are suspicious about its mission. The needed social capital for the development of social rental housing is not visible (Bežovan 2010a), and according to the empirical evidence mayors of larger cities are more under the pressure to provide shelter for pats than social rental housing.

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<sup>16</sup> There are lot of conflicts among tenants and owners, and both of them set up their associations acting as a lobby groups and making pressure to the government to make visible steps in solving this problem.

The current financial and economic crisis constantly is reducing people's income and the risk of losing one's home is spreading among the families of younger generations who are repaying housing loans. First-time buyers' demand for homeownership is rapidly decreasing.

The current low level of rent makes social housing unsustainable and it influences decisions for selling it to sitting tenants, which means a reduction of the social housing stock.

Within the political debate from oppositional parties there are more voices advocating the policy of taxation for housing units which are not used for permanent housing<sup>17</sup>.

The recent financial crisis seriously affected the housing market. The boom of housing construction in recent years in the capital and elsewhere in the country ended with decreased production and a bad forecast for the coming years (Table 3). Increase of the housing construction in larger cities is driven by the demand of well-off families who consider housing as a safe investment which can generate income. The decline of the housing market in 2009 was influenced by economic recession, general instability and the increase of interest rate for housing loans. With such development, limited ability to raise money for purchase and credit crunch are bringing house prices down<sup>18</sup>.

According to estimations, there are more than ten thousand unsold housing units on the housing market in the capital, which illustrates the housing market crisis and the pressure for decrease of prices. Under the pressure of banks, in the summer of 2010 the government introduced incentives in the form of favourable loans, for first-time buyers of the unsold housing stock. Very limited interest in that incentive show to what extent the crisis on the housing market is deep and structural<sup>19</sup>. Then, in March 2011, again under the pressure of banks the government gave bigger subsidies and provide guarantees for first-time buyers.

Affordability in circumstances of increasing unemployment, decline of GDP, reduction of income and general instability remain the crucial issues for young families who are looking for housing.

From limited public debate it is clear that some enlightened stakeholders advocate shifts from domination of homeownership on the housing market to public housing renting as a kind of social investment.

Although housing is important for all aspects of the country's development it is considered more as part of each family's responsibility, while the market is seen as the best solution to meet the housing needs.

Public rental program is an innovation in the housing programme of the city of Zagreb implemented in 2009. Younger families with more children and without proper housing are eligible for the public rental programme. Public rental rents are higher than in social housing and lower than on the private rental market while tenants tend to get five-year contracts.

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<sup>17</sup> Currently, the real property tax is being paid only for the so called weekend houses.

<sup>18</sup> Estimations for the capital are a decrease of the housing price by 25 to 30 percent.

<sup>19</sup> Only 77 housing units have been sold under this program. In February 2011 the government provided additional subsidies for selling housing units relying on the revenue from VAT.

Table 3 -Number of newly built flats for permanent housing in Croatia and in Zagreb in the period 1991-2009

Year	Croatia		Zagreb	
	Number of flats	Index	Number of flats	Index
1991	12,623	100	4,740	100
1992	7,767	62	2,813	59
1993	8,343	66	2,162	46
1994	9,710	77	2,417	51
1995	7,359	58	1,906	40
1996	12,624	100	1,784	38
1997	12,516	99	2,118	45
1998	12,557	99	2,245	47
1999	12,175	96	2,482	52
2000	15,988	127	2,530	53
2001	12,580	100	2,580	54
2002	18,047	143	3,341	70
2003	17,877	142	4,627	98
2004	18,763	149	4,015	85
2005	19,995	158	4,771	101
2006	22,121	175	6,139	130
2007	25,609	203	8,895	188
2008	25,368	200	8,744	184
2009	18,740	148	4,923	103

Source: Official statistical data.

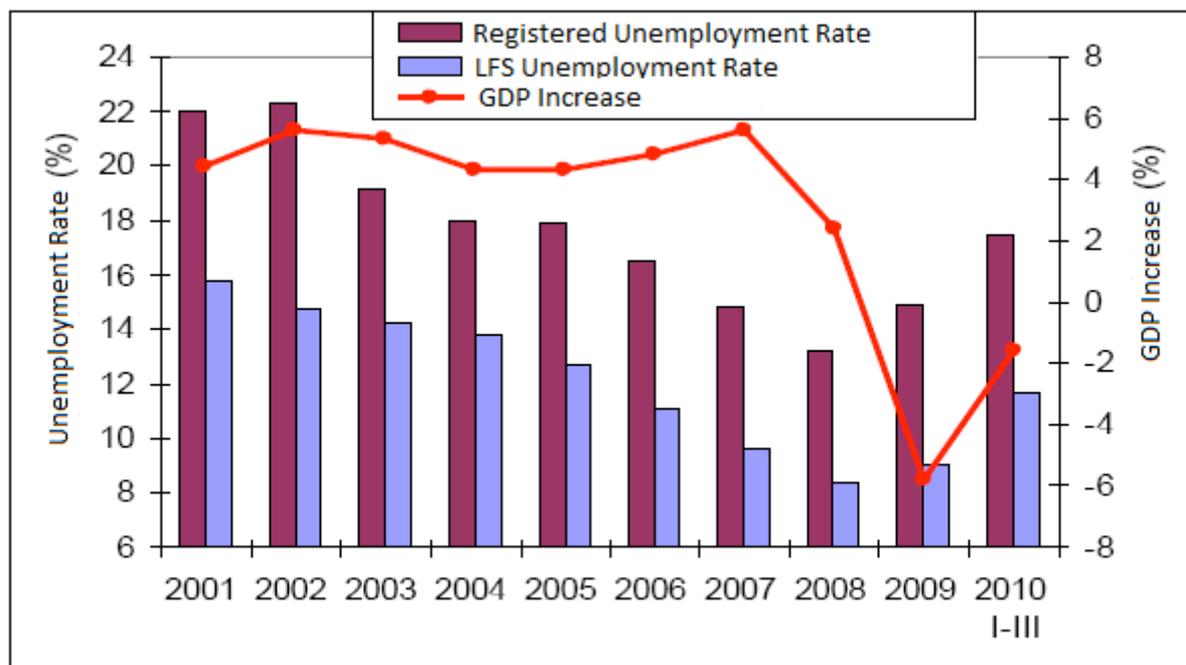
The Zagreb public renting program seems to have the capacity to become the role model for other larger cities. Mayors and officials of three cities from case studies perceive public rental housing as more important than social rental housing (Bežovan 2010a). For those cities, public housing is an investment in competent labour force, and with a programme like this they see possibilities to attract young professionals who should be employed in public services (schools, health and social services, police, local administration). Public rental housing is understood as an investment in real development, while social renting housing is seen more as a "necessary evil".

