



**WILCO**

Welfare innovations  
at the local level  
in favour of cohesion



## CITY REPORT: VARAŽDIN

Gojko Bežovan, Jelena Matančević & Danijel Baturina  
University of Zagreb (Croatia)

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*Gardens of life - Varaždin*

*The idea was that users of social welfare measures grow their own vegetables on the public land (of the City of Varaždin), whereas the expected benefits are twofold: this way they produce their own food and thus save on their budget (with the possibility to sell the surplus on the marketplace), and at the same time, they increase their self-esteem and are empowered to influence their own life circumstances. The City of Varaždin put its land into use, on the outskirts of the city, which spreads on 9,000 square meters, which was then divided into 40-50 smaller parts.*

Urbanisation patterns of socialist cities were different and in different ways specific in comparison to western cities (Bertaud 2004). During the socialist period the forces shaping the special structure of central eastern European cities were very different from their western counterparts. There are several challenges which are common to post-socialist cities and among them employment and keeping housing prices low can be seen as priorities in cases where, despite of a decrease in the population, there is a housing shortage resulting in a sharp increase in housing prices (Bertaud 2004).

The level of quality of life in post-socialist cities is considerably lower than in western cities, and according to the Lisbon benchmark cities from new member states are less competitive than cities in old EU member states (European Commission 2009).

According to the analysis of Tsenkova (2008: 293) urban spatial change in post-socialist cities has several dimensions:

- New spaces of production/consumption reflecting globalisation and economic restructuring with hierarchy of cities;
- Social differentiation in residential spaces associated with growing inequalities and emergence of urban poverty; and
- Conflicts and selective urban development associated with the new models of governance and institutional transformation.

Urban restructuring in post-socialist cities is marked dominantly by de-industrialisation, increasing internationalisation of metropolitan areas and with the transition from industrial to service-oriented, information-based urban economics. Landscapes of some cities are dominated by abandoned complexes of industrial and administrative buildings. On the other hand, post-socialist cities have gained new landscapes of shopping malls and places for entertainment associated with the new urban culture of consumerism and rising purchasing power.

Rapid economic and social differentiations in post-socialist cities have resulted in an increase of unemployment, degradation of the standard of living, growing social problems and escalation of poverty. There are several trends, such as: a loss of skilled manual middle-income jobs, growth of highly skilled and well-paid professionals, and development of low-skilled and low-paid services, very often as a part of the informal sector. Social cost of transformation from the planned to the market economy has been very high. The at-risk groups are the long-term unemployed, large or one-parent families, people with low education and ethnic minorities. A reduction of social programmes and less money for social welfare contributed to income and social inequalities. A very high proportion of low-income homeownership, mostly in high-density prefabricated multifamily housing, is another characteristic of post-socialist cities.

Institutional changes are marked by decentralisation, giving more power and responsibilities to cities. Local governments are responsible, among other things, for all physical infrastructure and for the provision of urban social services. At the same time, their fiscal capacity is limited, which makes them very much dependent on politically dominated transfers from the state budget and on the privatisation of existing resources. Institutional changes are implemented without clear urban policies as a result of negotiation of different stakeholders, and are very much path-dependent.

A case study of the development in the Bratislava metropolitan area (Brzica 2008) gives empirical evidence as to the weakness of social cohesion and, at the same time, how highly prioritized competitiveness is. Groups facing social exclusion are the long-term unemployed (especially the young), handicapped persons, women on maternal leave, the Roma minority living in marginalised communities, immigrants, refugees, and the

homeless. For Brzica (2008: 252) the problem of combating social exclusion expose the negative aspect of the centralisation of public administration, where local authorities are under-equipped to meet their new responsibility of developing and implementing social inclusion strategies.

In the transitional countries capital cities become the champions of transitions, attracting investments, people and jobs (European Union 2007). According to J. Hegedus (2008) a huge gap opened up between capital cities (including the functional urban area around the capital city) and the other parts of transitional countries. In relation to that, regional differences have increased and become more visible in post-socialist development.

Europeanization of post-socialist cities means changing their policy paradigms and governance styles, mostly in the down-load perspective, in the cases of Budapest and Ljubljana (Tosics 2010; Pichler-Milanović 2010) is a very challenging and long lasting process.

## 1. TRANSFORMATIONS IN THE LABOUR MARKET - CITY OF VARAŽDIN

### 1.1. Socio-economic trends

The City of Varaždin is a medium size Croatian city situated in the Northwestern part of the country. In 2001 Varaždin had a population of 49,075, while the Varaždin County had 184,759 people. Varaždin is the biggest town, administrative and economic center of the County and its development affects the entire Northwestern part of Croatia.

Table 1 - GDP in the Varaždin County and the Republic of Croatia in 2000 - 2008<sup>1</sup>

GDP in billion €	2000	2001	2002	2003	2004	2005	2006	2007	2008
Croatia	23,146	25,538	28,112	30,011	32,759	35,724	39,102	42,833	47,370
Varaždin county	898	1,001	1,141	1,161	1,150	1,221	1,372	1,490	1,700
Share of Varaždin county	3.9	3.9	4.1	3.9	3.5	3.4	3.5	3.5	3.6

Source: Croatian Bureau of Statistics, Annual reports

<sup>1</sup> This data is observed in county of Varaždin level. In this report on transformations on labour market in Varazdin we will combine data from three levels. First is city of Varazdin, second county of Varaždin which is about four times bigger by population number than Varaždin. And the third is administrative level of Central Bureau of employment district office, Varaždin level that except Varazdin includes data from CES office Varaždin branches Ivanec, Novi Marof, Dubec and Cestica. These branches are much smaller than Varaždin. CES office Varaždin, in most case, is keeping summed data for all its branches.

Reason for combination these three sets of data is that there are no unique structure for data keeping and analyzing for city of Varaždin in economy and employment area. In many cases data are insufficient or even don't exist. In this time, we are using this bricolage of data and data sources, in attempt to produce city report that would be is great extent relevant and accurate and we will resume seeking for more adequate data.

Table 2 - GDP per capita in the Varaždin County and Croatia 2000-2008

GDP in €	2000	2001	2002	2003	2004	2005	2006	2007	2008
Croatia	5,229	5,752	6,331	6,759	7,379	8,042	8,807	9,656	10,682
Varaždin County	4,852	5,422	6,198	6,338	6,305	6,711	7,552	8,223	9,404

Source: Croatian Bureau of Statistics, Annual reports

An analysis over a long period of time confirms the existence of a relatively strong relationship between GDP growth and labour market conditions. As we can see, the share of the Varaždin County in Croatia's GDP is stable and it fluctuated between 3.5 and 4.1 percent in years 2001-2008. GDP per person, for the period observed, is lower than the Croatian average. In 2008 the Varaždin County GDP per capita was 12 percent lower than the national average. In 2010 the Varaždin County generated a GDP per capita of EUR 9,268 and, ranking fifth in Croatia, or 44.7% below the highest GDP per capita, produced in the City of Zagreb.<sup>2</sup>

The economic structure of the Varaždin County, measured by total revenue, is dominated by the manufacturing industry sector (40 percent), followed by trade (27 percent), construction (10 percent), and agriculture, hunting and forestry (9 percent).<sup>3</sup> Measured by the share in employment, manufacturing industry is also dominant and employs more than 50 percent of the total number of employed persons in the Varaždin County. The same goes for the city of Varaždin. In the last ten years the manufacturing industry has been responsible for between one third and a half of the total number of employed people, followed by wholesale and retail trade and construction. In the Varaždin County labour-intensive and low-accumulative industries prevail (textile, leather footwear, wood processing, metal...), and there is also a substantial share of technologically advanced industries (food processing) which are also carriers of export in this area.

According to FINA<sup>4</sup> in 2004 in the County were 2,075 registered small and medium-sized enterprises 11.8 enterprises per 1,000 inhabitants, which is significantly below the Croatian average. In foreign trade and export the share of the County in total Croatian exports was around 6.5%, while the share of imports in total Croatian imports was about 3.8%. The biggest exporter is the manufacturing industry with 90 percent of total exports.

