

## *Croatian Social Policy: The Legacies of War, State-building and Late Europeanization*

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### **Abstract**

*This article outlines the differences and commonalities between social policy developments in Croatia and those in Central Europe. In Croatia, issues such as national identities and the redefinition of citizenship, war, state-building and crisis management have produced a complex mix of statist centralization and parallelism of welfare actors at the central and local level. While subject both to neo-liberal pressures to privatize provision, and later to European Union influences, both of these came later, and were more mediated, than in Central Europe. Croatia forms a bridge to studying the uneven welfare arrangements of other countries in South-East Europe, marked as they are by complex governance arrangements and the presence of social development and postwar reconstruction discourses.*

### **Keywords**

*Croatia; Social policy; Transition; Central and South-East Europe*

### **Introduction**

Social policy arrangements in Croatia sit uneasily, as does the country itself geographically and politically, between Central Europe on the one hand and South-Eastern Europe, popularly referred to as the Balkans, on the other. Indeed, while a great deal has been written about social policies and post-communist transition in Central Europe, including the Czech Republic, Hungary, Poland and Slovakia, there is much less written on the same theme about South-East Europe. In a sense, the component parts of this constructed or imagined region (Benchev 2006) ‘South-East Europe’ (SEE) – Albania, Bulgaria, the countries and territories of the former Yugoslavia (i.e. Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia, as well as Kosovo, which declared independence in February 2008), and Romania – have in common only the fact that each, in their own way, had quite specific development paths from 1945 to 1989, all very different from Central European countries, which themselves, of course, are more diverse than is often discussed. While Slovenia, being the most western

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of the Yugoslav Republics, being predominantly mono-ethnic, and having had only a very brief war, succeeded in joining the first wave of post-communist Europeanization, the fate of Croatia was somewhat different.

The wars and conflicts since 1991 in the post-Yugoslav space led to a re-constitution of various nation states, mini-states and territories with a complex relationship to each other; and introduced an extremely complex set of governance arrangements (Stubbs 2005). A literature on post-communist transition, still partially reliant on aspects of welfare regime theory and tending to focus on the Central European countries, is not well suited, we suggest, to settings in which political, social, cultural, economic and institutional arrangements have been profoundly destabilized, and subnational, national and regional scales and their interrelationships are still heavily contested (cf. Deacon and Stubbs 2007; Clarke 2008). The SEE region has experienced a period of significant de- and re-territorialization of welfare visible in terms of the existence of: large refugee and displaced populations and a complex pattern of forced migration and uneven return; diasporas, some in neighbouring countries, involved in sending significant remittances home; various kinds of 'enclave welfare' in which spatially concentrated ethnic groups develop separate welfare arrangements; and all manner of cross-border claims and entitlements, alongside the presence of large numbers of international organizations and, in some cases, the existence of international protectorates and semi-protectorates (Stubbs forthcoming). The wars, the rise of various kinds of ethnicized nationalisms, and the painful restructurings have had highly significant social consequences for the region as a whole and, albeit unevenly, for the countries and territories within it (Matković 2005; Petritsch and Solioz 2008).

Situating social policy developments in Croatia between Central and South-East Europe allows us, therefore, to find common trends but also to revisit the dominant frames found in the literature on post-communist social policies in transition and, in particular, to interrogate this literature for its treatment – or lack of it – of such issues as national identity, state-building and war and crisis management which are extremely relevant in the Croatian and SEE experience. The article first discusses the literature on post-communist social policy in transition, mainly addressed to Central Europe, in this light. It then focuses on Croatia and its welfare arrangements in two broad conjunctures: during war, isolationism and a kind of authoritarian nationalism which existed in the 1990s; and in the process of democratization and orientation towards the European Union in the new millennium. A final section draws conclusions and addresses Croatia as a bridge between the study of Central European social policy and social policies in SEE, posing a number of open questions about the relationship between regional, national and global scales in social policy.