### 3. THE FIELD OF EMPLOYMENT

#### 3.1. Demand and supply

After the war and the transitional crisis, the trends in the labour market, connected to, the unemployment measured both as registered or as the result of labour force survey, significantly improved in the period between 2002 and 2007 (Matković 2008)<sup>20</sup>.

Figure 2 - Unemployment rates and GDP from 2001 to 2010 in Croatia



Source: <http://www.hzz.hr/docslike/NEZAPOSLENOST-ANALIZA-siječanj2011.pdf>

Analysis over a longer period of time confirms the existence of a relatively strong connection between the increase of GDP and the conditions on the labour market (Figure 2). The period of a relatively high GDP increase from 2001 to 2007 is followed by a significant drop in the registered and labour force survey (LFS) rates of unemployment. However, the drop of GDP in 2008 and 2009 brought about a significant increase of unemployment rates.

The employment rate of Croatia was 54.1 percent, which was the lowest in comparisons with EU countries (Eurostat 2011). For men it is 59.5 percent and for women 48.8 percent. The estimated rate of LFS unemployment for January 2011 was 12.6 percent. The administrative rate of unemployment is higher and it is connected with the realisation of different social benefits. As concerns the structure of the registered unemployed, one third of them are not looking for a job and 40 percent of them work in some kind of informal economy<sup>21</sup>. Finally, one third of the registered unemployed are unemployable for various reasons.

<sup>20</sup> General public and political debates in the Parliament put more emphasis on the registered unemployment rate, which can be explained as the context of path dependency.

<sup>21</sup> <http://www.hzz.hr/docslike/NEZAPOSLENOST-ANALIZA-siječanj2011.pdf>

From 1996 to 2006 the activity rate of male working population was from 67.8 percent to 70.5 percent, while for women it was between 54.6 percent and 57.9 percent. The gender gap in the rate of activity of women and men fluctuated between 11.5 to 14.3 percent (Matković 2008). There are regional variations in the activity of men and women, so that in more developed parts of the country the rates of employment for women are very close to those for men. The rates of activity of men and women with university education are the same, with more pronounced differences among the less educated population.

Research has shown that in case of looking for jobs female are, implicitly and explicitly, discriminated and women have a firm statement of their unequal positions on labour market (Galić and Nikodem 2009).

In the analysed period, the unemployment rate for women was higher than that for men, in the mid 1990s the rate of unemployment for women was 10 percent to 15 percent higher than that for men. The situation was similar in 2000. While in the period of economic prosperity the rate of unemployment for men started to fall earlier and faster than that for women (Matković 2008). The gender gap in the unemployment rate is slightly higher than the EU average (17 percent in 2006). In some developed regions the unemployment rate for women is even lower than that for men, but in most counties unemployment was higher among women than among men.

The Croatian unemployment rate (according to the LFS methodology) constantly increased from 1996 to 2000, when it reached its peak at 16.1 percent. Since then, it has been decreasing, to reach 11.2 percent in 2006 and 9.1 percent in 2009.

The rate remains relatively high amongst the young between 15-24 (24.1 percent in 2009) and women (10.3 percent in 2009). Fluctuations of the unemployment rate of younger population have been very large - from 31.2 percent in 1998, 40.1 percent in 2001, 28.9 percent in 2006 to 25.1 percent in 2009. Older male workers, 50-59 years of age, were hit harder by recession cutbacks and many of them will end up as long-term unemployed, and finally retired on low a pension (Franičević 2011).

Part-time employment as a flexible form of employment in 2006 was considerably lower in Croatia (10.1 percent) than in the EU (18.1 percent). Analyses by Franičević (2011) show that the share of part-time workers is particularly low among males and that there was no significant change in the crisis period (cca 5.0 percent), while for females there has been an increase (cca 9.3 percent).

Short-term service contracts are much more common in Croatia than part-time work and there are about 60 thousand such contracts monthly (Franičević 2008)<sup>22</sup>. Mandatory social contributions are paid on these contracts although they are not treated as employment. According to a study by Franičević (2011) many employers, in adjusting their workforce, targeted those on temporary contracts first. Temporary contracts are more prevalent in the 15-24 age groups than in other age groups for both genders. The increase in the share of the temporarily employed in the first half of 2010 indicates that new employment is based increasingly on temporary contracts.

As regard of ethnicity the Roma population are only relevant population and the National Plan for Employment in 2011 and 2012 envisages inclusion of 280 Roma people in active employment measures. For the time being, only 153 of them are included in the current measures and 158 are involved in educational programmes for unemployed<sup>23</sup>.

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<sup>22</sup> Employed and unemployed can have such contract.

<sup>23</sup> [http://www.hzz.hr/docslide/Nezaposlenost-Analiza\\_ozujak\\_2011.pdf](http://www.hzz.hr/docslide/Nezaposlenost-Analiza_ozujak_2011.pdf)

As a vulnerable group disabled people have a privileged status in employment programmes designed by the government.

Recent evidence has shown that employment losses are high in some sectors Franičević (2011: 146) "December 2008/2009 job losses were as follows: manufacturing, -10.9 per cent; trade, -8.2 per cent; and construction, -7.3 per cent. It was much worse in the private sector. Lower or no loss of employment in the public sector will become a major issue confronting employers and unions". In terms of volume (March, 2011) job losses are highest in the following sectors: manufacture, trade, accommodation and food service, construction and agriculture.<sup>24</sup>

Matković (2008a) analysed the four waves of active employment policy and they comprised the programmes of subsidised jobs. At the beginning of 2002 the government implemented a very comprehensive programme focused on employment of young people, particularly those with a university degree. In 2003 and 2004 17.2 percent of those registered by the Croatian Employment Service who found a job were beneficiaries of the job subsidies programmes. The costs of were 0.19 percent and 0.17 percent of GDP in 2003 and 2004 respectively.