Table 3 - Average unemployment in CES, Varaždin District Office as of December 31

Year	2004	2005	2006	2007	2008	2009	2010
Total	10,412	10,271	9,218	7,927	6,882	8,137	9,716
Unemployment rate (%)*		14.9	12.4	9.9	9.4	12.4	14.2
Share of men (%)	44.8	45.0	43.4	41.8	40.8	45.0	51.5
Share of women (%)	55.2	55.0	56.6	58.2	59.2	55.0	48.5
Share of 15-29 age group (%)	46.5	40.0	33.4	30.8	28.1	30.1	31.3

Source: CES, Varaždin District Office, Annual statistics

<sup>2</sup>Strategy for the Development of Human Potentials of the Varaždin County

<sup>3</sup>Regional Operational Plan for Varaždin available at: [http://www.azra.hr/luxUploads/0000003\\_39\\_-\\_0714\\_ROP\\_Varazdin\\_Final.pdf](http://www.azra.hr/luxUploads/0000003_39_-_0714_ROP_Varazdin_Final.pdf).

<sup>4</sup>Croatian Financial Agency

Table 4 - Employed persons in the Varaždin County as of March 31.

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	42,052	43,208	44,927	46,556	47,076	48,870	51,185	49,119	48,585	47,852
Share of Women (%)	49.3	49.1	49.0	46.4	47.0	47.4	48.0	48.6	48.8	49.0
Share of man (%)	50.7	50.8	51.0	53.6	53.0	52.6	52.0	51.4	51.2	51.0
Share aged 15-29 (%)	22.6	23.5	23.8	23.2	23.2	22.9	22.7	23.6	22.4	21.2

Source: Croatian Bureau of Statistics, available at: <http://www.dzs.hr>

In the period 2006-2009 the Varaždin County recorded a continuous decline in the number of unemployed persons registered in CES records, Varaždin District Office. Due to disruptions in the labour market, in 2010 average unemployment rate increased in all counties, including the Varaždin County. The largest proportion of unemployment is found in the cities and counties with the highest concentration of population (Botrić, 2009). Compared to other counties in Croatia, in 2010, the Varaždin County was among the three counties with the lowest rate of unemployment (14.2 percent). The remaining two counties were Istria and Zagreb. In the city of Varaždin, as estimated by experts, the unemployment rate is even lower, because Varaždin is the most developed part of the area covered by the Varaždin District Office. Share of women employed in the County of Varaždin is between 46.4 and 49.3 percent in last ten years, and 49 percent in 2010. Similar situation is found in the city of Varaždin although the share of employed women is a little lower in last ten years (between 43.9 to 47.2 percent) with 44.9 percent in 2010. Recent evidence suggests large losses in some sectors of employment. According to Franičević (2011: 146) job losses in December 2008/2009 were as follows: manufacturing, - 10.9 per cent; trade, -8.2 per cent; and construction, -7.3 per cent. In terms of volume (March 2011) job losses are highest in the following sectors: manufacture, trade, accommodation and food service, construction and agriculture. The County and City of Varaždin had similar trends in job losses because those industries have the largest share in total employment per industry.

In developed parts of the country the female employment rates are close to those of men. Studies have shown that in searching for employment women are implicitly and explicitly discriminated and have an unequal position in the labour market (Galic and Nikodem 2009). The average wage can be taken as an indicator of gender inequality. The average wage for a woman in 2009 was only 83.7 percent of a man's wage. In recent years the Varaždin County has recorded a constant increase in the proportion of unemployed women. In 2010 year that number decreased due to the number of newly registered men. The reported number of unemployed men increased due to significant job losses, especially in the construction industry. Characteristics of the age structure of unemployed persons in the Varaždin County registered at the Varaždin office of the CES shows a decreasing trend in youth unemployment. In 2010 unemployment in the 15-29 age group was 30.1 percent, which is still a big share and yet significantly lower than a few years ago. In the last two years young jobseekers are threatened by a large loss of jobs and reduced employment of people with a lack of experience.

Part-time employment as a flexible form of employment in 2006 was significantly lower in Croatia (10.1 percent) than in the EU (18.1 percent). Short-term service contracts are much more common in Croatia than part-time and about 60,000 such contracts are

concluded each month (Franičević 2008)<sup>5</sup> Temporary contracts are more prevalent in the 15-24 age group than in other age groups for both genders. Nestić *et al.* (2010) pointed out that the structure of the contracts reveals a relatively low degree of flexibility in formal working relationships. In Croatia, permanent employment contracts are most common, representing 86 percent of all contracts in 2008. In the Varaždin County permanent employment contracts make between 83.7 and 86.3 percent of total employment contracts. There is no significant difference in the employment of women and men by type of contract.

The crises have done more damage for craftsmen and small entrepreneurs, while those employed in the public sector have remained protected (Matković 2010), mainly due to the power of trade unions in the public sector. The predominant method of adapting to the crisis is reduction the number of jobs, and later a reduction in labour costs. By analyzing the existing conditions we can chart out current key problems in development and challenges for creating a favourable economic structure. The current situation is characterized by a significant proportion of obsolete, low accumulative, labour-intense industries (textile and leather), which is accompanied by low skilled and non- flexible work force. In 2010 in Varaždin 23.1 percent of the unemployed were people with primary education.<sup>6</sup> Also, there is a lack of promising programmes and opportunities for restructuring and improving market trends, especially in the time of crisis. The labour-intensive industries in the recession year 2009 were marked by a decline in the index of production, reduction in sales and exports and employment decline. Some of the restructuring process is based primarily on dismissals, without a clear strategy for development and inclusion of other factors of development.

As regards the structure of the registered unemployed persons in the Republic of Croatia, one third of them are not seeking work, while 40 percent are working in a kind of informal economy. The gap between the unemployment rate according to a labour force survey (9.1) and the administrative unemployment rate (14.9 percent) in 2009 can be a good indicator of the labour market and the informal economy. Informal self-employment is part of the informal economy, especially in the construction sector and service provision (Matković 2009). The size of the informal economy in Croatia was estimated at about 10 percent of the GDP in the early 2000s (Ott 2003). The Croatian informal economy covers, as estimated by the EU, 16 percent of the GDP. The dominant practice in the informal economy, mainly in small companies, is that only the minimum wage is reported as taxable salary, while the rest of the salary is given in cash. Unfortunately, there are no detailed studies on the grey economy, especially one that would give relevant information on the volume of the grey economy in the city of Varaždin.

The standard of living in a particular region can be illustrated by average net salaries. According to FINA.

Table 5 - Average net salary in € in the Varaždin County and in Croatia

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Varaždin County	403	416	448	469	492	513	534	575	586
Croatia	474	498	527	558	586	616	648	693	711

Source: Croatian Bureau of Statistics, Available at: <http://www.dzs.hr>

<sup>5</sup>Both the employed and the unemployed can enter into such contracts

<sup>6</sup>Strategy for development of human potentials of County of Varaždin

The highest average net salary in Varaždin in 2009 was paid in electricity, gas, steam, and air conditioning supply (HRK 6,880, EUR 921) and financial and insurance activities (HRK 6,531, EUR 874), while the lowest were paid in manufacturing (HRK 3,363 HRK, EUR 450) and accommodation and catering services (HRK 3,675 HRK, EUR 492). These sectors have been at the opposite ends of wage distribution during the last ten years. The difference is more pronounced when observed by the level of education and the level of skills. In the same year those with a high level of education (university degree of higher) had the average salary of HRK 7,694 (EUR 1,030), and for those that had elementary school education the average salary was HRK 3,427 (EUR 459).<sup>7</sup> Also there is a significant difference between the wages of people with different levels of skill. In 2009 high skilled workers had an average salary of HRK 4,796 (EUR 642), and low skilled workers HRK 2,882 (EUR 386). Average salaries were low and discouraging in 2009, in Varaždin The average salary was at 88.4 percent of the national average. Creating new employment opportunities, stimulation through tax breaks and other macroeconomic instruments, especially for young people and beginner entrepreneurs are partly realized through programmes of the National Employment Plan, but the effects are of a limited duration.<sup>8</sup>

Unfavourable structure of the unemployed registered in the records of the Varaždin District Office of the CES is evident from the share of the long-term unemployed. The average in 2010 was 40.4 percent and that number decreased in 2010 in relation to the previous year due a large influx of newly registered persons, which was the highest in the last 20 years.<sup>9</sup> In the earlier years the share of the long-term unemployed was even higher from 54.5 percent in 2004 to 60.6 percent in 2007.