## **Post-communist Social Policies in Central Europe**

### *The 'residual social'*

The literature on the making of social policy in post-communist countries in Central Europe falls into three broad periods, each of which applies a

somewhat different theoretical approach related to real changes in the post-1989 period. The initial period can be termed 'the residual social', in which, politically and analytically, social issues were seen as of much less importance than economic (free market) and political (democratic pluralist) reforms, encapsulated within a logic of 'shock therapy' propagated by key external actors, including the International Financial Institutions (Standing 1996; Wedel 1999). In this period there was a lack of comparative social data, until the UNICEF MONEE project began to trace, particularly in its reports of 1994 and 1995, the contours of a severe welfare crisis, reflected, *inter alia*, in an upsurge in mortality, falls in the birth rate, and increases in poverty (UNICEF 1994, 1995).

We would argue, however, that the concept of the 'residual social' continued to dominate the literature on social policy even in the second half of the 1990s since, based on different country data, leading social policy analysts talked about the emergence of a 'liberal' or 'residual' welfare state in many of the post-communist countries, although, again, most of the literature was concerned with Central European countries. In a review of this extensive body of social policy literature Kovács wrote of post-communist social policy as a 'leap in the dark', given the drastic reductions in public welfare in terms of narrowing of the scope and period of eligibility for key benefits, fixing of statutory minimum wages and pensions at a low level, lowering the quality of services provided, and introducing the principle of private insurance (Kovács 2003). As Zsuzsa Ferge, arguably the most influential social policy scholar in Central and Eastern Europe graphically expressed it (Ferge 2001a), the 'disquieting quiet' in social policy-making in the context of global social policy change conspired to shape a most unfavourable landscape for social policy development.

### *Global actors, local effects*

Though the 'residual social' cannot be understood without a focus on the influence of international actors, the second period of social policy changes and the second wave of literature offered a much more nuanced approach to the relationship between global actors and national welfare reforms and, analytically, led to a richer array of comparative research studies. Deacon and colleagues' *Global Social Policy* (1997), for example, provided detailed case studies of the role of international agencies in Hungary, Bulgaria and Ukraine, adding, rare for the period, a study of the post-Yugoslav countries. The book rejected a somewhat monolithic conception of international actors as all-powerful and operating with a single purpose, replacing it with research on the complex relationships within and between key supranational organizations, on the one hand, and different parts of government, as well as other actors, on the other.

In the second half of the 1990s, there was a series of somewhat radical pension reforms, in which the advice of the World Bank played an influential role, so that a considerable body of work on pension reforms as the most comprehensive and influential restructuring of the period emerged. Müller (1999, 2002, 2003) showed clearly how pension reforms in post-communist

countries could not have occurred without both the emergence of a strong transnational epistemic community in favour of introducing pension privatization in some form or another (cf. Orenstein 2005), and the presence of receptive internal national features. The connection between funds in crisis and a construction of the old system as communist and, hence, outdated, produced the necessary conditions for the privatization of pension funds. However, even in those countries where the conditions for change were favourable, complex domestic arrangements and processes meant that the path of pension reform was neither easy nor completely predictable. Looked at overall, however, pension reforms in Central Europe in this period did tend to reflect global pressures towards individualization and privatization.

