



ESPN – Flash report

2014/1

**Law on Social Welfare (1 January 2014)
introduces new Guaranteed Minimum
Social Assistance Benefit
(*zajamčena minimalna naknada*)**

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September 2014



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate D — Europe 2020: Social Policies
Unit D.3 — Social Protection and Activation Systems

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CEPS-INSTEAD (LU) AND APPLICA (BE)
IN COOPERATION WITH OSE - EUROPEAN SOCIAL OBSERVATORY (BE)

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Theme(s):	<i>Social Benefits, Minimum Income and Basic Income</i>
Title:	Law on Social Welfare (1 January 2014) introduces new Guaranteed Minimum Social Assistance Benefit (<i>zajamčena minimalna naknada</i>)
Category:	<i>Impact of legal changes</i>
Abstract:	Although the full impact is yet to be seen, a new Guaranteed Minimum Social Assistance Benefit introduced in Croatia on 1 January 2014 appears unlikely to make a significant contribution to reducing poverty and social exclusion, simplifying the benefit system, nor promoting active inclusion.
Description:	<p>With effect from 1 January 2014, Croatia introduced a new Guaranteed Minimum Social Assistance Scheme (ZMN) to replace the previous Social Assistance Benefit as well as two other benefits paid by other Ministries – a Guardianship allowance (paid by the Ministry of Veterans' Affairs) and a supplementary allowance for the long-term unemployed (paid by the Ministry of Employment).</p> <p>Entitlement to the benefit is subject to decision by a deconcentrated Centre for Social Work (CSW). Those entitled must have no other income or potential income, no property other than that in which they live, and no car (except under certain conditions related to disability, frailty, age or remoteness of location). The base rate for the benefit is set at 800 kuna (c. €105) per month with single person and single parent households receiving 100% of the base rate; adults in households with more than one adult receive 60% of the base rate (480 kuna/€63); and children 40% of the base rate (320 kuna/€42). The earlier social assistance scheme had a base rate of 500 kuna, with single adults and single parents receiving 120% of the base (600 kuna), adults in households with more than one adult 80% of the base rate (400 kuna) and children receiving between 80% and 100% of the base rate depending on their age. No household can receive total benefits which are higher than the gross minimum wage which is currently 3,017 kuna (€396). Cash benefits can be replaced, in whole or in part, by in kind benefits if the CSW determines that there is a risk that cash assistance will not be used for the purposes intended.</p> <p>Those recipients capable of work, or partly capable of work, can receive the benefit for a maximum of 24 months and are not allowed to re-apply for the benefit for three months. Any recipient capable of work who refuses a job offer, is deemed not to be actively seeking work, or who does not participate in a public works programme organised by local authorities for between 30-90 hours per month, loses her or his personal benefit. Those who find work whilst claiming the benefit may continue to receive the benefit in decreasing amounts (100%; 75%; 50%) for the first three months of employment.</p> <p>The new benefit completely replaces social assistance only after all claims have been processed, with a cut-off point of 15 September 2014. This means that the full picture regarding the number and profile of beneficiaries of the new benefit will be available in November or December 2014. In June 2014 combined totals of individuals and</p>

	households receiving the new or old benefit was not appreciably different from the previous year (at around 113,000 people) but recent reports suggest that after 15 September 2014, total beneficiaries of the new benefit have been reduced by some 15%.
Outlook & Commentary:	In 2012, 20.5% of the population of Croatia was at risk of poverty (EU definition), the fifth highest rate in the EU-28. Social assistance scheme has suffered from lack of adequacy rather more than poor targeting. The rise in the base rate is welcome but the new Law, unlike the Law it replaces, does not tie this rate to the poverty line nor does it require annual changes. Single persons and small households will receive higher benefits. However, total benefits are lower for households with two or more children despite relatively high levels of child poverty in Croatia. A family of two adults and two children over 7 now receives 1600 kuna instead of 1700 kuna under the previous scheme. A family of two adults and five children (two under 7 and three over 7) receives 2560 kuna instead of 2900 kuna under the previous scheme. Roma who, traditionally, have larger numbers of children, will be particularly hard hit. In addition, the poverty alleviation impact of the scheme will be limited given the fact that those capable of work effectively receive income only for 24 out of 27 months (the at risk of poverty rate in 2012 was 42.9% for the unemployed, compared to 21.8% for those retired and 6.1% for those in work). It is far from clear why this provision was introduced beyond a rather vague wish to maintain 'work incentives'. The new scheme does not reduce, to any extent, the wide range of different benefits which can be claimed at central and local levels in Croatia. In the context of austerity measures and the invocation of the Excessive Debt Procedure, the new scheme appears to be unlikely to be funded to a level which will significantly reduce the numbers currently at risk of poverty. The scheme was introduced in a climate which focused more on so-called benefit fraud and on disincentives to work than on poverty alleviation. The Government is committed, under the Europe 2020 strategy, to reduce the number at risk of poverty or social exclusion by 150,000 people by 2020 although the basis of this calculation is rather confused. In 2010 1.3 million people were at risk of poverty or social exclusion in Croatia; in 2011 and 2012 the figure was 1.37 million.
Further reading:	Ministry of Social Policy and Youth Statistical Reports (in Croatian) http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/statisticka_izvjesca Poverty and Social Inclusion Strategy (in Croatian) http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/strategija_borbe_protiv_siromastva_i_socijalne_iskljucenosti_2014_2020/strategija_borbe_protiv_siromastva_i_socijalne_iskljucenosti_republike_hrvatske_2014_2020 Law on Social Welfare 2013, http://www.zakon.hr/z/222/Zakon-o-socijalnoj-skrbi
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