## 1.2. Public regulation

The Croatian Employment Service (CES), which is under the supervision of the Ministry of Economy, Labour and Entrepreneurship, is responsible for implementing labour market policies. Administration of this system is highly centralized with a network of 22 regional offices (at the county level) and 95 branch offices, among which is the Varaždin office. This network performs mediation in employment and provides social unemployment benefits, but local offices are not formally associated with the local government or local organizations that implement programmes of social welfare- social assistance and provision of social services, or departments for social affairs in cities.<sup>10</sup> With the technical and financial assistance from various EU programmes, they increased the capacity for developing and implementing innovative employment programmes in collaboration with relevant stakeholders. Recent empirical research on the development of welfare mix (Bežovan 2010) recognized their leading and innovative role as an agent in welfare mix development.

Recently, some larger cities have invested additional efforts to create their own limited programmes that should contribute to the fight against unemployment. The participation of the civil society is recognized by advocating for the unemployed and vulnerable groups that marginally participate in the labour market. The civil society can also apply for the employment of the unemployed in programmes of public works. There are some good initiatives like the "One click Away" programme financed by the IPA IV component in which various partners are developing an Internet website from which all stakeholders in the labour market in the region can have benefits. Also they are building the module for distance learning. IPA IV funding was also used to finance the programme entitled "Her

<sup>7</sup> Croatian Bureau of Statistics. Available HTTP: <http://www.dzs.hr>

<sup>8</sup> Strategy for development of human potentials of County of Varazdin

<sup>9</sup> Strategy for development of human potentials of County of Varazdin

<sup>10</sup> As its explained in more detail in Baturina *et al.* (2011) "Local Welfare Systems as part of the Croatian Welfare State: Housing, employment and child care", *WILCO Publication*, no. 05, University of Zagreb.

second chance", whose main goal is easier inclusion of women facing particular difficulties on the labour market. This group includes; long-term unemployed women, unemployed women aged between 40-65, unemployed single mothers, unemployed Roma women, unemployed women belonging to ethnic minorities, and inactive women. This initiative has grown into a civil society organization with the same name, gathering unemployed women and trying to resolve their problems.

Following the legislative changes in 2001 a private company (MojPosao - eng: My job) made a remarkable impact in the area and forced the CES network to adopt their business practices, which can be considered as an example of new public management. Including the profit sector in the sphere of labour market intermediation can be considered as an example of innovation. Under their influence, the CES changed their working style. It has started to organize an event called the Job Fair in every county, aiming to mobilize the unemployed to take an active approach in seeking employment. With technical support of the EU, the Project entitled "Local Employment Partnership" is being run in all counties, including the Varaždin County. The Varaždin partnership has recently started work and has developed a strategy, by which, in cooperation with various stakeholders they will try to enhance employment opportunities in the city of Varaždin.

As part of the process of accession to the EU, the European Employment Strategy has influenced the national policy of employment to a large extent. Under that influence the government devised the National Action Plan for Employment (NAPE) in 2004 for the period 2005-2008. In 2008, with technical support from the European Commission, the Government accepted the Joint Assessment Paper of Employment Policy (JAP). JAP analyzes the conditions on labour market and sets priorities for the employment of certain groups, such as women (especially those with lower education levels), older people, the young and the long-term unemployed (Matkovic 2008).

Matkovic (2008a) analyzed the four waves of active employment policy and the content of their programmes of subsidized jobs. They relate to Croatia and Varaždin as the central government sets employment policies and their implementation, which is carried out by CES. In early 2002 the Government implemented a comprehensive programme focused on hiring young people, especially those with a university degree. In the current programme of subsidizing the business sector, since 2009, employers are exempted from paying social contributions for employees hired in their first job over the course of one year.<sup>11</sup> As for the active employment policy measures, they are largely determined by national employment strategies devised by the central government. In 2005, the most common measure of active employment in Varaždin, carried out by the District Office of the CES, was "introducing a business" with 1,010 people involved. Active employment policy measures in 2006 included 300 people of whom most were included in the co-financing the recruitment of unemployed persons (100) and young people without any work experience (98). In 2007 and 2008 the measures included 707 people, mostly in co-financing training for a known employer<sup>12</sup> (249), financing training for an unknown employer<sup>13</sup> (166) and co-financing recruitment of the long-term unemployed (169). In 2009 and 2010 the measures of the active employment policy covered 855 people, mostly in

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<sup>11</sup> More in: Baturina *et al.* (2011) "Local Welfare Systems as part of the Croatian Welfare State: Housing, employment and child care", *WILCO Publication*, no. 05, University of Zagreb.

<sup>12</sup> Co-financing for a known employer is measure where CES is financing training (and part sometimes part of the salary during training) for employer who is obligated to employ that person on a fixed term contract during the training and after training is done, on a full-time contract.

<sup>13</sup> Financing training for an unknown employer is a measure where the CES selects unemployed persons for training and gives them a monthly payment during the training. The unemployed person is obligated to return the money if he/she fails to complete the training.

public works (297) and in the financing of education of unemployed persons according to labour market needs (236).

By law, the right to unemployment benefits in Croatia overall and therefore in Varaždin is limited to those who, at the time of becoming unemployed had a job for at least 9 months in the last 24 months. For this reason, in the context of high long-term and youth unemployment, coverage and the replacement rate are low. Benefits are equal to only a quarter of the average wage which is insufficient to cover basic needs. Despite the recent increase in coverage—from under 20% in the period 1997-2001, to 22.3% in 2004 and 22.8% in 2006 too many people are left out. The wage replacement rate is relatively low and the significant increase in benefits from July 2008 will soon have to be revised. This will have a negative impact on many newly-registered unemployed persons. Since November 2010, level of benefits have been depended on the average wage for the previous three months, 70 percent in the first three months 35 percent after that (with the last year national average net salary as a ceiling and 50 percent of the minimum wage, without the contribution of the threshold), which has led to an increase in net replacement rates at 0.44. The number of recipients of the unemployment benefit increased in the last two years especially in the first eleven months of especially in the first eleven months of 2010 when increased by 24.7 percent compared to 2009.

Table 6 - Recipients of unemployment benefits in Varaždin on December 31

Year	2004	2005	2006	2007	2008	2009	2010
Recipients of benefits	1,484	1,609	1,347	1,248	1,219	1,642	1,837
Unemployed	5,464	4,715	4,275	3,763	3,210	3,788	4,463
Share of recipients in total unemployed	27.2	34.1	31.5	34.2	38.0	43.3	41.1

Source: CES, Varaždin Office, annual reports.

At the national level in 2009 there were a total of 68,967 recipients of the unemployment benefit, of which 1,642 were awarded by the City of Varaždin which represented only 2.3 percent share of total beneficiaries in Croatia. The share of unemployment beneficiaries in total unemployed in Varaždin has shown signs of increase in recent years. In 2004 the share of beneficiaries was 27.2 percent, while in 2009 it increased to 43.3 percent and 41.1 percent in 2010.

### 1.3. Conclusion

The city of Varaždin and the Varaždin County are more developed than the Croatian average. They rank fifth by generated income per capita in Croatia. Labour-intensive and low-accumulative industries (textiles, leather footwear, wood processing, metal...) prevail in the Varaždin County, and there is a substantial amount of technologically advanced industries (food processing), who are also carriers of export in this area. The domination of manufacturing industries characterizes Varaždin in many ways. A large number of people are working in manufacturing, which results in lower unemployment than the Croatian average. On the other hand, these are industries offering low wages and employing low skilled and inflexible workers. The Varaždin County is dependent on the manufacturing industry, and the precarious situation in that industry in time of crisis may have a big impact on economic and market trends in Varaždin and the Varaždin County. In addition, the unfavourable structure of the unemployed is reflected in the high level of long-term and young unemployed persons.

In Varaždin, there is a limited number of programmes promoting employment, especially for target groups: the majority of programmes remain centralized. Also, there are not

enough encouraging programmes and opportunities for restructuring and improving market trends, especially in the time of crisis.