In current programme of subsidised job, since 2009, for the first employment and during the one year, employers are not paying mandatory social contributions.

At the beginning of 2011, the programme of subsidised jobs of different types, as part of the active employment policy, including education, covered 9,508 people. The Roma population are also beneficiaries of this program.

The gap between LFS (9.1 percent) and administrative unemployment rates (14.9 percent) in 2009 year may be a good indicator of labour market and informal economy. Informal self-employment is a part of informal economy in construction and services (Matković 2009). The size of informal economy in 1990s was estimated as one third of the total economy and at the beginning of 2000s as ten percent (Ott 2003). Croatian informal economy has been estimated as 16 percent of GDP by the EU.

Dominant practice in informal economy, mainly in small businesses, is that only the minimum mandatory wage is declared as taxable wage, on which social contributions are paid, while the rest of the wage is given in cash<sup>25</sup>.

According to the law there are no differences in the legal position of part-time or temporary workers compared to permanent full-time workers. The level of social benefits depends on the duration of part-time contract. In other words, if someone has a contract for 50 percent of working hours, the amount of social benefits is reduced compared to a full-time worker. Temporary workers with a fixed-term contract have different social benefits depending on contract duration.

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<sup>24</sup> [http://www.hzz.hr/DocSlike/stat\\_bilten\\_03\\_2011.pdf](http://www.hzz.hr/DocSlike/stat_bilten_03_2011.pdf)

<sup>25</sup> In order to combat informal economy in April 2011 the government sent the first Draft of the Act on the Control of Unregistered Economic Activities into parliamentary procedure.

### 3.2. Structure of the administration

The Croatian Employment Service (CES), under the supervision of the Ministry of the Economy, Labour and Entrepreneurship, is responsible for labour market policy implementation. The governing board of CES is created on the tripartite principle with one seat reserved for representative of unemployed. Administration in this system is rather centralised, with a network of 22 regional offices (county level) and 95 branch offices. On the level of regional offices tripartite advisory boards are supposed to make a contribution on the particularities of the regional labour market. This network carries out mediation in employment and provides social benefits to the unemployed, but local offices are not formally connected with local authorities or local organisations who are implementing the social care programme - social assistance and social services, or to departments of social affairs in cities. In the period of accession to the EU, the Croatian Employment Service network is the leading social organisation in terms of Europeanisation. With technical and financial support from different EU programmes, they increased capacities to design and implement an innovative employment programme in co-operation with pertinent stakeholders. A recent empirical study on welfare mix development (Bežovan 2010b) recognised their leading and innovative role as an agent in welfare mix development.

In recent times some larger cities have made additional efforts to create their own limited programmes to contribute to the fight against unemployment. For the most part, they provide additional funding for the employment of disabled people and other vulnerable groups. Some cities provided incentives to crafts and small entrepreneurs to save the level of employment during the crisis.

Smaller cities and municipalities are partners in implementing public works programmes as a way of activation of these who are long-term unemployed, often more the three years. Civil society organisations can apply for the right to employ longer-term unemployed in public works programmes.

As part of the process of accession to the EU, the *European employment strategy* influenced national employment policy to a great extent. Under that influence the government designed the first National Action Plan for Employment (NAPE) 2004 for the period 2005-2008. This document includes clearly articulated measures for activation, education, targeted measures for the employment of long-term unemployed, re-organisation of the educational system and organisation of long-life learning system. NAPE is implemented as an annual plan of unemployment incentives with the participation of various stakeholders. In 2008, with technical support from the European Commission the government accepted the Joint Assessment Paper of Employment Policy (JAP). JAP analyses the conditions on the labour market and sets priorities for employment of some groups, such as: women (especially those with a lower level of education), the elderly, youth and the long-term unemployed (Matković 2008a). In the drafting and implementation of these documents the open method of co-ordination was implemented, which is a real innovation in this field.

During the 1990s the administration of the CES system was very path dependent and mediation on the labour market was a monopoly of the CES network. After a legislative change in 2001 one private company (*Moj posao*) made a remarkable impact in this field and forced the CES network to adopt entrepreneurial practice, which can be regarded as an example of New Public Management.

The recent involvement of civil society organisations is recognised through the advocacy for unemployed people and vulnerable groups who participate marginally in the labour market.

According to the legislation, the right to unemployment benefits is restricted to those who, in the moment of becoming unemployed, have accumulated at least 9 months of employment in the last 24 months. With some exceptions, the maximum time allowance is 15 months. For this reason, in the context of high youth and long-term unemployment, coverage is low, but so is the replacement rate. Benefits equal only about a quarter of the average wage, and do not suffice to cover one's basic needs. Despite the recent increase in coverage - from below 20 percent in the 1997-2001 period to 22.3 percent in 2004 and 22.8 percent in 2006, too many people are left out.

Of those who receive unemployment benefits, as a recent survey shows, most are unemployed with previous work experience. Accordingly, 34.9 percent of the short-term unemployed in the UNDP *Quality of Life Survey* had received benefit in the past month, whereas only 12.8 percent of the long-term unemployed had (Franičević 2008). According to administrative data, the share of women receiving unemployment benefits has been increasing as follows: from 33.6 percent in 1997 to 48.0 percent in 1998, 55.3 percent in 2000, to around 60 percent in the 2003-2006 period, to reach its peak of 61.6 percent in 2006. Around 70 percent of those receiving benefits are those with three years of vocational school or less (primary or no school) (Franičević 2008).

The wage replacement rate is also low and the substantial increase in benefits in July 2008 soon had to be revised, thus hurting many eligible newcomers to the unemployment register. At present, the unemployed are under four regimes. For an "average worker" (earning an average gross wage before unemployment and receiving benefits over the whole year), the first regime (up to 1,200 kuna or 163 euros) gives a net replacement rate of 0.20, the second (tied to the average wage) 0.55 and the third, with the minimum wage as a ceiling, 0.32. This creates inequalities even between the recipients themselves, depending on the regime which was in force at the time they applied for the benefit.

