



ESPN Thematic Report on minimum income schemes

Croatia

2015

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European Social Policy Network (ESPN)

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Summary

Croatia has a single basic Minimum Income scheme which is termed Guaranteed Minimum Income (*Zajamčena minimalna naknada – ZMN*), introduced in a Law which came into effect on 1 January 2014, merging the basic social assistance scheme with two smaller benefits. The scheme has been amended in September 2015 with some changes taking effect immediately and others set to be implemented on 1 June 2016. The ZMN is a national scheme, administered by Centres for Social Welfare under the authority of the Ministry of Social Policy and Youth and is means- and asset-tested. Croatia spends about 0.4% of GDP on this scheme annually. In June 2015, there were 103,729 persons receiving ZMN, 50,362 of whom were deemed capable of work. Anyone may be entitled to ZMN providing their income is not sufficient to guarantee their subsistence. A number of sources of income, including a range of other benefits, are not taken into account when considering eligibility for ZMN. For those capable of work, receipt of ZMN is conditional on being available for, and actively seeking, work. Although subject to review and adjusted in the light of changing circumstances, there are now no time limits of receipt of ZMN, even for those who are capable of work, a change introduced in September 2015. Those who find work can continue to receive ZMN, in decreasing amounts, during the first three months of employment.

ZMN is not adequate to cover basic subsistence, covering only between 32% and 46% of subsistence needs of different model households, defined as 60% of median income. Changes introduced in September 2015 have improved the situation for single persons and single parent households but couples with children, even if in receipt of child benefits, receive less under the ZMN scheme than under the previous social assistance scheme. Coverage of the ZMN scheme is also extremely low, and has not increased significantly during the crisis. Currently the scheme reaches only about 12% of those at-risk-of-poverty, but leakage of the scheme to higher income groups is extremely low and, indeed, targeting appears to have improved over time. There also appears to be a low take-up of ZMN amongst those over 65, mainly women, who are not eligible for a pension, although the reasons for this are unclear.

Although in principle there is a strengthened link between the ZMN and activation policies to achieve inclusive labour markets, in reality, the expansion of ALMPs in Croatia has tended to target young people and, in particular, those with higher educational qualifications. Thus far, only a small proportion of ZMN beneficiaries capable of work are included in ALMPs, overwhelmingly in public works' programmes which, although pending an evaluation there is too little evidence on this, appear likely to be the least effective in terms of boosting employability.

Facing criticisms from a number of international organisations, not always evidence-based, that Croatia's benefit system is over complex with many opportunities for double-dipping, the Government is committed to simplifying the system, introducing a one-stop shop model and, in the future, introducing a Guaranteed Minimum Standard, merging a number of benefits. One step towards this is that, from 1 June 2016, ZMN benefit claims will be processed by Offices of the State Administration at County level with the intention that, by 2018, a number of other benefits, including child benefits, unemployment benefits and parental benefits for those not in work, will be administered by the same offices. The removal of the benefits function from Centres for Social Welfare, however, may deter new claims as potential beneficiaries from remote areas will face obstacles in travelling to register a claim, and limits the potential for social workers to act as 'case managers' delivering individually-tailored packages of cash and care services.

Although there are clearly fiscal constraints, Croatia should consider expanding the ZMN programme to reach more of those at risk of poverty, perhaps by reducing the amount spent on some categorical programmes, particularly those targeting war veterans and their families. In addition, recipients of ZMN capable of work, should become a priority group for ALMPs not limited, as currently, to public works programmes.

Part I - Description of main features of Minimum Income Scheme

1 Governance arrangements

1.1 Levels of governance

Croatia's main Minimum Income (MI) scheme is the Guaranteed Minimum Income scheme (*Zajamčena minimalna naknada – ZMN*) which was introduced in the Law on Social Welfare (NN 157/13) which came into effect on 1 January 2014. The scheme is nationally based and is under the authority of the Ministry of Social Policy and Youth (*Ministarstvo socijalne politike i mladih – MSPM*). It unifies what was the basic social assistance scheme (*pomoć za uzdržavanje*) with two much smaller benefit schemes: a benefit scheme for war veterans and their families administered by the Ministry of Veterans' Affairs and a scheme for prolonged unemployment benefits, administered by the Ministry of Labour and Pensions and the Croatian Employment Service. The ZMN is entirely financed through the central state budget. It is administered by Centres for Social Welfare (CSW) which are deconcentrated units of the MSPM, themselves largely financed from the central state budget. CSWs also administer exceptional assistance payments or single payments (*jednokratna naknada*) which are discretionary payments which can be paid to ZMN claimants or non-claimants to cover extreme emergencies. There were 80,714 such payments in 2014, compared to 86,684 in 2013. The ZMN is a non-contributory scheme financed from the state budget providing cash and in-kind benefits in order to ensure a minimum level of income for each individual or family whose income level is lower than the level set by law¹. A draft report suggests that, in 2014, the total cost of ZMN was 643.1 m. HRK (approximately EUR 84.3 m.), with an additional 66 m. HRK (approximately EUR 8.66 m.) spent on single payments².

The Ministry webpage lists 83 CSWs plus 34 sub-offices, mainly in larger cities and remote areas, including islands. War veterans and their families who had previously received one of the smaller benefits now incorporated in the ZMN were able to make an initial claim via deconcentrated units of the state administration. Units of local and regional self-government (municipalities, cities and counties) have an obligation to pay housing costs and heating costs of the poorest households (see Section 3). In addition, units of local and regional self-government have the right to introduce other welfare programmes which can include cash assistance. Just before the dissolution of Parliament, amendments to the Law on Social Welfare were passed in September 2015 and published in the official gazette on 16 September 2015 (NN 99/2015). Most of the provisions of the new Law come into effect on 1 June 2016. However, significant changes to benefit rates for some categories of household, and a change in the period of eligibility of claimants capable of work, came into effect 8 days after the publication of the Law in the official gazette, namely 24 September 2015. Throughout the text, the provisions according to the existing Law and, where relevant, the new changes, are both addressed.