## 2. DEMOGRAPHIC CHANGES AND FAMILY IN THE CITY OF VARAŽDIN

### 2.1. Socio-economic trends

According to the 2011 Census, Varaždin had a population of 47,055 inhabitants in total, which is somewhat less compared to the 2001 Census, when there were 49,075 inhabitants (DZS 2001, 2011). In the period from 2000 to 2010, the numbers of both births and deaths were rather stable, although there was a modest increase in the number of births over the last three years. However, Varaždin is characterized by a negative natural increase, which remained negative over the time period, and which is a characteristic of Croatia in general.

Table 7 -Number of births and deaths in Varaždin, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Births</b>	468	400	384	402	387	439	436	411	412	451	472
<b>Deaths</b>	558	549	534	519	510	503	528	522	545	573	564

Source: DZS (2001, 2002a, 2002b, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011a, 2011b).

Table 8 - Number of children born out of wedlock in Varaždin, 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Live births - total</b>	468	400	384	402	387	439	436	411	412	451
<b>Births out of wedlock</b>	57	48	47	43	69	62	69	73	73	98
<b>Births out of wedlock (%)</b>	12.2	12	12.2	10.7	17.8	14.1	15.8	17.8	17.7	21.7

Source: DZS (2002a, 2002b, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010).

As shown in Table 8, in the observed period there was a slight increase of the share of children born out of wedlock, by almost 10 percentage points from 2000 to 2009. This is at the same time a significantly higher share than in Zagreb and in Croatia in total, where in 2009 there were 13 percent of children born out of wedlock (DZS 2010).

Table 9 -Marriages and divorces in Varaždin, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Marriages</b>	232	221	222	223	243	235	244	218	217	199	206
<b>Divorces</b>	111	75	77	75	73	77	64	64	72	76	94

Source: DZS (2002a, 2002b, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011a).

As regards the trends of marriages and divorces over the last 10 years, they are rather stable, although there has been a slight increase in divorces in 2010 (with the exception of 2000, when the number of divorces reached the highest number in the observed period). At the same time, the number of marriages decreased slightly over the last two years (Table 9).

When it comes to the divorce rates (Table 10), Varaždin has significantly higher rates than the Croatian average, almost twice as high in 2010. The divorce rates in Varaždin are also higher than in Zagreb, while at the same time the marriage rates are somewhat lower than in Zagreb and in Croatia in general.

Table 10 -Marriage and divorce rates in Varaždin and Croatia, 2001-2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Marriages rates<sup>a</sup></b>										
<i>Varaždin</i>	4.5	4.5	4.5	5.0	4.8	5.0	4.4	4.4	4.1	4.2
<i>Croatia</i>	5	5.1	5	5.1	5	5	5.2	5.3	5.1	4.8
<b>Divorce rates<sup>b</sup></b>										
<i>Varaždin</i>	339.4	346.8	336.3	300.4	327.7	262.3	293.6	331.8	381.9	456.3
<i>Croatia</i>	211.5	197.1	220.9	219.6	220.6	210.5	206.8	215	226.8	237.5

a) Number of marriages per 1,000 inhabitants. Reference year 2001 for the total number of inhabitants

b) Number of divorces per 1,000 marriages in the same year

Source: DZS (2001, 2002a, 2002b, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011a).

Concerning the household composition, according to the 2001 Census, in Varaždin there were around 20 percent of single person households, which is in line with the Croatian average. Furthermore, there were 30 percent of two-member households, which is a slightly higher share compared to Croatia in average (DZS 2001).

There is not much data on the number of single-parent families in Varaždin over the last decade. According to the 2001 Census, in Varaždin there were 10,367 families with children in total, of which 2,008 mothers with children and 290 fathers with children. Accordingly, the share of single mothers in families with children is 19.4 percent, which is a somewhat higher share than the Croatian average (17 percent).

According to the Statistics of the Ministry of Health and Social Welfare on the beneficiaries of (permanent) welfare assistance, in December 2010 the Centre for Social Welfare in Varaždin administered 973 assistances, which included a total of 1,966 persons<sup>14</sup>. Accordingly, the share of recipients of welfare assistance in the total population was 2.1 percent, which is close to the average share of recipients in Croatia (2.3 percent) (MHSW 2011). However, there is no data on the number of children of single parents receiving welfare assistance in Varaždin, who are entitled to an increased amount of welfare assistance by the Social Welfare Act.

## 2.2. Public regulation

As noted in official documents of the City of Varaždin, preschool care and education in Varaždin is highly developed, and programmes of preschool care cover over 70 percent of the children of preschool age (Program javnih potreba u obrazovanju i znanosti..., *Službeni vijesnik Grada Varaždina*, 8/2010). It is not specified whether this figure also includes children in the programme of the pr-school preparatory course<sup>15</sup>, where, as we already shown in the WP2, the coverage of children in Croatia is over 90

<sup>14</sup> Alongside the Varaždin city, the Centre for social welfare Varaždin territorially covers also some municipalities, which are generally less developed than Varaždin. Therefore, these figures are only illustrative, but not precisely describing situation in Varaždin.

<sup>15</sup> Described in the WP2 publication: Baturina *et al.* (2011).

percent on average. Some research (Dobrotić *et al.* 2010) showed that the coverage of children aged 3 to 4 in the Varaždin County between 1998 and 2009 (which is not comparable to the Varaždin city, but is still illustrative) was less than 35 percent, and where the City of Zagreb and the Zagreb County, with the absolutely highest coverage, had less than 70 percent.

Table 11 - The number of children in programmes of preschool care, 2001 to 2010

<i>Beginning of the year</i>	2001 /02	2002 /03	2003 /04	2004 /05	2005 /06	2006 /07	2007 /08	2008 /09	2009 /10	2010 /11
<b>Number of children-</b>										
<b>total</b>	1,719	1,844	1,844	1,665	1,755	1,766	1,671	1,739	1,817	1,720
<b>&lt; 3 y.o.</b>	240	255	255	255	269	270	270	270	270	270
<b>3 - 6 y.o.</b>	1,479	1,589	1,589	1,410	1,486	1,496	1,401	1,469	1,547	1,450

Source: Department of Education and Science of the City of Varaždin (unpublished data) (2011).

In Varaždin there is at the moment *one public* kindergarten, "Varaždin", founded by the City and providing preschool care at eight locations, and *9 private* kindergartens (of which one is founded by a religious organization). The public kindergarten was founded as early as in 1947 (however, at the beginning of the 1990s and with the decentralization of preschool care, the founding rights were transferred to the City). The first private kindergarten was founded in 1990, and the majority of the others were founded in the 1990s, which means there was no significant enlargement of capacities in recent years. The unpublished data from the Department of Education and Science indicates that some private kindergartens have closed over time. Therefore, the total number of children in programmes remained more or less the same from 2001 to 2010.

At the moment, there are around 800 children in the programme of the public kindergarten, which is its actual capacity according to standards (Program javnih potreba u obrazovanju i znanosti..., *Službeni vijesnik Grada Varaždina*, 8/2010). In the annual plan of the network of kindergartens in the City of Varaždin from 2010 it is stated that the local government should encourage private initiatives and the reorganization of institutions as well as widening of the capacities, so that all pre-school age children could be provided care and education. The Plan also defined two locations in the city where two new facilities were supposed to be built (*Službeni vijesnik Grada Varaždina*, 4/2010).

As regards the financing, the work of the kindergarten "Varaždin" is financed by the City of Varaždin as its founder, fees paid by the parents and other sources for that purpose. At the moment, the City covers 60 percent of the costs with budget resources, while 40 percent of the costs are paid by the parents. This structure is to be kept regardless of any future changes in the economic price. In the plan for 2007, the structure of costs was set at 65 percent subsidized by the city and 35 percent paid by the parents (*Službeni vijesnik Grada Varaždina*, 8/2006).

From 2009 to the present the amount of fee paid by the parents has been HRK 700 (EUR 93), which is an increase in the price when compared to 2008, when it was HRK 600 (EUR 80), the period 2006-2008 when the price was HRK 530 (EUR 71), or the period from 2001 to 2006, when the fee paid by the parents was HRK 370 (EUR 50) (Department of Education and Science of the City of Varaždin - unpublished data, 2011).