### *Europeanization*

The third period in terms both of social policies and their analysis can be equated with the term 'Europeanization', reflecting both the process of entering the EU by, initially, eight post-communist countries in May 2004, and the emergence of a substantial literature on social policy throughout the EU in the context of global changes and enlargement. Although most scholars tended to agree that 'the social imperatives of the accession process have been and continue to be rather weak' (Lendvai 2004: 322), the issue and impact of the EU accession process provoked a rather different kind of theoretical approach to social policy-making in post-communism. Radaelli (2000), from a political science standpoint, suggested that the question 'How does Europe matter?' can only be answered by introducing clarity as to what is meant by 'Europeanization'. Social policy scholars, building on the experience of previous EU enlargements, notably concerning the cases of Spain, Portugal and Greece, introduced the concept of 'cognitive Europeanization' (Guillén and Álvarez 2004; Sotiropoulos 2004), as a kind of socialization process through which policy-makers and other actors begin to construct, speak about, debate and act on social issues in a more European way. Social policy scholars from Central and Eastern Europe (Ferge and Juhász 2004; Potůček 2004) tended to respond to the question 'Does Europe matter?' by making a distinction between the *content* of welfare reforms, which they tended to see as, still, basically, residualist and strongly influenced by neo-liberal international actors, and the *processes* and *procedures* of welfare, where a strong EU influence was detectable in terms of seeking to strengthen and align institutional capabilities and promote new policy-making processes within nation states (Guillén and Palier 2004; Ferrera 2005). These authors did detect a pre-accession EU influence on policies and debates on gender equality, anti-discrimination or the fight against social exclusion, irrespective of the low profile of social policy issues within the accession process itself, and, indeed, the somewhat contradictory and competing pressures on policy-makers coming from the EU side (Lendvai 2007: 34). The general consensus seemed to be, in common with the Spanish and Greek cases, that for the new post-communist member states, 'EU influence can be detected when entering the club' and that this influence 'continues in the long run' (Guillén and Palier 2004: 205). Others questioned whether Europeanization may even be a threat to the European

social model (Vaughan-Whitehead 2003), or accused Europe of neglecting social policy issues in the negotiation process (Ferge 2001b).

In the background, throughout these different phases of analysis seeking to understand developments on the ground, implicitly at least, has been an attempt to relate welfare state changes in the post-communist countries in terms of the emergence of one or another of the existing welfare state regime types, or to define a wholly or partly new type. Deacon concluded that in the late 1990s there was 'a tension between the aspiration towards a European-style social market economy (or conservative corporatism) and a budget-induced and IMF–World Bank-backed residualism' but also that in the former Soviet Union 'the combination of post-Communist conservatism and economic difficulties is leading to welfare collapse and neglect' (Deacon 2000: 156). Szalai (2006) argued that corporatism and liberalism are strongly interwoven in the welfare regime of today's Hungary. Generally, the idea of liberal or neo-liberal types of reforms became a widely used label to describe these changes.

### *Broadening research scope*

Subsequently, a growing literature on social policy in post-communism after 2000 has pointed to a range of other important factors. First, on the basis of data using a common European methodology, new comparative social policy research in a wider Europe has developed, allowing for comparison between 'old' and new member states. Alongside this, a number of researchers have argued that core European concepts, such as that of relative poverty (60 per cent below the median income), fail to grasp the true situation in Central European countries, since similar rates of relative poverty to those in Western Europe mask distinctly higher levels of material deprivation in Central and Eastern Europe (Širovátka and Mareš 2006; Matković *et al.* 2007). Second, neo-institutionalist approaches have emphasized that when weak institutional capacities and in some cases weak states (Guillén and Palier 2004; Lendvai 2004) are confronted with what, from a historical perspective, is an unprecedentedly rapid and totalizing transformation, whether viewed as successful (Kornai 2006) or not, then a quite unique set of circumstances are created for the transformation of social policy. Third, there is growing knowledge about differences between the post-communist countries, not only those from Central Europe, but even more so when the post-Soviet countries or those from South-East Europe are brought into the debate (Sotiropoulos *et al.* 2003; Manning 2004; Redmond 2006; Deacon and Stubbs 2007). Finally, and this may even be seen as an emerging new trend in the literature on social policy in Central and Eastern Europe, research on different policy changes, particularly in the field of family policies, suggests that differences between countries combined with still influential communist legacies have produced in many cases unexpected policy results, not adequately grasped by the usual welfare models (Saxonberg and Szelewa 2007; Teplova 2007).

In a sense, then, the analysis of processes of transition and transformation over a period of close to twenty years may have begun to match the diversity and complexity of the processes themselves. Research appears to be moving

away from welfare regime typology to address the complexities of diverse legacies, interactions between internal and external actors, different kinds of political economies and institutional structures, as well as less tangible cultural dimensions of welfare (Lendvai 2008). In the next section, we explore changes in Croatia in the light of these changing analytical and temporal frames.