1.2 Delivery arrangements

The ZMN is paid monthly by Centres for Social Welfare to a named individual (the claimant) via cheque which can be cashed at a local post office. The claimant is, in most cases, the individual who first makes the claim in the Centre for Social Welfare. This

¹ MISSOC website

<http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOCDATABASE/comparativeTablesSearchResultTree.jsp> (accessed 30 September 2015).

² UNDP (2015) 'Struktura naknada, izdaci i korisnici programa socijalne zaštite u Republici Hrvatskoj', (Structure of benefits and users of social protection programmes in Croatia), Draft report, 30 June.

means that a single payment is made to that individual on behalf of the whole household. As Centres for Social Welfare have responsibilities for also meeting the non-financial needs of individuals and families at risk of poverty and social inclusion then, in principle, the linkage between receipt of ZMN and access to appropriate services should be facilitated. In practice, however, in many CSWs, different officers administer benefit claims for ZMN from those who work with at-risk groups including those at risk of social exclusion. Indeed, planned reforms of the social welfare system, including those funded by the World Bank, contain proposals which would remove the assessment and administration of ZMN from the staff of CSWs and place them in County offices of the state administration. This is meant to occur from 1 June 2016 and is presented as an efficiency measure. At the same time, it may act as a deterrent for those claimants who live a considerable distance from such offices and who because of the cost or lack of availability or accessibility of public transport, may be deterred from registering and pursuing a claim. As described in earlier reports³ again, in principle, there are arrangements in place for ensuring a linkage between receipt of ZMN and activation for those of working age who are capable of work. The introduction of a unique personal identification number (OIB) for all citizens and permanent residents of Croatia, combined with a regular exchange of data between CSWs and deconcentrated Bureaux for Employment (*Zavodi za zapošljavanje*) both facilitate co-ordination. Again, within proposals for reform of the system, including those supported by the World Bank, ideas for a one-stop shop or first point of contact system, based on CSWs, are being elaborated, in order to ensure a more effective integration of support for the most vulnerable although the removal of the administration of the ZMN from CSWs appears to run counter to this principle of closer integration.

1.3 Rights based versus discretionary benefits

The ZMN is a rights-based scheme, open to all resident citizens of the Republic of Croatia. In exceptional cases, it can also be paid to those with temporary residence. It is also means- and asset-tested with the main conditionalities discussed below. Although in its design it is not meant to be a discretionary benefit, assessment by the staff of CSWs contain a discretionary element and there may be informal quotas regarding the number of claims which can be accepted by each CSW. There is a right to appeal against decisions of the CSW or other bodies. However, this appeal is adjudicated solely by the Ministry of Social Policy and Youth and not by any independent body.

2 Design of minimum income scheme

2.1 Level of benefit

Currently (as of October 2015), levels of benefits are set using a base which is determined by administrative order. Currently, the base amount is set at 800 HRK (approximately EUR 104.69) per month. Under the Law which was in operation until 24 September 2015, Article 30 sets out that single person and single parent households receive 100% of the base. Each adult in households with more than one adult receives 60% of the base, and each child receives 40% of the base. Under the amendments to the Law which came into force on 24 September 2015, Article 8 sets out amendments to Article 30 in terms both of single person households and households with more than one occupant. For single persons who are not capable of work, the benefit is raised to 115% of the base, said to have an impact on the benefits received by some 11,090 single persons⁴, whereas for single persons capable of work, it is set at 100% of the base. A single parent receives 100% of the base, adults in a household receive 60% of the base, and children 40% as before, but children in single parent household will now receive

³ Cf <http://ec.europa.eu/social/BlobServlet?docId=14257&langId=en> (accessed 30 September 2015)

⁴ Meeting MSPM, Zagreb 16 October 2015.

55% of the base, affecting some 3,103 children⁵. The levels of benefits for four different household types are noted in Table 1 below.

Table 1 Benefit levels for Different Household Types

	Previous Law (to 24 September 2015)	As Amended (from 24 September 2015)
Single person (capable of work)	800 HRK (EURO 104.69)	800 HRK (EURO 104.69)
Single person (not capable of work)	800 HRK (EURO 104.69)	920 HRK (EURO 120.40)
Married couple	960 HRK (EURO 125.63)	960 HRK (EURO 125.63)
Married couple with two children younger than 14	1600 HRK (EURO 209.38)	1600 HRK (EURO 209.38)
Single parent with child younger than 14	1120 HRK (EURO 146.57)	1240 HRK (EURO 162.27)

Source: MPSM – our calculations.

No household can receive a level of ZMN which is higher than the level of the gross minimum wage, currently 3029.55 HRK (approximately EUR 396.47). This only begins to have an impact on the benefit levels of married couples with seven or more children, or a single parent with six or more children. The level of the base and the calculations of the base are arbitrarily set by Government decision. They bear no relationship to any poverty line whether absolute, based on subsistence minima, reference budgets, food baskets and the like, or relative, in terms of a percentage of the median income. There is no automatic indexing or upgrading of benefits over time.

2.2 Eligibility conditions

There are no age requirements for eligibility for ZMN. As noted above, the scheme is open to Croatian citizens/nationals with permanent residence. It can also be claimed, under special circumstances, by those with temporary residence, and by foreigners with resident status based on conditions in the relevant treaties. The ZMN benefit can be claimed by both those capable of work and those who are not capable of work, as well as by persons over the age of 65. By definition, those in employment and in receipt of the minimum wage cannot claim the benefit but the scheme is open to those whose income from work is not sufficient to ensure basic subsistence, referring in effect to those in part time work paid less than they could, potentially, receive in minimum income support. As noted above, it is a means- and asset-tested scheme. Entitlement is conditional upon not being able to secure one's subsistence through one's own work, rights arising from work or insurance, income from property or other sources (including benefits), receipts under other regulations, assistance of the persons obliged to support him/her, or in any other way. Individual or family income earned in the three months before the claim is taken into account, including income from work, property or social benefits. A number of sources of income are not taken into account in the means-testing of ZMN. These include: housing allowance, fuel allowance, disability allowance, care allowance, personal disability allowance, child support, and social benefits from regional or local Government. In terms of assets, persons are not eligible for ZMN if they own a second residence which can be used to provide resources, or if they have sold a property within three years of a claim being made which could cover their support. In addition, if an owned property could be used to generate income, through rental or sale, without compromising basic needs, then a person or household will be deemed ineligible. Generally, it is not allowed

⁵ Ibid.

for claimants to own a registered vehicle except in cases of disability, old age or limited mobility, or in situations where there is a lack of transport connections, introducing a discretionary element. In the Law on Social Welfare, article 29 (2) states that homeless persons resident in shelters are not entitled to ZMN. However, in amendments to the Law, with effect from 1 June 2016, those homeless persons who are in emergency shelters, rather than homeless hostels, will be eligible for ZMN.