In Varaždin the fees paid by the parents are not income tested, that is, there is a flat price for all parents, regardless of their financial situation. The right to a reduced fee (by 50 percent) is available to single parents, parents for the second child enrolled in the

programme, and children of war veterans. In 2009 a second category of the reduced fees for parents was introduced - parents of disabled children started to pay HRK 200 (EUR 27) (Department of Education and Science of the City of Varaždin - unpublished data, 2011).

According to the Programme of public needs in education and science from 2011 to 2013 (Program javnih potreba u obrazovanju i znanosti..., *Službeni vijesnik Grada Varaždina*, 8/2010) the City was to secure HRK 10,490,000 (EUR 1,400,534) in the budget for financing the public kindergarten in 2011, and envisaged a slight reduction of this budget item for 2012 and 2013.

Supporting private initiatives in preschool care is stated as an objective of the Programme of public needs in education and science from 2011 to 2013 by the City of Varaždin (Program javnih potreba u obrazovanju i znanosti..., *Službeni vijesnik Grada Varaždina*, 8/2010). The City of Varaždin pays a monthly subsidy to private kindergartens in the amount of HRK 410 HRK (EUR 55) per child. For that purpose, the Plan envisages to secure HRK 3,800,000 (EUR 507,343) of budget funds per year (Program javnih potreba u obrazovanju i znanosti..., *Službeni vijesnik Grada Varaždina*, 8/2010). As set in the Programme of public needs in education and science for 2008, the City subsidizes the programmes of private kindergartens with 35 percent, whereas the parents pay 65 percent of the price (*Službeni vijesnik Grada Varaždina*, 11/2007). The share of subsidies from the City have increased compared to 2007, when it was 30 percent of the price (*Službeni vijesnik Grada Varaždina*, 8/2006).

The UNDP quality of life survey (Dobrotić 2007) showed that the Varaždin County is above the national average concerning reported difficulties in fulfilling family responsibilities (29 percent of respondents in the Varaždin County, compared to 17 percent as Croatian average, or 11 percent in Zagreb City). In the other European countries, this ranges from 15 percent in the EU10 to 9 percent in the EU15.

How are the needs of families with children, especially those in social need, addressed in the social policy of the City of Varaždin? According to the Programme of public needs in social care and health in 2011 (Program javnih potreba u socijalnoj skrbi..., *Službeni vijesnik Grada Varaždina*, 4/2009), alongside social policy measures that are decentralized according to the Social Welfare Act and thus obligatory for local governments, the City of Varaždin envisages some other measures of social assistance and services. Among others, the social programme of the City contains several measures targeting families with children. Here is a brief description:

*Donation for newborn children* consists in assistance in cash (HRK 1,500 / EUR 200 flat rate) for every new born child on the territory of the city. Thus, it is not means tested and aims to provide support to young families. In the plan for the period from 2011 to 2013 HRK 645,000 (EUR 86,114) are planned per year for this measure (Program javnih potreba u socijalnoj skrbi..., *Službeni vijesnik Grada Varaždina*, 4/2009). According to the Report on the implementation of the Programme of public needs in health and social care for 2006-2010, the City granted 377 donations in 2006, 375 in 2007, 381 in 2008, 414 in 2009 and 472 donations in 2010 (Department of health and social care of the City of Varaždin, 2007-2011).

*Summer holidays for socially vulnerable children* in elementary school in the duration of 8 days, as well as the "Outdoor classroom" programme are provided to children without parents or children of single parents, children suffering from particular illnesses, children in foster care and others on the basis of recommendations by the Centre for Social Welfare Varaždin, or at the request of the parent or custodian. This programme is run in cooperation with the association "Our Children" (Program javnih potreba u socijalnoj

skrbi..., *Službeni vijesnik Grada Varaždina*, 4/2009). In 2010 40 children were included in the programme of free summer holidays, whereas 38 children attended the Outdoor Classroom programme free of charge (Department of health and social care of the City of Varaždin 2011).

*Assistance in packages for socially vulnerable children* is a measure provided to socially vulnerable children until 12 years of age, primarily those from the list of the Centre for Social Welfare and the Department of Health and Social Care of the City of Varaždin. The packages are provided in Christmas time, and contain sweets, fruits and toys in the value of HRK 100 (EUR 13) (Program javnih potreba u socijalnoj krbi..., *Službeni vijesnik Grada Varaždina*, 4/2009; Department of Health and Social Care of the City of Varaždin 2011). The number of children who received the packages in the period from 2006 to 2010 was 320-360 per year (Department of Health and Social Care of the City of Varaždin 2007-2011).

Finally, the *one-off assistance*, also contained in the Programme should also be mentioned. Although it is a general measure, and thus not provided to families with children, there is a certain number of single parents who benefit from this measure, but their number (share) is not known. The one-off assistance can be granted to persons who are extremely socially disadvantaged and in social need, and who do not qualify for another types of social assistance.

As can be concluded Varaždin indeed stands out in Croatia with regard to particular demographic indicators. Some trends of change in the family structure are more pronounced in Varaždin than in the rest of Croatia, even in Zagreb. Namely, a higher share of children born out of wedlock, as well as a higher share of divorces is a particular feature of the demographic structure in Varaždin. However, it can be said that changes in family structures are not comprehensively addressed in the local social policy measures. With the exception of the universal measure of donations to newborn children, the Programme of public needs in health and social care in its measures for families with children is residual, envisaging measures for socially vulnerable children. There are no specific measures aimed at children from single-parent families, although they can benefit from the measures from the Programme. However, there are no statistics on the number of single parents beneficiaries of those measures.

As regards the structure of kindergartens in Varaždin, it shows characteristics of a provider mix, where private initiatives emerged as early as some 20 years ago and are important as an answer to the demand for care. However, the growth in the number of new private kindergartens is not particularly high and some of them have closed in the meantime. The role of private initiatives in this field was also recognized early by the City of Varaždin, which participates in the costs of the programmes, however not with the same share as in the costs of the public kindergarten.

### 3. TRENDS IN THE HOUSING FIELD - THE CITY OF VARAŽDIN

#### 3.1. Socio-economic trends

Varaždin is a regional centre of the northwest part of Croatia in terms of industrial development, educational institutions, healthcare infrastructure, cultural inheritance and current cultural activities and sport facilities. With a population of 49,000 Varaždin belongs to the group of medium-sized cities in the country. It is also the seat of the Varaždin County with a population of 180,000. Population of both the city and the County has been stable over the last ten years. In relation to other regions this one belongs to the better developed part of the country in terms of economic indicators and also in terms of

capacity of city administration as such. Varaždin is very competitive among the Croatian cities (Rogić and Salaj 1999).

Statistical data on housing and the functioning of the housing market are very limited or non-existing so that most of the data referred to in this paper have been obtained through structural interviews with local experts.

In the 1990s the sale of public housing was a dominant topic and an economic crisis almost stopped investment in housing construction until the end of the 1990s.

### *Housing tenure structure*

A large proportion of the public housing stock was privatised in the 1990s. From about 6,000 public housing units in 2001, only 447 units remain as social rental housing. After that big sale, according to recent data, the city sold part of the social housing, today there are only 366 social rental housing units, or about 2 percent of housing stock, including 136 social rental units built during the last 20 years. According to local experts renting on the free uncontrolled market is increasing.

The low level of rent of social housing makes this programme unsustainable and recently the city has passed a decision giving the right to sitting tenants to buy flats at discounted prices. In the first wave about 30 tenants decided to become home owners.

Some problematic tenants, such as families with many family members, forced the city to introduce a kind of control over social housing. This action made a visible impact and the current situation in social housing in terms of maintenance and quality of life has improved. Besides that, the city is struggling with a big number of tenants who are not paying rent.

Needs assessment for social housing is not part of the local agenda and policy of investment in social housing construction, although some money from public housing which has been sold coming on constant base, is a part of ad hoc political decisions. At the moment, under the POS programme, the city is building 28 social rental housing units.

The need for social rental housing is evident from the waiting list. There are currently 150 families on that list, 20 percent of which are single mothers. There is a special bidding procedure for the waiting list.