From November 2010, benefits have depended on the average wage for the previous three months (70 per cent lower contributions in first three months, then 35 per cent; with the previous year's national average net wage as a ceiling, and 50 per cent of the minimum wage without contributions as a floor), leading to an increase in the net replacement rate of 0.44. In addition, the long-term unemployed (more than 12 months) are entitled to an extension of between 30 and 120 days.

Nevertheless, too many unemployed persons - and their families - are without adequate income support, with the informal economy being their only alternative. Inequalities between the employed and the unemployed are high and hard to resolve. With the prolongation of the crisis they should become central to policy and to both social and political actors.

### 3.3. Access to the labour market

The share of the long-term unemployed in the total number of the unemployed in 2009 was 54.3 percent, but only 22.8 percent claim unemployment benefit. In recent years 78.2 percent of the unemployed older than 55 have been long-term unemployed. Women's long-term unemployment makes 58.2 percent of total women's unemployment. In 2006 unskilled, semi-skilled and those with primary school education and three years secondary school comprised 71.8 percent of the long term unemployed.

In 2006 part-time employment as a flexible form of employment was considerably lower in Croatia (10.1 percent) than in the EU (18.1 percent). Analyses by Fraičević (2011) show that the share of part-time workers is particularly low among males and there was no significant change in the crisis period (cca 5.0 percent), while for females there has been an increase (cca 9.3 percent).

Short-term service contracts are much more common in Croatia than part-time work and there are about 60 thousand such contracts monthly (Franičević 2008)<sup>26</sup>. Mandatory social contributions are paid on these contracts although they are not treated as employment.

According to a study by Franičević (2011) many employers, in adjusting their workforce, targeted those on temporary contracts first. Temporary contracts are more prevalent in the 15-24 age groups than in other age groups for both genders. The increase in the share of the temporarily employed in the first half of 2010 indicates that new employment is based increasingly on temporary contracts.

Discrimination of women as labour force is evident when comparing women's wages to those for male workers, which are slightly higher than wages for female workers for comparable quintiles of the wage distribution (Nestić 2007). At lower to middle quintiles, the difference is quite small. However, when approaching higher quintiles, the male/female wage gap becomes larger. In other words, there is a larger relative discrepancy between male and female wages among higher paid than lower paid workers.

Also, Nestić provides evidence confirming that the gap in the private sector for mothers is higher than that for non-mothers along the entire wage distribution in 1998, while in 2005 the opposite is found for the very low part of the distribution. On average, mothers were in a worse situation in both years compared to non-mothers. In the public sector, the relation between the gap for mothers and for non-mothers is less clear. On average, the wage gap for mothers is lower than the gap for non-mothers.

The picture of Croatian regional variations in employment/unemployment is very complex. In general, "regions where unemployment was initially low have been hit much harder by the crisis than regions where unemployment was high ... On average, in regions where the pre-crisis unemployment rate was around 10 per cent unemployment grew about 35 per cent" (World Bank 2010). The biggest shares of the unemployed are in larger cities and counties with the biggest concentration of population (Botrić 2009). Botrić sees a lack of affordable rental housing as an obstacle to geographical mobility of the unemployed.

### 3.4. Recent developments

Some of the major currently debated issues in the field at the national level are the following: contract flexibility, minimum wage, collective agreement, and workers who are working but not receiving wages. Another topic of debates is the problem of competitiveness of companies which employ low-skilled labour force, especially the **clothing industry**.

Nestić and Rašić Bakarić (2010) pointed out that the structure of employment contracts reveals a relatively low degree of flexibility in formal labour relations. In Croatia permanent employment contracts are the most common and comprised around 86 percent of all contracts in 2008. The Croatian problem is inherent inflexibility of the labour market and its institutional arrangements. In the current debate, labour unions strongly oppose the mere idea of labour market flexibility.

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<sup>26</sup> Employed and unemployed can have such contract.

Nestić and Rašić Bakarić (2010) see that the current economic crisis has accentuated the weaknesses in social dialogue in Croatia. It reignited the debate on the minimum wage shortly after the adoption of the Minimum Wage Act in June 2008. Subsequently, in the summer of 2010, the Government initiated amendments to the Labour Act aimed at limiting the prolonged application of collective agreements. This initiative was sparked by a failure to adjust agreements in the context of changed economic conditions. Trade unions strongly opposed the proposal and have even called for a national referendum on the issue.

Economic policy focused on short-term measures related to fiscal and monetary stability (Franičević 2011). The policy response to combat unemployment has been very limited and not sufficiently timely. In spring 2009, after a longer period of bargaining with trade unions, public sector employees' accepted 6 per cent wage cuts. The government had no power to cut expenditure radically and, on the proposal of trade unions, in August 2009 it introduced a "solidarity tax" ("crisis tax") (on personal incomes) and increased the VAT rate from 22 per cent to 23 per cent. Due to its progressivity (2 per cent and 4 per cent rates and exemption for workers earning below 3,000 kunas), the first measure was supposed to have the effect of reducing the after-tax net wage inequality. A mid-2009 ad hoc programme of subsidised short-time working was, due to its restrictive nature, as explained earlier, a complete failure. In April 2010, a Programme for Economic Recovery was presented as a set of measures, intentions and "wishes" to be realised over time. This includes a reform of personal income tax; from July 2010 numerous deductions were removed and the number of income tax brackets was reduced from four (15-45 per cent) to three (12-40 per cent), which benefits those with the lowest incomes, but also those with the highest. The after-tax disposable incomes were supposed to increase in particular for those whose rates were lowered from 15 to 12 per cent, i.e. from 45 to 40 per cent. The "crisis tax" was withdrawn too; in July 2010 its lower rate was abolished in order to support those on lower incomes, and in November 2010 the higher rate of the "crisis tax", benefiting those on higher incomes, followed. Finally, the pension system was modified in autumn 2010 by the introduction of higher penalties for earlier retirement and a higher retirement age for women.