2.3 Conditionality rules

For those capable of work, receipt of ZMN is conditional on being available for, and actively seeking, work. In practice, this means that recipients must be registered, and remain registered, with the Croatian Employment Service (CES) and must accept any offers of work, regardless of qualifications or experience, including temporary or seasonal jobs. If ZMN beneficiaries refuse a job offer, their right to benefit is suspended. Persons who are less than five years away from an old age pension are exempted from these requirements, which may act as a disincentive for older workers to return to the labour market. In addition, parents caring for a child under 1 year old, twins under 3, or for a severely disabled child under 7, are also exempted from these requirements. Others who are exempted include: children under 15 (or above if in full-time education); persons above 65; disabled persons; those established by a competent authority as being temporarily unemployable; and pregnant women and nursing mothers up to 6 months after giving birth⁶. Claimants capable of work are required to take part in Active Labour Market Programmes and must participate, when directed to do so, in public works programmes organised by local authorities for between 30 and 90 hours per month. Again, failure to comply will result in benefit being suspended.

2.4 Duration

Entitlement to ZMN benefits is not time limited except for those capable of work who may only claim for 24 months and are not allowed to re-apply for a period of three months, according to Article 39 (1) and (2). In this case, the entitlement for ZMN for other household members not capable of work, and for children, is maintained. However, in the new amendments to the Law, this provision has been abolished with effect from 24 September 2015. In addition, of course, recipients are required to inform the authorities of changes in circumstances and there is also scope for benefit claims to be regularly scrutinised.

2.5 Transitions

There is no specific arrangement for transition from unemployment-related benefits to ZMN benefits. Unemployment benefits received in the previous three months are included as income to be taken into account when assessing a claim, as is income received from ALMPs. There is, however, provision for a tapered withdrawal of benefits on return to employment. Those who find work whilst claiming the benefit may continue to receive ZMN for the first three months of employment in decreasing amounts from 100% in the first month, to 75% in the second month, and 50% in the third month.

⁶ MISSOC Comparative Tables web: <http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOCDATABASE/comparativeTablesSearchResultTree.jsp> (accessed 10 November 2015)

3 Links with other social benefits and services

3.1 Components covered by MI schemes

The ZMN scheme does not directly include any additional components. However, recipients of ZMN are entitled to housing benefits (*Naknada za troškove stanovanja*) up to 50% of the amount of ZMN, to be paid by units of local self-government (municipalities, towns and cities) or the city of Zagreb, which has the status of a county or regional unit of self-government. Housing benefits include the cost of rent, electricity, gas, heating, water, and other service costs. They are not available to non-recipients of ZMN. Recipients of ZMN who use wood for heating are entitled to a fuel allowance (*Troškovi ogrjeva*) either in cash or in kind from the competent regional unit of self-government. In a new measure introduced alongside the amendments to the Law on Social Welfare, the Government has just introduced a scheme to reduce energy poverty. The scheme will give vouchers to the value of 200 HRK monthly (approximately EUR 26.21) to all households which receive ZMN. The vouchers, which began to be issued on 1 October 2015 are to cover the costs of electric heating. The order introducing the vouchers also includes a requirement that electricity companies do not cut off the electricity of the most vulnerable households without prior consultation with CSWs. The value of the vouchers are set by Government decree. In addition, recipients of ZMN whose child attends secondary school away from home and is resident in a student dormitory, have their benefit increased by the amount of the cost involved.

3.2 Other means-tested benefits

In addition to ZMN, the Law on Social Welfare contains a number of other means-tested benefits that support working-age people at risk of poverty and which can be claimed instead of, or in addition to, ZMN. These include:

1. Disability benefit (*Osobna invalidnina*) which can be claimed by those with a severe disability or serious long-term health condition, in order to ensure that their basic needs are met and to facilitate social inclusion. The level of benefit is set at 250% of the base rate for the ZMN, hence currently 1,250 HRK (approximately EUR 165.56) monthly. There were 23,740 individual beneficiaries of this benefit at the end of 2014, compared with 22,362 in 2013 and 21,059 in 2012.
2. Allowance for assistance and care (*Doplatak za pomoć i njegu*) which can be claimed by persons unable to satisfy their basic needs without assistance in purchasing, preparing and eating food, in cleaning, in dressing, and in terms of personal hygiene. CSWs can decide to meet a request for this allowance in full or in part. If accepted in full, the person is entitled to an allowance of 500 HRK (approximately EUR 66.22) or if accepted in part, the entitlement is 350 HRK (approximately EUR 46.36). There were 72,408 recipients of this cash benefit in 2014, compared to 73,690 in 2013 and 78,290 in 2012.

Employment allowance (*Naknada do zaposlenja*) can be claimed by persons over 15 years of age who have developmental difficulties or disabilities after completing their education and who would not otherwise be entitled to unemployment benefits, providing they are registered with the Croatian Employment Service. Benefit is set at 350 HRK (approximately EUR 46.36), and ceases at the moment when employment is obtained. There were 3,534 beneficiaries of this benefit in 2014, approximately 100 fewer than in 2013 and 2012.

3.3 Passport to other services and benefits

Receipt of ZMN is not, *per se*, a passport to any other services and benefits, although all recipients of ZMN are covered by the health insurance scheme. The Government has indicated that further reforms of the system are to be developed in the future with, at some point, a merging of a wider range of benefits to create what is termed a Minimum Income Standard. There is also the intention that, by 2018, deconcentrated County Offices of the state administration will be the administrative centre for a wider range of benefits together with ZMN. Early indications are that these will include child benefits, unemployment benefits, and some parental benefits for those not in work. It is far from clear, however, whether this will also involve one benefit being a passport to other benefits.