## **Social Policies in Croatia Post-Independence**

### *Two conjunctures*

Croatian social policy since declaring independence in 1991 can be divided into, roughly, two historical periods or conjunctures, with the death of the first post-communist president Dr Franjo Tuđman in December 1999 and the election of a reform-oriented coalition government in January 2000 representing both a real and a symbolic break. The 1990s saw a complex mix of independence, state-building and the construction of a national identity and identification. In the face of war and destruction, including the lack of government control over significant parts of the territory, there was a renewed centralization of functions and significant tendencies towards political authoritarianism, nationalism and a kind of clientelistic 'crony capitalism' (Bičanić and Franičević 2003). This was a period of profound economic crisis, as the real value of GDP fell annually by 9.3 per cent in the period 1990–4 and the official unemployment rate rose to 17.3 per cent by 1994. However, the real challenge came from the need to accommodate large numbers of refugees and displaced persons which, at the height of the crisis, constituted some 15 per cent of the Croatian population, with spending on this group reaching 10 per cent of GDP (Bartlett 2003; Puljiz 2005). A stabilization programme introduced in 1993 did end hyperinflation and contribute to currency stability, but economic growth was impossible in the context of crisis management and an initial rush of postwar claims-making by war veterans, pensioners and others.

The new millennium signalled a new democratization of political life and a general consensus on the pursuit of EU membership as the key foreign policy goal. It saw Croatia begin to play a more constructive, rather than problematic, role in the wider region of South-East Europe, joining the revamped Central European Free Trade Association (CEFTA), which now includes Albania, Bosnia-Herzegovina, Macedonia, Moldova, Montenegro, Serbia and Kosovo, experiencing more sustained economic growth, albeit in the context of growing awareness of regional inequalities, and having its application to join NATO accepted. Croatia signed a Stabilization and Association Agreement with the EU in October 2001, applying for membership in March 2003 and beginning negotiations, after a long delay, in October 2005. Most informed commentators now accept that, notwithstanding the EU's internal difficulties, Croatia will become the 28th member state of the European Union, perhaps by 2011 or 2012. Despite sustained growth rates of over 4 per cent since 2000, Croatia's per capita GDP did not recover to its 1990 level until around 2002, whereas most Central European economies recovered between 1996 and 1998 (UNICEF IRC 2008). Eurostat data suggest that Croatia's per capita GDP at market prices was some €13,700 in 2007, or 55.9 per cent of the

EU-27, above Poland (at 53.6 per cent) and below Latvia (at 58.0 per cent) (Eurostat 2008).

The nature and form of Croatian transition – legacy effects, the positions taken by key internal and external actors, and, above all, its timing – was, therefore, quite specific. It was, in some ways, like that of parts of Central Europe but, in other ways, very different. Multiple determinations led to diverse trajectories and a set of quite uneven, even contradictory, social policy features. National identification and state-building in the context of an ongoing crisis led to a complex kind of ‘welfare parallelism’ (Stubbs and Zrinščak 2007). On the one side, there was an internal mobilization of government agencies and personnel, social workers and others in a network of state Centres for Social Work (CSWs), traditional Croatian NGOs such as Caritas and the Red Cross and a group of newer, nationally oriented NGOs, acting as providers of shelter and limited assistance in cash and in kind to war-affected areas and to refugee and displaced populations. On the other side, large numbers of international organizations (supranational and non-governmental), at a time when humanitarianism became a kind of substitute for decisive political action (Duffield 2001), worked with an emerging group of new, often professionally led, service-oriented local NGOs offering a kind of parallel set of services, sometimes seemingly ignorant of, or distrustful of, state and pro-state bodies or treating CSWs as mere distribution hubs. The role of international agencies, then, became hotly contested in the context of an assertion of national sovereignty and national identity. When the war was over, this division between domestic and international NGOs became less prominent. Although the general attitude toward NGOs is much more positive today, their impact on public policies is still very limited, and public policy remains rather statist and ‘top-down’ (Bežovan and Zrinščak 2007).