The crisis has done more damage to craftsmen and small businesses, while those employed in the public sector have remained protected (Matković 2010), mostly due to the strength of the trade unions in the public sector. As the crisis affected the production and construction sector, the male population has sustained more damage than the female. In the group of those younger than 35 there has been a more substantial increase in unemployment. The number of those employed on a temporary basis has increased. A dominant type of adaptation to the crisis is a reduction of working places in the number, and later in the reduction of labour cost.

Labour policy experts policy could not reach an agreement easily regarding the innovations in this field. As mentioned above, the involvement of the profit sector in mediation on the labour market can be regarded as an example of innovation. Under their influence, the CES has changed their working style and have been organising an event called the Job Fair in every county, whose aim is to try to mobilise the unemployed to take an active approach in looking for employment.

With technical assistance of the EU, projects of Local Partnership for Employment are in place in all counties. It is an approach which puts the emphasis on the open method of coordination regarding the issue of unemployment. Evaluations of these projects should provide more information for assessing local policy capacities to implement such innovations.

Involvement of civil society organisations, above all associations of the unemployed, have, in some cases, provided new incentives for building up reform capacities in this field.

## 4. THE FIELD OF CHILD CARE

### 4.1. Demand and supply

During the communist period, Croatian family policy was tailored for those employed in the public sector, who were guaranteed certain rights following from their work status. Promotion of the rights of the employed stemmed from the politics of industrialisation and the ideology emphasising the rights of workers and equality between men and women (Puljiz and Zrinščak 2002; Zrinščak 2007). Family policies in communist countries could be defined as a two-breadwinner model, taking into consideration comparatively high rates of female employment (50 percent, compared to 32 percent in Western Europe) and accessibility of public services for children, which were to underpin politics of full employment. Child care was proclaimed to be a responsibility of the socialist government. However, unlike other countries, already at that time Croatia did not have comprehensive coverage of children in public preschool care, which contributed to maintaining traditional family support mechanisms. In other words, public programmes were not efficient in meeting the needs of working mothers. To illustrate this, the coverage of children with preschool care in nurseries and kindergartens in the years 1974-1975 was around 15 percent and in the late 1980s it was 29 percent, which was among the lowest levels of coverage in comparison to other socialist countries<sup>27</sup> (Puljiz and Zrinščak 2002; Zrinščak 2007).

The transformation of post-socialist countries after the fall of socialism was accompanied by an economic and social crisis which led to the weakening of social security, caused by a rise in unemployment, poverty, and to the introduction of market mechanisms (Puljiz and Zrinščak 2002). Labour market liberalisation has eroded protections around pregnancy and child-bearing, and availability of socialised child care remained limited (Cook 2010). Concerning family policy, post-socialist countries are characterised by the dominance of cash benefits (compensatory policies).

After the collapse of communism in the 1990, family policy in Croatia was still influenced by the communist heritage. The traditional role of the family in providing for the well-being of children seems to have relieved the Croatian state from developing efficient support systems for children and families (UNDP 2006). Coverage of children by preschool programmes is still modest. Considering public preschool institutions, in 2000 only 15 percent children aged 1 to 3 attended nurseries and 35 percent children aged 3 to 7 attended kindergartens<sup>28</sup> (Puljiz and Zrinščak 2002). In the year 2006-2007 there were 15 percent of children in nurseries and 46 percent of children in kindergartens (or 62 percent including the children attending preschool programmes preschool). As it can be seen, nursery programmes are particularly undeveloped in Croatia. An increase in the share of children in preschool care over the years of post-transition is explained by the decrease of total size of the cohort (children under the age of six), and to a much lesser degree by the increase in capacities of the institutions (Zrinščak 2008).

As Zrinščak (2008) notes, the system of public services was paradoxically not a political issue or an issue within public debates. The question of public services for children was

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<sup>27</sup> It is important to stress that already at that time there were private kindergartens, founded by religious organisations; however, their number was too small to significantly contribute to meeting the needs for preschool care (Zrinščak 2008).

<sup>28</sup> To compare it with some other post-socialist countries, in 1999 the share of children (aged 3 to 6) in kindergartens was as follows: 58 percent in Czech, 70 percent in Slovakia and in Poland, 87 percent in Hungary and 70 percent in Slovenia (see Zrinščak 2002).

much less discussed than issues related to parental leaves and benefits, which left this aspect of family policy neglected by the political establishment.

Employed mothers have a right to take maternity leave from 28 days before the expected childbirth until six months after the childbirth (obligatory leave). However, they can also take it in the period from 45 days before the childbirth until the child is one year old. After the child has turned one year, one of the parents can take an unpaid leave until the child turns three.

In 2001 obligatory maternity leave was extended to encompass all mothers, regardless whether they are employed, self-employed or unemployed, as a step towards more universal provisions (Zrinščak 2008). From 2004 all mothers can take a leave until the child is one year old. After the end of the obligatory leave, the remaining six months of the leave can be used by the father, if parents so agree. In the case of twins, third or any subsequent child, working mothers can take a paid leave until the child is three years old.

Benefits during the obligatory leave for the (employed) mother are earnings-related. In 2007 the benefits were raised and set at 100 percent of the previous earnings. While the child is from 6 months to 1 year old, benefits are flat-rated.

Child allowances are earnings-related where the threshold is set on 50 percent of the baseline (the Government agrees on the baseline on a yearly basis). There are three categories of recipients, depending on the level of income, and the amount of child benefits varies accordingly. At the moment they range from approximately EUR 27 to EUR 40.

In Croatia, alongside child allowances, financial support to families with children also includes tax relief to families with dependent members. The amount of tax deduction depends on the number of children and the total income of the family. However, this programme is assessed as questionable in terms of targeting accuracy and effectiveness. It was shown that it partly duplicates the child allowances programme and is very generous, but only for the families with higher income (World Bank 2010).

Concerning the patterns of female employment in Croatia, it can be said that the participation of women in their reproductive ages (aged 25-49) on the labour market is high (80 percent) (Dobrotić *et al.* 2010). Generally speaking, in 2006 activity rates (aged 15 - 64) for women were lower than for men (56.5 and 68.5 respectively). The majority of the working population in Croatia is employed full time. In 2006 there were only 8.7 percent of women working part time and 5.6 percent of men, which is low, compared to the EU 15, while in the same year there were 32.2 percent of part-time employed women (Zrinščak 2008). The contemporary family model in Croatia can be defined as a two-breadwinner model (Zrinščak 2008) which puts greater pressure on and raises expectations from the public services.