Recently two one-off or *ad hoc* schemes have used ZMN as a passport to other benefits. As previously discussed in a Flash Report⁷, recipients of social assistance (as the scheme was called before 1 January 2014) or ZMN with debts of less than 35,000 HRK (EUR 4,577) could apply to have those debts written off. Although the Government had indicated that some 60,000 people may be eligible for this measure, in the end, the total number of social assistance beneficiaries who applied was 9,932, of which 9,362 were accepted⁸. Later, non-payment of TV licenses was added to the debts which could be written off for social assistance/ZMN beneficiaries, a scheme which has now been extended to the poorest pensioners.

⁷ Stubbs, P. and S. Zrinščak (2015) Flash Report – Croatia – Government's 'Fresh Start' Agreement for Indebted Citizens. European Commission, February.

⁸ FINA web pages, 19 October 2015, web: <http://www.fina.hr/Default.aspx?art=11362> (accessed 19 October 2015).

Part II - Analysis of Minimum Income Schemes

1 Assessment of adequacy, coverage, take-up and impact

1.1 Adequacy

Notwithstanding increases in the base level of benefits with the introduction of ZMN, and the increase in benefit levels for single persons and single parent households introduced in amendments in September 2015, levels of ZMN benefits remain inadequate when considered in relation to the poverty threshold at 60% of median income, based on the 2014 SILC survey, whose provisional results have just been released by the Croatian Bureau of Statistics. It is important to bear in mind that SILC considers the second and subsequent adults older than 14 years in a household as needing 50% of the base, and each child up to 14 years as needing 30% of the base. As seen from the table below the gap between ZMN and subsistence income (60% of median income, i.e. the EU relative at-risk-of-poverty line) is the highest in the case of a married couple and lowest in the case of a single person not capable of work and a single parent with a child, both of which have received increases in the recent amendment to the Law. Of particular concern is the fact that different types of families with children are in different situations. For example, a married couple with two children (one younger than 14 and one older than 14) only received 35.1% of subsistence income. In addition to ZMN, families with children can also receive child benefits but as the highest amount of child benefit amounts to 299.34 HRK (approximately EUR 39.30) this is still not enough to bring such families to the level of the poverty threshold. As indicated in our Flash report from September 2014⁹, the Law on Social Welfare in force from January 1, 2014 which introduced ZMN, lowered the total benefits for households with two or more children in comparison to the previous social assistance level, and this is reflected in the data presented below.

Table 2: Comparison of Monthly ZMN Benefits and Poverty Thresholds by Household Type

Household Type	Subsistence (60% of income)	Income of median	ZMN Benefits	% of subsistence
Single person		1980 HRK	800 HRK	40.4%
Single person (not capable of work)		1980 HRK	920 HRK	46.4%
Married couple		2970 HRK	960 HRK	32.3%
Married couple w/ two children younger than 14		4158 HRK	1600 HRK	38.4%
Married couple w/one child younger and one older than 14		4554 HRK	1600 HRK	35.1%
Single parent with child younger than 14		2574 HRK	1240 HRK	48.1%

Source: As above for benefits; Subsistence income – Croatian Bureau of Statistics, preliminary communication, SILC-2014.

If we compare the ZMN with net minimum wages, even couples with many children still find that their ZMN benefits fail to cover 50% of their subsistence living costs (Table A.1 in statistical annex). At the same time, a couple with five or more children would receive more in ZMN benefits than the net minimum wage, bearing in mind that the cap on ZMN benefits is set at the level of the gross minimum wage.

⁹ Stubbs, P. and S. Zrinščak (2014) Flash Report Croatia: Law on Social Welfare (1 January 2014) introduces new Guaranteed Minimum Benefit, European Commission, September.

As unemployment benefit depends on previous earnings it is therefore not easy to compare with ZMN. The highest unemployment benefit cannot be higher than 70% of the average wage from the year previously for the first 90 days of receipt, and cannot be higher than 35% of the average wage in the remaining eligibility period. In addition, the lowest unemployment benefit cannot be lower than 50% of the minimum wage. When we use these figures (Table A.2 in Annex) we see that ZMN benefits are in general much lower than unemployment benefits. One exception is in the case of a married couple with two children. However, it should also be noted that according to Croatian Institute of Employment data the share of unemployment benefit recipients in the total number of registered unemployed is very low: 20.4% in 2013 and only 17.8% in 2014.

Croatia does not use standard Reference Budgets in order to set levels of benefit. A recent study¹⁰, as part of an EU-wide project, using a common methodology, established that the monthly budget required for a healthy diet in Croatia, including kitchen equipment, in March 2015 was EUR 166 (HRK 1269.58) for a single person and EUR 564 (HRK 4313.53) for a family of two adults and two children. When physical activities and the social functions of food, such as eating out, are added to this, the total monthly food budget amounted to EUR 193 (HRK 1476.08) for a single person and EUR 625 (HRK 4780.06) for a family of two adults and two children. Taking only the lower values, this suggests that ZMN for a single person capable of work covers 63% of a reference budget, and for a single person not capable of work covers 72.5% of a reference budget. At the same time, benefit levels of ZMN for a family of two adults and two children cover only 37.1% of reference budget needs and even less than this, only 33.5% of reference budget needs when physical activity and the social functions of food are added.

1.2 Coverage

The number of ZMN recipients is very low and covers only a small percentage of those at-risk-or-poverty. The total number of recipients of the old social assistance benefit was 113,358 in 2013 and total recipients of ZMN in 2014 was 101,343. In 2014, 19.4% of the Croatian population or some 822,172 persons were at-risk-of-poverty. Even assuming that there is no leakage of ZMN to the non-poor, coverage of ZMN was only 12.32% of those at-risk-of-poverty. When we examine the risk in relation to all three Europe 2020 indicators (poverty, severe material deprivation, low work-intensity), the overall rate of risk-of-poverty and social exclusion was 29.3% or 1,241,734 persons in 2014. When judged against these numbers, coverage of ZMN is only 8.1%. According to a World Bank study¹¹, based on the 2011 Household Budget Survey, social assistance reached only 4.9% of the population, and only 16.2% of the poorest quintile (Table A.3 in annex).