## Housing and other indicators of the housing standard

Table 12 - Housing Standard Indicators in Varaždin, 2001 and 2011

Housing an indicators of housing standard	2001	2011 <sup>16</sup>
Total number of flats for permanent housing	17,016	19,483
Inhabited flats	15,904	
Area m <sup>2</sup>	1,243,813	
Average area of flats m <sup>2</sup>	78.2	
No of households	16,321	17,141
No of households members	47,582	48,568
Flats per 1,000 inhabitants	362	406
Average m <sup>2</sup> of flats per person	26.1	
Average number of rooms per flat	2.8	
Average number of persons per flat	2.9	

Source: Census 2001, [www.dzs.hr](http://www.dzs.hr)

The housing standard in Varaždin, measured with these indicators, is higher than the national average and that of the capital. Comparing the number of flats for permanent housing with the number of households in 2011 it is evident that wealth accumulation through housing is concentrated in this regional centre.

Some of the households who bought public flats of area 60 m<sup>2</sup> on average are at risk of live in overcrowded conditions with family members of three generations in the same flat. Majority of those who bought flats in the programme of public housing sale during the last twenty years did not invest any money in maintenance. Deterioration of the living standard in this part of the housing stock, mostly panel housing blocks, reflects the rising urban poverty.

A relatively small part of the housing stock, an estimated number of 100 housing units, with visible concentration on several locations in the city suffers from poor hygienic conditions. The physical quality of the flats and a low level of infrastructure (some flats are without water and sewers) mark this population as pure urban misery. Inhabitants of these flats are people without permanent income and dependent on various welfare organisations, mostly living off welfare benefits.

Although Varaždin is a relatively small city where people know each other, the transitional crisis of the 1990s, together with the recent social and economic crisis, has brought about the issue of homelessness. In 2001 in a partnership with the Centre for Social Welfare the City set up the first shelter and started providing a number of services for the homeless, or "lost cases" as they are often referred to. In 2010 the services were used by 11 persons per day on average.

Social segregation is a new phenomenon in the city and it is visible on several locations - social rental housing and housing built for war veterans. These socially segregated locations inhabited by problematic people are characterized by certain risks which have a negative impact on the level of housing prices in neighbouring settlements. Although this is rather a small city with a recognized level of social cohesion, social distance of ordinary people to these settlements is part of the local agenda.

<sup>16</sup> For the time being, only the early results of the Census 2011 are available.

The Roma are traditionally very segregated from the rest and their settlements are in poor state as regards hygienic conditions, with very poor infrastructure, such as roads, water, sewers and other facilities. These settlements are physically isolated and disconnected from other settlements.

In 2010 the housing allowance programme,<sup>17</sup> which is a responsibility of local authorities, provided support for 370, i.e. 2.2% of households. The majority of these households live on welfare benefits and in the practice of this programme they recognise status of sub-tenants on the free market without contract in order to be eligible for such assistance. The housing standard of tenant households is generally very modest. Instead of an official contract, as eligibility rule, they ask the Centre for Social Care to issue a written confirmation of their housing status. The City has a contract with the local Centre for Social Care to implement the housing allowance programme and makes direct payments on account of the housing utilities for the families included in the programme.

There have been no evictions in the last ten years. The last evictions were carried out in the 1990s.

### *Housing market development*

After the first transitional crisis, from 1998 onwards, investment in the housing sector became more visible and profitable. Between that period and the recent crisis in 2007 about 800 flats were built in housing blocks<sup>18</sup>. In 2001 the government started the POS housing programme, explained in WP2 housing. It is a programme of affordable housing for first-time buyers. The city of Varaždin is the place with the biggest number of housing units constructed in the whole programme in relation to the size of its population. With 495 constructed affordable housing units this programme made a visible impact on the local housing market and improved the living standard of young people. The level of controlled prices in the programme was very competitive on the housing market, from EUR 725 per m<sup>2</sup> in 2002-2003, EUR 864 in 2005, and after that EUR 895 in 2007; EUR 895 in 2008; EUR 990 in 2009 and EUR 1,012 in 2011.

As it is stated in WP2, the government changed the legislation pertaining to the implementation of the POS programme and recommended setting up local non-profit housing organisations in cities. One of the first such organisations was created in Varaždin in 2004 and local achievements of this programme are very much connected with its entrepreneurial spirit. Once again, the crisis of the top-down programme implementation provided opportunities for innovation and mobilisation of local resources.

The recent crisis also affected this programme and now there are more housing units waiting for buyers with sufficient financial capacity to get loans from banks. In such situations the local government, being aware of the crisis of the local housing market and the fact that there were about 200 newly constructed housing units, provided legislation and created the programme of renting public housing. The unsold housing units from the POS programme have now become available for renting. The level of rent for 75 m<sup>2</sup> flats is about 240€. Should the tenants decide to buy these units, 40 percent of the rent paid will be accepted as paid price of the flat. This is an example of how the crisis on the housing market created new opportunities for social innovation.

According to estimates there is a demand for public rental housing among young families who are not eligible for social housing and who are not eligible for housing loans. On the other hand, the supply of private rental flats, mostly on the "black" market, is in the hands

<sup>17</sup> Eligibility rules for housing allowance is a part of WP2.

<sup>18</sup> Estimations of local experts.

of local politicians and well-off families. These owners very strongly opposed to the programme of public rental housing construction.

In the last decade the price of housing in the free market increased from EUR 1,000 to 1,600 per m<sup>2</sup> in 2008. A decrease in housing prices of 25 to 30 percent started in 2008 with the economic crisis so that the level of newly constructed housing now ranges between EUR 1,100 to 1,600 per m<sup>2</sup>. The housing market is almost frozen and forecasts of further decrease of the housing prices now seem realistic.

Table 13 - Rent level in the free market in Varaždin

Size of flat in m <sup>2</sup>	30	45-50	70
Rent on the free market, flat in building block	EUR 190	EUR 200-250	EUR 350-400
Rent on the free market, flat in the family house	EUR 150	EUR 200	EUR 250-300

The level of rent on the free market depends on the location of the flat. E.g. flats in family houses are cheaper. After the increase of the level of rent at the beginning of the decade, the level of rent have decreased since 2007 by 20-25 percent.

People of the younger generations, aged 25 to 35, who are not eligible for social housing or bank housing loans are forced to live with their parents, often sharing small housing spaces or renting small housing units at high prices on the "black" market.

### 3.2. Public regulation

As regards housing policy, it is regulated in the City of Varaždin through decisions pertaining to the following areas: housing allowance programme, social housing rental and, as of recently, public housing rental programme. With the establishment of local non-profit organisations there is a statute of this first such organisation in the country. Limited regulation in this field means that housing is not a very important issue for the city<sup>19</sup>.

### 3.3. Conclusion

Housing problems of overcrowding, segregation, poor hygienic conditions, homelessness and affordability heighten the level of local inequalities.

Rising urban poverty among households which became owners in the privatisation of the public housing stock dramatically reduced the living standard in these flats, which are mostly located in badly maintained panel housing blocks.

Housing of single mothers and the housing perspective of young people have become rising social problems. On the other hand, the expressed need for social housing and creation of waiting lists for social housing are not a priority of local politicians.

Housing as a sector is becoming more attractive as an investment opportunity for well-off families to accumulate and preserve their resources. In such circumstances space for social innovations is limited and mostly depends on the professional engagement of several charismatic persons. A lack of political will to initiate and facilitate social change is considered as an obstacle to social innovations. Political will of local politicians is crucial for social capital development.

<sup>19</sup> For this part relevant is part from the report for the city of Zagreb and WP2.

Innovation of setting up non-profit housing organisations and of the programme of public rental housing as a solution for unsold housing units from the POS programme leads to the conclusion that this city is still a place offering certain opportunities.

#### 4. IMMIGRANTS<sup>20</sup> IN CROATIA<sup>21</sup>

##### 4.1. Socio-economic trends

The case of Croatia shows that types of migration and of spatial mobility can be diverse and numerous in southeastern Europe. Much as the new EU members states of eastern Europe, Slovenia, Poland and the Czech Republic, Croatia is also slowly becoming an immigration country.