In Croatia, preschool education and care is organised as nurseries (for children aged six months to 3 years) and kindergartens (for children from 3 to the school age, which is usually six or seven), in full-time, part-time or occasional programmes (e.g. 1 to 3 hours a day). Under the age of 1 there is a very small number of children in public child care, as this is the period of paid maternity leave (Matković 2007).

The majority of children in preschool education programmes are enrolled in regular full-time programmes, i.e. a little more than 8 hours a day, which coincides with the working hours of the parents. Working hours of public kindergartens are usually from 6 am to 5 pm on weekdays, although some organise late working hours or are open on Saturdays.

One year before enrolment in primary school, in the year 2009-2010 99.6 percent of children were included in preschool programmes, either in kindergarten programmes or particular preschool education programmes<sup>29</sup>. Preschool programmes are intended for children who are not enrolled in other programmes of preschool education, with a view to preparing them for primary school. However, they are usually delivered within 250 working hours or less, and thus they are not considered a child care service which would help parents in their reconciling the work and the family (Matković 2007).

In the same year (2009-2010) there were 1276 kindergartens in Croatia. Of this number 963 (76 percent) were public kindergartens (founded by cities, municipalities or counties), 21 were founded by the Republic of Croatia, while 292 (23 percent) were privately owned (in 237 their founders were natural or legal persons and 55 were founded by religious organisations)<sup>30</sup>.

Since the mid 1990s, there has been an increase in the number of private kindergartens and those founded by religious organisations. Over the last 15 years, the share of children in public preschool programmes has dropped from 95 percent to 86 percent (Dobrotić *et al.* 2010). Regardless of the possibilities for founding private kindergartens since the 1990s, it was shown they are still not sufficient to meet the demands (Puljiz and Zrinščak 2002).

#### 4.2. Structure of the administration

Preschool education and care was an aspect of family policy which was decentralised early. The decentralised system of preschool education was inherited from the socialist period.

Today, nurseries and kindergartens are primarily founded and owned by local self-governments, that is cities and municipalities, and under the supervision of the Ministry of Science, Education and Sport.

Preschool child care and education is regulated by the Preschool Education Act and its amendments (Official Gazette 10/1997, 107/2007). It is a sub-system within the education system<sup>31</sup>, and includes children from six months of age until the school age.

According to the above mentioned Act, preschool child care encompasses programmes of upbringing, education, health care, nutrition and social care, organised within kindergartens. Kindergartens are founded as public institutions, and preschool care is defined as a public service.

Regional and local self-governments, that is the counties, the City of Zagreb and the cities and municipalities have a mandate and the responsibility to decide about the needs and interests of their citizens in organising programmes of preschool education and for that purpose, to found kindergartens. In Croatia, kindergartens can be founded by: the Republic of Croatia, regional and local self-governments, religious organisations, and other natural

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<sup>29</sup> Web pages of the Ministry of Science, Education and Sports, available from: <http://public.mzos.hr/Default.aspx?sec=2195> (accessed: 30 March 2011).

<sup>30</sup> DZS (2010). Available from the web pages of the Croatian Central Bureau of Statistic: <http://www.dzs.hr/>

<sup>31</sup> Services for children are within the scope of the Ministry of Education, Science and Sport, and thus separated from the other family policy instruments and their administration. This also speaks about the concept of family policy at the political level and the absence of a single and comprehensive national policy and its administration.

and legal persons, or jointly by the regional/local self-government and a natural or legal person (Official Gazette, 10/1997, 107/2007).

Representative bodies (assemblies) of the local/regional self-government (and the City of Zagreb) deliver plans for a network of kindergartens on their territory.

As defined by the Preschool Education Act, for enrolment in state-owned kindergartens (including regional and local self-government), priority is given to particular groups: children of Homeland War victims and disabled war veterans, families with three or more children, employed parents, children with disabilities, single parents, recipients of child allowances, children in foster care and children in the year before their school age. The rights to priority for enrolment in kindergartens are defined by the founder.

As regards the parents' involvement in the delivery of preschool education programmes, their role remains mainly limited to financing the services and representation in kindergarten boards. In that sense we cannot talk about co-management and co-governance in preschool service delivery. Kindergartens in Croatia are run by the boards which are composed of five to seven members. At least half of the members are appointed by the founder (owner), one board member is elected by the parents, and the remaining members are elected among the professional staff.

Regarding the financing of kindergartens, they are financed through their fees and from other sources in accordance with the law. Kindergartens owned by the local and regional self-government charge the fees to the parents (service users), in accordance with benchmarks set by the city/county assemblies (Official Gazette, 10/1997, 107/2007). Regional and local self-governments are obliged to make provisions for preschool education and care in their budget funds, in accordance with benchmarks set by the city/county assemblies. The local self-government subsidises the parents' fees for children and secure funds for other costs of running kindergartens. There is also a system of co-payment of the costs of private kindergartens (including those of religious organisations), however there is no systematic data on it. For example, the City of Zagreb co-finances the preschool programmes of the kindergartens founded by private persons and religious organisations (Grad Zagreb 2010).

Funds for public needs programmes in the system of preschool education are provided from the central state budget. Such public needs include programmes for children with disabilities, children of Croatian citizens living abroad, children members of national minorities, and preschool programmes.

#### **4.3. Access to child care**

Over the last decades Croatia has witnessed changes in family structures, with a decrease in the number of married couples with children and an increase in the number of single-parent families (Pećnik and Raboteg-Šarić 2005). According to the 2001 census there were 20.5 percent single-parent families, where the majority of them (83 percent of the single parent families and 17 percent of the total number of families with children) were single mother families. However, when taking into account only the families with children aged 0 to 5, the share of single parent families according to the census is much lower and equals 7.5 percent (DZS 2011).