Coverage is so low that it is hard to state which groups are less likely to be covered than others. Although the full results of the 2014 SILC survey have not yet been published, the groups most at-risk-of-poverty in 2013 were those younger than 24 and older than 65, the unemployed, single person households, single parent families and families with three or more children. A number of studies have suggested that Roma are over-represented amongst those at risk of poverty, with a recent study¹² suggesting that up to 92% of Roma may be at risk of poverty using the 60% of median income measure. Although Roma are more reliant on social assistance and child benefits than non-Roma, it is unlikely that coverage of ZMN amongst Roma is much higher than of that of non-Roma. In addition, a recent report on poverty

¹⁰ European Commission (2015) The Croatian Food Basket. March, web: <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7841&type=2&furtherPubs=yes> (accessed 19 October 2015).

¹¹ World Bank (2014) Croatia: Public Finance Review, Report 78320-HR, page 105

¹² Bagić, D. et al (2014) *Romska svakodnevnica u Hrvatskoj* (Roma everyday life in Croatia), UNDP, UNHCR, UNICEF. Web: <http://www.hr.undp.org/content/dam/croatia/docs/Research%20and%20publications/socialinclusion/undp-hr-roma-everyday-2015.pdf> (accessed 19 October 2015).

amongst families with pre-school children¹³ suggested that those at particular risk were in low work intensity households and households in rural areas.

Only a small proportion, less than 10%, of all ZMN beneficiaries are aged 65 and above, although there are significant numbers of those aged 65 not in receipt of a pension. It may be that it is this group that, notwithstanding needs, tends to be discouraged from applying for benefit, perhaps as a result of stigma. At the same time, there are suggestions that this group prefers to access home care allowance where the income and means-testing criteria are less restrictive.

1.3 Take-up

To our knowledge, there have been no studies on non take-up nor are there particular pro-active measures which have been taken to increase take-up. There is no advertising of the ZMN scheme in newspapers or in the media. Although the Ministry of Social Policy and Youth has a dedicated section focused on the ZMN, where forms can be downloaded, it is unlikely that this aids take-up. In the political and popular domain, more attention in recent years has been given to supposed fraudulent claiming of benefits although clear evidence of this has not been provided other than in media reports. There is anecdotal evidence that what, at first site, appeared as fraud, was actually social workers in CSWs deciding to award benefit in cases of dire need even when all needed documents could not be provided. The annual statistical report from the Ministry of Social Policy and Youth for 2014 shows that only 405 beneficiaries had benefit withdrawn because they were found to have falsified information.

As noted above, there appears to be a general rule of thumb within the Ministry and within CSWs that the costs of benefits should not be allowed to grow. Hence, there appears to be no political will for a benefit campaign to increase outreach. It should also be noted that, during the deep and prolonged economic and financial crisis in Croatia, numbers receiving minimum income benefit did not increase greatly. The annual statistical report from the Ministry of Social Policy and Youth for 2014 includes figures on the number of applications for ZMN which were rejected. In total, there were 3,055 rejected claims, 1,535 for those living alone and 1,520 from households.

1.4 Impact

There are no recent statistics on the ZMN scheme and its impact on poverty alleviation. However, the social assistance scheme which it replaced and which was largely identical, was judged to have good targeting accuracy and to play a significant poverty alleviation role, notwithstanding the rather small number of beneficiaries. According to a World Bank study¹⁴, and based on the 2011 Household Budget Survey, 76.7% of cash social assistance was claimed by the poorest quintile of the population, with only 8.9% 'leaking' to the highest two quintiles (Table A.4 in statistical annex). Apart from in-kind assistance, not in cash, 88.5% of which was claimed by the poorest quintile, this was by far the best targeted social programme in Croatia although, as the study notes, it is chronically underfunded, accounting for less than 0.4% of GDP. The targeting accuracy of the programme actually increased during the economic and financial crisis.

In more general terms, a recent report on poverty in families with pre-school children notes the importance of social transfers in reducing poverty risk but it seems that a variety of specific child and family benefits played more of a role than social assistance which accounted for only around 5% of the total income of the poor households with pre-school children. At the same time, the rate of poverty

¹³ Šućur, Z. et al (2015) *Siromaštvo i dobrobit djece predškolske dobi u Republici Hrvatskoj* (Child Poverty and Well-Being of Preschool Children in Croatia). UNICEF.

¹⁴ World Bank (2014) Croatia: Public Finance Review, Report 78320-HR, page 101.

amongst children in these households is extremely high, around 52%, for those who received social assistance¹⁵.

2 Links to the other two pillars of active inclusion

2.1 Inclusive labour markets

There are no official statistics available on the total number of minimum income beneficiaries who are enrolled in active labour market programmes nor, conversely, what proportion of ALMP participants are in receipt of minimum income support/social assistance. In reply to our enquiry¹⁶, the Croatian Employment Service stated that some figures are available since the second quarter of 2014, when data began to be exchanged formally between the two systems. In the nine months from 1 April 2014 to 30 December 2014, 1,195 people were involved in ALMPs and also in receipt of some social benefits within the social welfare system, presumably mostly ZMN or basic social assistance which it replaced. Of these, the overwhelming majority, 859 (72%) were involved in public works programmes. This represents some 5% of all ALMP beneficiaries, some 18% of public works beneficiaries, and about 2.4% of all ZMN beneficiaries capable of work although, given the lack of data for the first quarter of 2014, these are likely underestimates. The source suggested that there has been an increase in these numbers in 2015, with up to 2000 thus far, mostly as a result of an increase in those involved in public works.