Table 14 - Immigrants in Croatia<sup>22</sup>

Year	Immigrants Croatia - Total	Immigrants-proportion of Croatian citizens - percent	Immigrants -proportion of foreigners - percent	Share of men - percent	Share of women - percent	City of Zagreb	Share in Croatia total - percent	Varazdin County	Share in Croatia total - percent
2003	18,455	88.6	11.4	50.4	49.6	3,981	21.6	847	4.6
2004	18,383	91.7	8.3	51	49	4,327	23.5	806	4.4
2005	14,230	94.0	6.0	53	47	2,311	16.2	175	1.2
2006	14,978	93.1	6.9	54.4	45.6	2,630	17.6	183	1.2
2007	14,622	93.7	6.3	54.3	45.7	2,438	16.8	172	1.2
2008	14,541	86.1	13.9	52.9	47.1	2,265	15.6	175	1.2
2009	8,468	90.0	10.0	54	46.5	1,737	20.5	134	1.6
2010	4,985	83.8	16.2	52.8	47.2	1,112	22.7	67	1.4

Source: Migration of population in Croatia: Central Bureau of Statistics, editions 2003 to 2011.

<sup>20</sup> In Croatia there is no unique structure for systematic monitoring of relevant data about immigrants. The categories and indicators relevant to our report are not monitored properly. In most cases data are insufficient or even non-existent. In the discussion session of the Committee on Immigration and the Croatian Parliament regarding the proposal for the annual implementation of Plan of Statistical Activities of the Republic of Croatia for 2005 and the report on the implementation of the programme of Croatian statistical surveys for 2003, a representative of the Central Bureau of Statistics said that police records are unacceptable and far from reality and that the Ordinance on the status and work of foreigners in Croatia have certain flaws (Official Gazette no. 36/2008)

<sup>21</sup> We decided to join the report on immigrants for Zagreb and Varaždin seeing as specific data for each city is lacking and as issues regarding immigrant rights and regulation of their status are decided at the national level.

<sup>22</sup> The data on sex and county distributions of immigrants include data pertaining to the total immigration in Croatia, which includes Croatian citizens who immigrated from foreign countries as there is no separate data pertaining only to foreigners.

Table 15 - Immigrants by country of citizenship

Year	Total	Country of citizenship							
		Europe	EU	Rest of European countries	North and Central America	Asia	Africa	Australia and Oceania	South America
2001	2,169	1,911			21	23	16	14	11
2002	1,997	1,762			19	34	11	5	12
2003	2,100	2,006			35	31	6	12	7
2004	1,526	1,442	333	1,109	23	37	2	12	12
2005	856	797	225	572	17	23	4	12	4
2006	1,034	967	284	683	30	24	4	2	3
2007	918	854	251	603	21	26	5	8	5
2008	2,026	1,848	536	1,312	40	93	15	20	7
2009	847	729	201	628	17	93	1	4	1
2010	809	735	149	586	24	44	2	3	2

Source: Migration of population in Croatia: Central Bureau of Statistics, editions 2003 to 2011.

A vast majority of immigrants come to Croatia from European countries. In the last 10 years, each year, the largest number of immigrants came from Bosnia and Herzegovina. The second country by the number of immigrants in the past 10 years was Serbia. These two countries also have the largest share of national minorities in Croatia. As for other countries, a significant proportion of immigrants come from Macedonia. Also in the last few years we have noticed a significant increase in the number of immigrants from China.

In Croatia, nationals of 118 countries reside in Croatia with regulated residence. This includes foreigners with passports of their former states that no longer exist and stateless persons.

As of 23 May 2008 32,160 foreigners with temporary and permanent residence were registered in Croatia.

Table 16 - Foreigners in Croatia by citizenship and status (23 May 2008)

Citizenship	Temporary residence	Work permit	Permanent residence	Total:
EU - total	3,600	644	4,074	8,318
Bosnia and Herzegovina	6,062	2,236	5,491	13,789
Montenegro	53	2	24	79
Macedonia	671	174	1,086	1,931
Serbia	1423	182	1,043	2,648
Serbia and Montenegro	163	16	1,770	1,949
China	415	176	122	713
Russia	269	109	145	523
SAD	316	13	151	480
Other	933	173	624	1,730
<b>Total</b>	<b>13,905</b>	<b>3,725</b>	<b>14,530</b>	<b>32,160</b>

Source: Horvat (2008).

Nationals of countries that emerged after the disintegration of former Yugoslavia in Southeast Europe (except Slovenia, which is considered as an EU member state), have a total share of 63.5 percent of all foreigners, of which 43 percent pertains to nationals of

Bosnia and Herzegovina. That number reflects the strong influence of historical heritage of Croatia as a member of former Yugoslavia and the connections that remained after it had disintegrated. The absence of a language barrier and familiarity with the culture are factors that facilitate the adjustment of immigrants from the states of former Yugoslavia. The large share of immigrants from Bosnia is not surprising because of the special connection between the two countries - Croatian people are one of the three constitutive nations in Bosnia and Herzegovina.

Table 17 -List of top 10 countries whose citizens have regulated residence in the Republic of Croatia, 23th May, 2008

<b>Citizenship</b>	<b>Temporary residence</b>	<b>Work permit</b>	<b>Permanent residence</b>	<b>Total:</b>
1. Bosnia and Herzegovina	6,062	2,236	5,491	13,789
2. Serbia	1,423	182	1,043	2,648
3. Germany	841	74	1,229	2,144
4. Slovenia	700	71	1,241	2,012
5. Serbia and Montenegro	163	16	1,770	1,949
6. Macedonia	671	174	1,086	1,931
7. Italy	412	103	460	975
8. China	415	176	122	713
9. Austria	326	52	215	593
10. Russia	269	109	145	523
<b>Total 1-10</b>	<b>11, 282</b>	<b>3,193</b>	<b>12,802</b>	<b>27, 277</b>

Source: Horvat (2008).

As regards age and sex structure, most foreigners are between 31 and 50 years of age (about 25 per cent of men and 16 per cent of women, or about 41 percent combined). Approximately 23 percent of foreigners (13 percent of men and 10 per cent of women) are between 18 and 30 years old, and 29 percent are older than 51 (17 percent of men and 12 percent of women). Only about seven percent are minors and children of preschool age. As concerns the level of education, nearly 50 percent of foreigners have secondary school education, about 27-28 percent are those without qualifications or with low qualifications, and only 10 per cent of them have a university degree. Only about 0.15 percent have a postgraduate degree (Horvat 2008).

When it comes to the purpose of immigration, as of 23 May 2008, temporary residence permit was obtained as follows: 44.5 percent for work, 44.5 percent for family reasons, 8.2 percent for other purposes, 2.5 per cent for secondary education and study, 0.2 percent for humanitarian reasons, and less than 0.1 percent for the purpose of scientific research (Horvat 2008).

As for permanent residency, as of 23 May 2008, the predominant reason for seek permanent residency in Croatia was reuniting with family with a share of 55 percent, while only 8 percent of foreigners in Croatia obtained permanent residence for the purpose of work. 36 percent stated other reasons. It should be noted that these other reasons were unspecified and registered as 'other'. In Croatia not even one foreigner has permanent residency for the purpose of doing scientific research, while only 0.14 percent of foreigners in Croatia permanently stay for study (Horvat 2008).

In the year 2008 work permits were issued to 8,397 people, among which 5,897 for new jobs and 2,500 to extend existing work permits. Most work permits for the new hires were

issued for the areas of construction (3,630) and shipbuilding (1,700). Besides these sectors, employment of foreigners was allowed in the sectors of tourism and catering, transport, culture, health, science and education, IT and manufacturing industry, but with a much smaller number of work permits (Katić 2008). The annual quota for the extension of existing work permits for foreigners in Croatia in 2010 was 6,000 permits and the annual quota for new employment of foreigners in Croatia in 2010 amounted to 928 work permits. Distribution by sector is as follows: construction 300, shipbuilding 243, tourism and catering 138, culture 64, transport 28, health 34, science and education 38, manufacturing 33, agriculture 50 (Official Gazette 150/09). Trends in the issuance of work permits indicate that most work permits are issued in the construction sector and shipbuilding. These two industries are perhaps most affected by the economic crisis so we can expect a reduced influx of immigrants in these sectors. In addition, immigrant labour is required in the tourism sector as well as some specific cultural professions such as ballet or orchestral artists, medical specialists and teachers in some areas. In addition, the sectors in which most work permits are issued are also the sectors with a great share of workers in grey economy, so it can be surmised that there is also a significant number of immigrants working illegally in those sectors. Croatia still has not reached the level of development that would make it a very attractive target for the immigration of young, educated persons who can contribute to its economic development. On the other hand, Croatia is attractive to European retirees for its climate and low cost of living. Considering these current trends of immigration, improvement of the unfavourable age structure does not seem likely. In spite of the high unemployment rates, rising Croatian economy demonstrates a need for specific types of labour. A more significant labour immigration is only a matter of time. Croatian society and Croatian institutions are however not prepared for the social consequences of labour immigration. Immigration flows can be expected from Eastern Europe: Moldova, Ukraine, Belarus, as well as the countries of "former Yugoslavia".