In Croatia, single-parent families are among the groups with the highest relative poverty risk. There is a 70 percent greater than average probability that they will live in poverty (Šućur 2006). They also more often report financial difficulties (Pećnik and Raboteg-Šarić 2005) and greater difficulties in providing basic necessities (UNDP 2006).

However, some studies (Pećnik and Raboteg-Šarić 2005) have indicated that single parents live together with the "third generation", that is their parents, more than twice as often than two parent families. In addition, it could be seen that they also provide important financial support to the single parents (in more than 50 percent of the respondents) and practical help, such as babysitting (63 percent in comparison to 45 percent for two-parent families). Not only does the provision of informal help differ with regard to the type of family, but it was also shown that single parent families more often take advantage of different formal (state) family support programmes, which can be related to their greater economic vulnerability, since those programmes are in most cases means-tested. Different studies have shown that child allowances were received by between 50 percent and 75 percent of the single parent families (UNDP 2006; Pećnik and Raboteg-Šarić 2005). Furthermore, 22 percent of single parents were given priority for enrolment of their children in kindergartens or nurseries (compared to 9 percent of two parent families) and 34 percent of single parent families had the right to a reduced fee for kindergartens or nurseries, compared to 13 percent of two parent families (Pećnik and Raboteg-Šarić 2005).

Moreover, it seems that there are particular differences between men and women in the levels of support among single parents. Single mothers thus reported more often that they received child allowances, as they more often benefited from reduced kindergarten fees. At the same time, single mothers more often assessed their economic power as lower than single fathers did, and had lower average total income than single fathers (Pećnik and Raboteg-Šarić 2005).

Another group at a higher risk of poverty are the Roma. According to the 2001 census, there are fewer than 10,000 Roma in Croatia, while estimates from the Council of Europe suggest a number three to four times larger. It is also a group with the above average risk of poverty (2.5 times higher poverty rate), and a high level of deprivation. They often live in remote areas or segregated communities, and thus have fewer opportunities to take part in formal economy or to make use of social services (Šućur 2006). Croatia additionally faces the problem of the Roma segregation in elementary school programmes, which has been a subject of public debates. A point frequently raised in the debate was the need to ensure that they are better prepared for school through preschool programmes.

Following the objective of greater inclusion of Roma children in preschool programmes, the Action Plan for the Decade of Roma Inclusion for 2009 - 2010 preschool includes a measure of subsidising kindergarten and preschool programme fees paid by the parents (Vlada RH 2009). According to the report for 2009, 113 out of 378 Roma children in preschool care were included in this measure. In addition, in the school year 2008-2009, preschool programmes were attended by 314 Roma children preschool (Vlada RH 2010).

As the preschool education system is decentralised, there are great and unvarying differences in the coverage of children at the local levels. The differences between counties are already greater than between Croatia and some EU countries, and they range from 14 to 19 percent in some counties of eastern Croatia to 66 percent in the Istria County and over 68 percent for the City of Zagreb and Zagreb County (Dobrotić *et al.* 2010). Those differences are relatable to the differences in female employment which are, in turn, relatable to the GDP of the counties.

Alongside great regional differences, there are also differences in accessibility to preschool care between the employed and the unemployed, which contributes to inequalities in accessibility (Dobrotić *et al.* 2010). Preschool services in Croatia are regulated in a manner that they are primarily oriented to employed parents, and are less accessible to children whose at least one parent is unemployed or inactive. This derives from the criteria for

enrolment priorities on the one hand, where according to the Preschool Education Act (Official Gazette 10/1997, 107/2007) priority is given to employed parents, and on the other, from the economic situation of families. Dobrotić *et al.* (2010) find that in line with policies of activation it is important to ensure affordable child services for the unemployed. Therefore, worse-off families (due to unemployment or inactivity of one or both parents) have limited access to preschool care, which is especially the case in some less developed cities and municipalities where subsidies for kindergartens are far from generous (Dobrotić *et al.* 2010).

The current capacities are insufficient and parents may be unable to afford preschool care for their children, particularly in rural and war-affected areas where the quality may also be low (UNDP 2006: 130). The problem of accessibility to public preschool care programmes is particularly emphasised in bigger cities, where even children of parents who are both employed cannot get enrolled due to the lack of capacities (Puljiz and Zrinščak 2002). In the late 1990s, every year there were five to seven thousand children which could not be enrolled in preschool programmes due to the lack of capacities (Matković 2007). Informal support, most notably provided by the grandparents is rather widespread, as an answer to the lack of capacities in kindergartens and nurseries.

This decentralised system of preschool education results in inequalities in access to services for all citizens, and since the fees are subsidised from decentralised budgets, affordability also depends on the level of economic development of a particular city or municipality. It was also shown that such inequalities tend to remain the same over time (Dobrotić *et al.* 2010).

It is important to stress that such radical decentralisation has led to fragmentation and differences in rights and the quality of preschool care, and to pluralisation of service providers. As noted above, local self-governments decide on fee levels, which results in great variations in the price, and which is often a matter of political will.

Today we witness an absence of a coherent and clear policy and goals regarding preschool education and care on the national level. The current process of decentralisation has been contested by a re-examination of the national family policy.

#### 4.4. Recent developments

Croatia, like other European countries including Central and Eastern European countries, deals with the problem of low fertility rates. In post-socialist countries the fertility decline was accelerated after the fall of socialism, and the subsequent weakening of social security with the introduction of market mechanisms. The fertility rate in 1990 was 1.67, and in 2006 it dropped to 1.38, which puts Croatia among the European countries with very low fertility rates (Puljiz and Zrinščak 2002; Zrinščak 2008).

Puljiz and Zrinščak (2002) noted that the Croatian family structure was changing relatively slowly and that it retained particular traditional features (e.g. compared to other European countries, Croatia is characterised by lower divorce rates and a lower incidence of births outside the marriage). However, transformations have surely occurred in family structures in Croatia. The decline in fertility and the number of marriages, postponement of first births, and the increase in the number of single parent families are some of the indicators of family transformations.