It is also possible to trace trends over time in terms of the numbers of recipients of minimum income support who are deemed capable of work. Table A.5 in the annex shows the proportion of minimum income recipients capable of work in January and June 2013 (when the basic social assistance scheme was in place); in January and June 2014 (a transition period in which the old social assistance scheme and the new guaranteed minimum income scheme (ZMN) co-existed; and January and June 2015 (when the old social assistance scheme had been entirely phased out).

Table A.5 in the annex shows that the ZMN has resulted in significantly fewer beneficiaries overall compared to the previous social assistance scheme, notwithstanding a slight increase between January and June 2015. The percentage of beneficiaries who are unemployed yet capable of work has tended to be higher, also, under the ZMN compared to the previous scheme. However, this group accounts for only a small part of the rise in beneficiaries between January and June 2015. If we look more closely at the composition of the different groups receiving ZMN in June 2015, in Table A.6, in the annex we see that those unemployed but capable of work are the most significant group of beneficiaries, followed by children and students and those incapable of work.

The Ministry provides annual data on recipients of minimum income by age group, with the last data available for 2014 (Table A.7 below). As can be seen, although recipients come from all age groups, amongst those of working age, there is a preponderance of those aged 30 and above. Amongst those capable of work, around half are unqualified or low qualified (Table A.8). In contrast, amongst new entrants to ALMPs in 2014¹⁷, the overwhelming majority, some 67% were aged 15-29, and only a small proportion, around 7%, were aged 50 or over (Table A.9 in Statistical annex). In addition, as can be seen from Table A.10 in the annex, the profile in terms of education of new ALMP entrants was also significantly different from that of ZMN beneficiaries, with 47% having higher education.

Data is available regarding the total number of participants of ALMPs for 2014 and until 1 October 2015 (Table A.11 in annex), reinforcing a picture that the majority of

¹⁵ Šućur, Z. et al (2015) *Siromaštvo i dobrobit djece predškolske dobi u Republici Hrvatskoj* (Child Poverty and Well-Being of Preschool Children in Croatia). UNICEF. Page 27.

¹⁶ eMail communication, Croatian Employment Service, 18 October 2015.

¹⁷ Croatian Employment Service (2015) Annual Report 2014 (in Croatian), web: http://www.hzz.hr/UserDocImages/HZZ_Godisnjak_2014.pdf#page=35 (accessed 19 October 2015).

schemes are targeted at young people who are not the most vulnerable in terms of their educational profile.

As indicated above, in 2014, over 50% of all ALMP beneficiaries were young people, many of whom were well qualified¹⁸ suggesting, in fact, that only a small proportion of ALMP beneficiaries, most likely overwhelmingly concentrated amongst beneficiaries of public works, were the poorest of the poor, i.e. those receiving ZMN. If this is the case, then, the linkage between receipt of ZMN and participation in ALMPs needs to be clarified. There will not be a major evaluation of ALMPs in Croatia until 2016, although an earlier evaluation suggested only tenuous links between participation in ALMPs and employability. A number of issues emerge which are noted below.

- ALMPs do not appear to be concentrated on ZMN beneficiaries capable of work and, therefore, more could be done to ensure that the coverage of ZMN beneficiaries is raised.
- To what extent do the existing priority groups for ALMPs - young people up to age 29, long-term unemployed, older people over 50 years of age, people with disabilities, members of the Roma minority, and so on – ensure that ALMPs reach those most at risk of poverty and social exclusion, including ZMN beneficiaries? One way of addressing this would be to add long-term recipients of ZMN, say over two years, as a priority target group for ALMPs.
- ZMN beneficiaries do not appear to have access to a wide range of ALMPs but, instead, are overwhelmingly concentrated within public works programmes which, it can be deduced, are more of a conditionality for receipt of benefits rather than a passport to improved prospects of employment.
- ALMPs for youth do not appear to be targeted to low skilled ZMN beneficiaries but rather more to higher skilled young people whose prospects for employment may be higher than those of their peers.

As noted above, ZMN recipients who are capable of work must register with the Croatian Employment Service and have to take part in ALMPs, including public works. In principle, any rejection of a job offer from the CES, or refusal to take part in public works, should lead to a beneficiary being removed from the unemployment register, a fact which should be noticed by the CSW upon the regular monthly exchange of data between the two bodies. The CSW can then suspend benefit or chose to investigate. As noted in a previous report, the level of co-ordination between CSWs and the CES is still rather low, not going beyond an exchange of information and unemployed recipients of ZMN do not receive co-ordinated and appropriate support from the two agencies together.

The issue of 'dependency' on social benefits in Croatia and the possible disincentive effects of high social benefits for those who may be able to take up work is a contentious issue in Croatia. Although the 2014 World Bank Public Finance Review¹⁹ states that Croatia's social assistance system "that includes a large number of programs offering generous benefits can generate work disincentives and reduce the supply of labor"²⁰, there is little or no evidence provided to support the claim that a 'culture of dependency exists'. Indeed, some of the reforms noted as examples in other countries have been followed, to an extent, in Croatia, in terms of allowing ZMN beneficiaries who find work to keep a decreasing proportion of their benefits on finding work for the first three months. Although it is true that the ZMN programme has an implicit marginal tax rate of 100% after three months, it is not clear how reducing the marginal tax rate, as has occurred in France, the UK and the USA, could reduce the disincentive effect without compromising adequacy. The World Bank report, also, fails

¹⁸ Tomić, I. (2015) NEETs in Croatia – Peer Country Comments Paper, September web: <http://ec.europa.eu/social/main.jsp?langId=en&catId=1070&newsId=2261&furtherNews=yes> (accessed 13 October 2015).

¹⁹ World Bank (2014) Croatia Public Finance Review, October. Report no. 78320-HR

²⁰ Ibid. Page 106.

to mention a key innovation in the ZMN scheme, namely that total benefits received by a household in the scheme cannot exceed the total gross minimum wage. However, there are two issues here. Firstly, it is not the gross minimum wage before tax but the net minimum wage after tax which is important – indeed, unlike in many countries, in Croatia, it is net wages which are usually quoted when comparisons are made. Comparing benefit levels to gross minimum wage may, in this sense, give a misleading impression. In addition, money received from a number of other benefits is not taken into account when assessing ZMN, including child benefits so that, at least in principle, it may be possible for households to accumulate significantly more income from benefits than from working at or near the minimum wage, although it should be noted that levels of child benefits remain also low. In addition, as noted above, the number of households where this might be an issue is also extremely low.