#### 4.2. Public regulation

Croatia has no ministry of immigration or any other central body to coordinate the field of migration. The governance over this area is shared between the Ministry of Science, Education and Sports, Ministry of Foreign Affairs (Department for Croatian Minorities, Immigration and Emigration), Ministry of Regional Development, Forestry and Water Management (Office for Displaced Persons and Refugees), Croatian Heritage Foundation, and the Ministry of the Interior (Directorate for Inspection and Administrative Affairs). There is no authority to implement measures of integration of foreigners as the Ministry of the Interior addresses only statutory issues pertaining to aliens. The other authorities listed above are considered to be responsible only for immigrants of Croatian nationality.<sup>23</sup>

The main instrument of regulation of the immigration policy in Croatia is the Aliens Act which entered into force on 1 January 2008. (Official Gazette, No. 79/07). The Act prescribes the conditions of entry, movement, residence and work of foreigners in the Republic of Croatia. The residence of foreigners may be short-term, temporary and permanent. Many European citizens buy real estate in Croatia and spend a considerable amount of time on the Croatian coast, seeing as we are a well-known tourist destination. Concerns are regularly expressed in public debates about "the high number of possible foreigners that could come" and "the national loss of land and coast". *Foreigners intending to stay in Croatia for longer than 90 days and who do not require a visa must apply for a temporary residence permit.* A foreign national must be in possession of the permit if she/he: intends to reside in the RC for the purpose of reuniting with family, work, secondary school or higher education, scientific research, or for humanitarian reasons. An application for a permit for the first temporary residence must be submitted by a foreign

<sup>23</sup> Uspeljenička politika u funkciji razvoja hrvatskog gospodarstva (2008), *Zbornik radova sa međunarodne konferencije*, Hrvatska gospodarska komora.

national to a diplomatic mission or consular office of the Republic of Croatia. The purpose for which the application is submitted must be stated in the application. An application for the extension of a temporary residence permit must be submitted at a police directorate or police station. This permit is valid for 1 year and can be extended for another year. Permanent residence will be issued to a foreign national who has held temporary residence status in Croatia for 5 continuous years. A foreign national shall be granted permanent residence if, apart from these conditions, he/she is in the possession of a valid foreign travel document and material means for living, has health and social insurance and is acquainted with the Croatian language and the Latin alphabet.

The Croatian social security system applies the principle of compulsory insurance in the host country (*lex loci laboris*) when it comes to pension insurance, while insurance for family benefits and illness benefits are based on the principle of residence provided that in some cases have to be embroidered by citizenship. When migrant workers who have been granted permanent resident status and issued a work permit or are employed in Croatia start to work, they must register in the pension insurance system so that they can enjoy equal rights and obligations as Croatian citizens. Residence in Croatia is not a requirement for the payment of benefits or pensions. When it comes to health insurance, foreign nationals with temporary or permanent residence and a work or business permit in Croatia enjoy equal rights and equal obligations as Croatian nationals. A worker could apply to records of the Croatian Employment Service and the benefits of mediation in the employment of foreign nationals if he/she has a residence in Croatia. Foreign nationals with temporary or permanent residence who have lost a job are entitled to benefits from the system of unemployment insurance (*Izvješće o analitičkom pregledu, Hrvatska; Poglavlje 2.-Sloboda kretanja radnika*).

Under the Aliens Act, a foreigner may be employed in Croatia only if he or she holds a work or business permit, but may not commence employment before obtaining temporary residence status. In accordance with its immigration policy, the Croatian Government determines an annual quota of work permits for foreign nationals. Work permits are issued by the Ministry of Interior upon the request of the employer. It is issued for a limited period of time, which corresponds to the duration of the work contract or other applicable contract, to a maximum of two years. Business permits are also issued by the Ministry of the Interior. It is issued to foreign nationals who have a registered small business, who are engaged in a small-scale business activity, who are working as free lancers, or who conduct business in either their own registered company or a legal entity in which they hold the majority stake. A business permit is essential for foreigners who provide services on behalf of a foreign employer and meet other requirements for a temporary residence permit (Zlatković Winter 2009).<sup>24</sup>

In 2003 the Croatian Parliament passed the Asylum Act, which is generally aligned with the relevant international instruments. Applications for asylum are processed by the Ministry of the Interior in the first instance. From 1997 to 30 June 2004 362 asylum applications were submitted. From the beginning of the application of the Asylum Act (1 July 2004) to 30 November 2005, applications for asylum were submitted by 253 foreign nationals. Asylum in Croatia is often requested by nationals of Turkey, Serbia and Montenegro, Iran, Iraq, Pakistan, Bangladesh, West African countries and the countries of the former USSR

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<sup>24</sup> The following categories of foreign nationals do not need a work or business permit in Croatia: foreigners with permanent residence status, foreigners with asylum status, foreigners with temporary residence status for the purpose of reuniting with family who are Croatian citizens or foreign nationals with permanent residence status, or with an asylum seeker, victims of the trafficking with temporary residence, foreign nationals who have the status of fulltime school pupils or university students in Croatia, or when they are carrying out jobs via an authorized agent, but without entering into employment contracts, foreign nationals with temporary residence for the purpose of scientific research, foreign nationals with special permission to stay in the RC.

(Strategija migracijske politike Republike Hrvatske 2006/2007). Given that there is still a relatively small number of asylum seekers, the conclusion is that Croatia is not a destination country for this category of aliens. Bearing in mind the Croatian status of candidate country for EU membership, and trends in the new member states, it is expected that the number of asylum seekers will increase significantly in the next period. The number of asylum seekers in Croatia is relatively low; nevertheless it is an important topic in public debates. Local communities usually oppose the building of asylum centres on their territories irrationally fearing that the asylum seekers could negatively affect their everyday life.

Croatia has been part of the route of unregistered migrants for several years already. They try to enter the countries of the EU by different means, most of which illegal. This problem became even more pronounced after Slovenia and Hungary joined the EU and after the Schengen borders reached Croatia (Zlatković Winter 2009).

### 4.3. Conclusion

It is important to note that foreign nationals residing in the Republic of Croatia permanently or temporarily constitute less than one per cent of the total Croatian population. Due to the demographic and work conditions, Croatia will soon become an immigration country, especially with the accession to the EU. The arrival of economic immigrants could be backed by current drawbacks on the labour market, i.e. a lack of competitiveness and flexibility. Immigration flows may be expected from Eastern Europe besides immigrants from "ex-Yugoslavia", that were the primary source of immigration. We can expect that people from those countries will come in Croatia in search for a better life. Therefore we need to develop an immigration strategy that would help in dealing with the unfavourable age structure and obtain the sort of workers which will help to improve our economic trends.

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## THE AUTHORS

**Dr. Gojko Bežovan** is Professor of Social Policy; Director of master and PhD programmes in Social Policy and head of the ISP. He has published numerous articles, chapters of books, studies on social policy. He is a member of several expert groups dealing with social development.

**Jelena Matančević** is a junior researcher and a PhD candidate at the University of Zagreb, Faculty of Law, Institute for Social Policy. After obtaining her degree in Social Work at the University of Zagreb, she won her master's degree in Comparative European Social Studies at the London Metropolitan University and Zuyd University of Applied Sciences, Maastricht. Her fields of professional interest include civil society, welfare mix and Europeanization. Besides WILCO, she is currently participating in the project "Civil Society and Welfare Mix in Croatia" and was also involved in "Civicus Civil Society Index 2008-2010".

**Danijel Baturina**, PhD Student in social policy/Junior Researcher, studied sociology at University of Zagreb where he obtained M.A. diploma. Throughout the study, he participated in various stages of several research projects. His research interests include civil society, economic sociology, social psychology and social policies, which is the field of his most recent interest and dedication.

### 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.