In post-socialist countries policies animated by pro-natalism and championed by rightist and nationalist parties make a return to traditional gender roles (Cook 2010). This was also evident in Croatian family policy in the second half of the 1990s, which was strongly pro-

national and pro-natalistic and contained rather ambitious measures aiming at inverting negative demographic trends (Zrinščak 2008). The phase that followed coincided with the change of the party in power in 2000 and it was characterised by certain restrictions in family policy measures, as a result of the economic crisis. At that time, the strategic document entitled "National Family Policy" introduced a new discourse in family policy by referring to the pluralisation of family structures and the needs for the development of services for children. However, the following change of government at the end of 2003 denounced the new priorities set out in the document entitled "National Population Policy", adopted in 2006. According to Zrinščak (2008) it presented a rather ambitious set of measures, primarily emphasising the natalistic goals, and at the same time ignoring some other aspects of family policy, such as risk of poverty among particular family types, specific needs of single parent families or gender equality in family life.

In times of economic recession children become particularly vulnerable to the effects of poverty and cuts in public spending (UNDP 2006: 129). It can be said that Croatia is characterised by high levels of family solidarity and long term support from parents for young people, therefore, children and young people in Croatia have a below average relative poverty risk (Šučur 2006). Nevertheless, the recent economic crisis has had a negative impact on child poverty, which is expected to increase more than for the general population. Families with more children (two or more) are particularly vulnerable (World Bank 2010). However, measures for combating child poverty are primarily oriented to child allowances.

Concerning the effect of the crisis on the affordability of preschool services, there is no research available at this moment dealing with this issue. However, the crisis indisputably affects the affordability of and access to preschool programmes, and its impact is twofold: it jeopardises the family income and their purchasing power, and results in local budget cuts and re-defined levels of preschool programme fees.

A recent example of the decision to re-define kindergarten fees paid by the parents by the City of Zagreb was met with far-reaching negative reactions in the public. Paradoxically, kindergarten fees paid by the parents have not been increased since the early 1990s, i.e. adjusted to the rise in incomes, and in fact, the fees paid by the parents in Zagreb are among the lowest in the country. This has created an unsustainable system of preschool care. However, there is a request from the public for different methodology of making decisions about the levels of fees, which would not be based on an income test, but would also take into consideration the resources actually available to the family, since many families with dependent children and relatively higher income have high costs due to housing loans. According to the new proposal of the city authorities, kindergarten fees in Zagreb, which now equal HRK 400 (approx. EUR 55) are to be increased in accordance with new criteria, and will be income-tested. Accordingly, starting from 1 July 2011 families with an income higher than HRK 8,000 per household member (EUR 1,080) will pay as many as five times higher a fee, which is the full economic price of a preschool programme, i.e. HRK 2,000 (EUR 270) for a full-time programme. On the other hand, families with an income per household member lower than HRK 2,000 will have access to the programme free of charge. Certain categories, e.g. single parents, families with more children, disabled war veterans, social welfare beneficiaries, and child allowances beneficiaries, will retain the right to reduced fees<sup>32</sup>.

As regards new initiatives in this field, the civil society organisation "Roda" (Croatian: *Roditelji u akciji* /Parents in Action) are an example of innovative involvement by the

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<sup>32</sup> Gradska skupština Grada Zagreba (2010). Available from the official web site of the City of Zagreb: <http://www.zagreb.hr/default.aspx?id=508>

parents in preschool care. Apart from organising information campaigns, training activities and advocating for the rights of children, parents and families, the organisation have also organised a campaign against the increase of kindergarten fees paid by the parents in Zagreb.

Generally speaking, it can be said that services for families with children have remained undeveloped and that the current network of kindergartens and nurseries is not sufficient to meet the demands for children's services. The problem of the lack of family services, inherited from the socialist period, was recognised already in the past when the need for an increase in the number of kindergartens and in the coverage of children by such programmes was stressed by some researchers. As Puljiz and Bouillet (2003) stated, despite the legal possibilities for founding private kindergartners, access to kindergartens remains unavailable for many families.

The strengthening of the network of preschool institutions was set as a priority in different strategic documents over the last decade and a half. In the Joint Inclusion Memorandum (JIM) that Croatia and the European Commission signed in 2007, it is stipulated as a priority of the Croatian family policy development to increase capacities of the programmes of preschool education as a prerequisite for the promotion of the two-breadwinner model and the reconciliation of work-family life (Vlada RH 2007). With the Croatian accession to the EU it can be expected that the Europeanisation of policies regarding gender equality, promotion of female employment and the discourse on the work-family balance will gain more importance. Working towards EU objectives regarding employment will probably put additional emphasis on the promotion of services for families with children.

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### THE WILCO PROJECT

**Full title:** Welfare innovations at the local level in favour of cohesion

**Acronym:** WILCO

**Duration:** 36 months (2010-2013)

**Project's website:** <http://www.wilcoproject.eu>

#### **Project's objective and mission:**

WILCO aims to examine, through cross-national comparative research, how local welfare systems affect social inequalities and how they favour social cohesion, with a special focus on the missing link between innovations at the local level and their successful transfer to and implementation in other settings. The results will be directly connected to the needs of practitioners, through strong interaction with stakeholders and urban policy recommendations. In doing so, we will connect issues of immediate practical relevance with state-of-the-art academic research on how approaches and instruments in local welfare function in practice.

#### **Brief description:**

The effort to strengthen social cohesion and lower social inequalities is among Europe's main policy challenges. Local welfare systems are at the forefront of the struggle to address this challenge - and they are far from winning. While the statistics show some positive signs, the overall picture still shows sharp and sometimes rising inequalities, a loss of social cohesion and failing policies of integration.

But, contrary to what is sometimes thought, a lack of bottom-up innovation is not the issue in itself. European cities are teeming with new ideas, initiated by citizens, professionals and policymakers. The problem is, rather, that innovations taking place in the city are not effectively disseminated because they are not sufficiently understood. Many innovations are not picked up, because their relevance is not recognised; others fail after they have been reproduced elsewhere, because they were not suitable to the different conditions, in another city, in another country.

In the framework of WILCO, innovation in cities is explored, not as a disconnected phenomenon, but as an element in a tradition of welfare that is part of particular socio-economic models and the result of specific national and local cultures. Contextualising innovations in local welfare will allow a more effective understanding of how they could work in other cities, for the benefit of other citizens.