A study of whether work pays in Croatia by researchers from the Institute of Public Finance²¹ calculated marginal effective tax rates for a range of scenarios both in terms of family types and benefits and wages using 2011 as the calculation year. Notwithstanding recent changes, their findings probably largely hold true for today. They found that almost without exception when exploring the transition from benefits to work in Croatia, work does pay, albeit in many cases only to a small or limited extent. The least benefit from work accrued to those taking up low paid jobs, those who had claimed all the benefits to which they were entitled, those households with only one adult in work, and those families with many children. There is a need to ensure that more such modelling is performed before radical changes to the benefit system are made. Their main conclusions, that greater incentives to improve employability through ALMPs, as well as the need to raise minimum wages, appear largely self-evident. It is interesting to note that they also cite favourably countries which have time limited access to minimum income benefits for those capable of work since the new law on Social Welfare which came into effect on 1 January 2014 did this, limiting claims to two years, followed by a three months benefit pause. As noted above, this has been revoked in amendments to the Law with immediate effect, before any adults had their benefits stopped. A Ministry official explained²² that this had originally been considered as an activation measure but has been withdrawn as a result of the continuance of the crisis and difficulty for those unemployed to find work. It may not be a coincidence that the measure was dropped in a pre-election period in Croatia. Unfortunately, it is not known how many ZMN beneficiaries deemed capable of work have lost their benefits through not registering with the CES, not attending an ALMP, or not taking up a job when offered.

In relation to the work incentives issue and when comparing the ZMN with the minimum wage the picture becomes more favourable for such families. The situation is also improved when child benefits are added since most families receiving ZMN also receive child benefits. In discussing whether the amount of benefits received by families is detrimental to employment there are at least three important related facts. The first one is that the number of larger families which get the ZMN is not high. According to the Ministry of Social Policy and Youth data²³ the number of households with 4 or more children among ZMN users were as follows in 2014: 821 households with 4 children, 608 households with 5 children, 439 households with 6 children, and 395 households with 7 children. Second, and though we do not have exact data, Roma families are overrepresented among larger families, but although their income comes mainly from welfare benefits, they still have high poverty rates.

²¹ P. Bejaković et al (2012) 'Isplatili se raditi u Hrvatskoj' (Does it pay to work in Croatia), *Revija za socijalnu politiku* (Croatian J. of Social Policy) 19 (1): 83-92.

²² Public Meeting MSPM, 16 October 2015.

²³ Ministry of Social Policy and Youth, Annual Report 2014, web: http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/statisticka_izvjesca/godisnje_izvjesce_2014 (accessed 19 October 2015).

2.2 Access to quality services

Although social services are relatively well developed in Croatia, by regional comparison, in terms both of spending and the range of community-based services available, the link between receipt of the ZMN and appropriate quality services, in the context of a casework approach involving a plan which sets out clear goals to facilitate the social inclusion of an individual or household, is still relatively underdeveloped. In part, this is a result of the fact that, although the administration of benefits and assessments of the need for social services are both made by staff in Centres for Social Welfare, these two functions tend to be separated administratively and organisationally. Although much has been achieved in terms of the development of social planning and person-centred social services in Croatia, largely through initiatives financed by the World Bank or the European Union, the linkage between cash assistance and appropriate (non-cash) services is still at a very early stage. Projects have tended to focus on a specific issue, notably the transformation of institutional care, have promoted community-based planning approaches, and/or have targeted a particular vulnerable group, such as persons with disabilities. There has been much less attention to the need for appropriate, accessible and quality social services for those who are poor, including those receiving ZMN. The effective removal of assessment of claims for ZMN to the level of county administrations is likely to create even more obstacles to the integration of cash and care services. In addition, although funding from both central and local government for NGOs to provide social services has been expanded, and the network of social services has grown accordingly, this has not been linked sufficiently to case management approaches, utilising models of a caseworker or case manager as brokering the most appropriate package of cash and care to meet needs and achieve goals of social inclusion or reintegration. In the context of the discretionary funding of social services by regional and local self-government, there remains a risk that services are more concentrated in capital cities and/or in the richer regional and local authorities.

3 Summary table

The Table below is a summary of the report's assessment of Croatia's minimum income scheme. P denotes a Positive evolution over time; SQ denotes Status Quo position; and N indicates Negative evolution over time.

Assessment of MI scheme(s)				
	Assessment			Evolution over time
Adequacy How adequate is the level of MI benefits?	Adequate	Somewhat inadequate	Very inadequate	
			X	P
Coverage How extensive is the coverage of people in need?	Fairly comprehensive	Partial	Very limited	
			X	SQ
Take-up How complete is the take-up of MI benefits by those entitled to them?	Fairly complete	Partial	Quite limited	
			X	SQ
Impact on Poverty Reduction (1) What is the impact of MI provision in reducing the at-risk-of-poverty rate?	Strong impact	Partial impact	Very limited impact	
		X		SQ
Impact on Poverty Reduction (2) What is the impact of MI provision in reducing the at-risk-of-poverty depth?	Strong impact	Partial impact	Very limited impact	
		X		SQ
Link to Active Labour Market Policy (ALMP) In practice, how effective are the links between MI scheme(s) and ALMP measures?	Very effective links	Mediumly effective	Very ineffective	
		X		P
Link to Adequate Services In practice, how effective are the links between MI scheme(s) and access to adequate services?	Very effective links	Mediumly effective	Very ineffective	
			X	SQ

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Statistical Annex

Table A.1: Comparison of ZMN, net Minimum Wage and Poverty Threshold

Household Type	Subsistence Income (60% of median)	ZMN Benefits	% of subsistence	Minimum Wage (net)	% of Minimum Wage
Couple with 2 children younger than 14	4158 HRK	1600 HRK	38.4%	2423.64 HRK	66%
Couple with 3 children	4752 HRK	1920 HRK	40.4%	2423.64 HRK	79.2%
Couple with 4 children	5364 HRK	2240 HRK	41.7%	2423.64 HRK	92.4%
Couple with 5 children	5940 HRK	2560 HRK	43%	2423.64 HRK	105.6%
Couple with 6 children	6534 HRK	2880 HRK	44%	2423.64 HRK	118.8%

Source: MSPM for benefits; Subsistence income – Croatian Bureau of Statistics, preliminary communication, SILC-2014.

Table A.2: Comparison of Monthly ZMN Benefits and Unemployment Benefits

Household Type	ZMN benefits	Unemployment benefits	ZMN as % of unemployment benefits
Single person	800 HRK	3873 HRK (highest possible for first 90 days)	20.6%
Single person	800 HRK	1659 HRK (highest possible for the remaining period)	48.2%
Single person	800 HRK	1514 HRK (lowest possible)	52.8%
Married couple w/ two children younger than 14	1600 HRK	3873 HRK (highest possible for first 90 days)	41.3%
Married couple w/ two children younger than 14	1600 HRK	1659 HRK (highest possible for the remaining period)	96.4%
Married couple w/ two children younger than 14	1600 HRK	1514 HRK (lowest possible)	105.6%

Source: As above for benefits; Subsistence income – Croatian Bureau of Statistics, preliminary communication, SILC-2014. Unemployment benefit – from the Croatian Institute of Employment. Our calculations.

Table A.3 Population receiving social assistance by total and quintile group, 2011

Total	Q1	Q2	Q3	Q4	Q5
4.9%	16.2	2.5	2.2	1.4	2.1

Source: World Bank (2014) page 105.

Table A.4 Targeting accuracy of cash social assistance, 2011

Q1	Q2	Q3	Q4	Q5
76.7	7.8	6.6	4.9	4.0

Source: World Bank (2014) page 101

Table A.5: Recipients of Social Assistance/Guaranteed Minimum Income, Capable of Work January 2013 – June 2015

	January 2013	June 2013	January 2014	June 2014	January 2015	June 2015
TOTAL	111,592	114,612	115,299	112,569	99,742	103,729
Unemployed (capable of work)	47,905	50,727	51,512	55,198	49,888	50,362
% capable of work	42.9%	44.3%	44.7%	49.0%	50.0%	48.6%

Source: www.mspm.hr Monthly statistics on social welfare.

Table A.6 ZMN beneficiaries in June 2015

Type of beneficiary	Number (% of Total)
TOTAL	103,729
Unemployed (capable of work)	50,362 (48.6%)
Employed (inc. in agriculture)	1,094 (1.1%)
Pensioners	1,564 (1.5%)
Housewives	2,980 (2.9%)
Children and students ²⁴	32,393 (31.2%)
Incapable of work	15,236 (14.7%)

Source: www.mspm.hr Monthly statistics on social welfare

Table A.7.1: Recipients of ZMN as at 31.12.2014 by age group²⁵

²⁴ These are the children of ZMN beneficiaries. Unfortunately, Ministry statistics does not distinguish between children (up to 15) and students.

²⁵ Age divisions were compiled differently for 2014, so are not strictly comparable with figures for 2012 and 2013 reproduced in the Table below.

Age	Number	%
0-14	21,464	21.2%
15-19	6,807	6.7%
20-29	10,133	10.0%
30-54	39,943	39.4%
55-64	14,127	13.9%
65+	8,878	8.8%
TOTAL	101,343	

Source: www.mspm.hr Annual report, 2014

Table A.7.2: Recipients of social assistance, end of 2013 and 2012, by age group

	31.12.2012		32.12.2013	
	Number	%	Number	%
0-18	40,039	36.1%	38,902	34.3%
18-30	11,354	10.2%	10,309	9.1%
31-50	29,430	26.6%	33,333	29.4%
51-65	19,917	18.0%	20,674	18.2%
65+	10,053	9.1%	10,440	9.2%
Total	110,794		113,358	

Table A.8: Recipients of ZMN capable of work as at 31.12.2014 by levels of qualification²⁶

Qualification	Total	%
Unskilled manual worker	10,296	19.7%
Semi-skilled manual worker	6,485	12.4%
Basic education completed	9,364	17.9%
Skilled manual worker	7,750	14.8%
Secondary education completed	13,239	25.3%
College graduate	624	1.2%
University graduate	458	0.9%
Other	1,408	2.7%
TOTAL	52,300	

Source: www.mspm.hr Annual report, 2014

Table A.9: New ALMP beneficiaries, 2012- 2014 by age

Age	2014		2013		2012	
	Number	%	Number	%	Number	%
15 - 29	19,010	67.1%	22,559	53.3%	12,602	43.7%

²⁶ This classification was used for the first time in 2014, so that no comparison with previous years can be made.

30 – 49	7,256	25.6%	14,680	34.7%	10,952	38.0%
50+	2,073	7.3%	5,588	13.2%	5,253	18.2%
TOTAL	28,339		42,287		28,807	

Table A.10: New ALMP beneficiaries, 2012-2014 by level of education

Education	2014		2013		2012	
	Number	%				
Below Secondary	2,360	8.3%	5,859	13.7%	7,001	24.3%
Secondary	12,685	44.8%	21,032	49.1%	15,541	53.9%
Higher	13,293	46.9%	14,708	34.3%	6,251	21.7%
Not Known	1		1,228		14	
TOTAL	28,339		42,827		28,807	

Source: Croatian Employment Service (2015) Annual Report 2014 (in Croatian).

Table A.11 Beneficiaries of ALMPs in Croatia, 2014 and 2015 (until 1 October)

	2014	2015
TOTAL	56,632	50,156
Support for employment and training	10,995	8,948
Support for self-employment	7,077	4,173
Educational support	2,149	424
Public works	6,777 (12.0%)	9,631 (19.2%)
Work Experience Schemes for Young People	28,039 (49.5%)	25,766 (51.4%)
Support to maintain employment	1,595	219
Seasonal workers	-	995

Source: www.hzz.hr, statistics of the Croatian Employment Service.