The other aspect of parallelism resulted from a quite rigid centralization of policy functions, including those in social policy, which not only tended to exclude local NGOs, but also limited the role of local governments which, in some of the larger cities, were controlled by opposition parties for much of the 1990s. The first autonomous local welfare programmes were developed in the late 1990s by some of the richer opposition-controlled towns and cities. Today, there is an emergent consensus that it is the responsibility of local government to supplement, wherever possible, nationally guaranteed rights and to tailor programmes in accordance with specific local needs. The amount spent by regional and local government on social welfare amounts to only about 0.3 per cent of GDP (Ministry of Finance 2007: 42), however, and national and local welfare systems are still not coordinated so that this parallelism remains.

Crucially, the war did not prevent the government from beginning the process of privatization of state property, which contributed to feelings of hostility to the holders of this newly acquired wealth. The sense that a small group of ‘winners’ had emerged, while the majority of the population could be termed ‘losers’, began to be widely articulated. In the context of widespread perceptions of the unfairness of the privatization process and of increasingly visible social differentiation, groups such as war veterans and their families and, to an extent, pensioners were able to press their demands for a redistribution

of national wealth on a populist regime. The government had at least a moral obligation to satisfy some needs of war veterans, together with the real need to invest considerably in those areas affected by the war. At the same time, and in the context of a negative population trend, the government produced a National Demographic Programme, consisting of expensive, pro-natality measures. This certainly contributed to rising public expenditures, which soon became the main concern for the involvement of the World Bank and the International Monetary Fund, emerging as key international actors in the postwar period. Social protection expenditures in 2003–4 were said to amount to around 24 per cent of GDP, with more than 80 per cent of this being pension and health expenditures (European Union 2006: 7).

The specificities of Croatian social development policy are visible in a number of areas of social policy, of which we have only addressed the most important here. This, in and of itself, confirms the fact that many announced reforms, including a number which were never seriously implemented, can be understood as a product of the complex relationship between nation state-building, responding to the consequences of war, and a rather delayed Europeanization, in comparison with the countries of Central and Eastern Europe.

### *Poverty and social inclusion*

The significant rise of poverty was very visible in the whole period after independence, particularly for those affected by the war, though it was not documented by statistical data, which simply did not exist until the late 1990s. The first research on poverty, undertaken under the auspices of the World Bank in 1998, showed that the poverty rate was only 4.8 per cent (based on an absolute poverty line of \$US 4.30 per day PPP) or 10 per cent (based on the food energy intake method) (Bejaković *et al.* 2007: 30–1). These data reflected, however, the questionable use of objective poverty measurements in a European country which was not particularly poor. When Croatia started to use the Eurostat methodology (from 2001) the poverty line ranged between 16 and 18 per cent. Inequality also rose from a very low level in the communist era to a level comparable with the European average, with a Gini coefficient (measured by income distribution) of 0.29 in the period 2001–4 (Matković *et al.* 2007: 641–3). This somewhat contradicts a widespread public concern about huge and continuously rising inequalities, which reflects a perception linked to a real rise in a short period of time and, as noted above, a sense of unfairness regarding the privatization process. Still, when taking into account indicators of material deprivation, i.e. dimensions of the living standard (housing facilities, having durable goods, satisfying basic requirements), the situation turned out to be much worse, and particularly in the war-affected regions.

The official answer to the poverty problem was twofold. The war provoked a Social Programme in 1993, parallel to the Stabilization Programme, mainly targeted at war victims. However, there were no new measures directed to those who, not because of the war but because of other social circumstances, fell into poverty. In addition, and in connection with the state-building process



in war circumstances, there was a kind of reluctance to take poverty seriously as a social problem. At the same time, the state welfare system, now highly centralized, remained almost the same as in the communist time, with funds, human resources and organizational structures not adapted to new needs associated with a changing labour market such as: structural unemployment, the transition from school to work, and a new work–life balance. Some changes in the state response towards poverty and social exclusion started to be visible only after 2000. The first programme to combat poverty and social exclusion was adopted by the Croatian government in 2002, although it also remained largely unimplemented.

In accordance with obligations from the EU negotiation process, a new political process focusing on poverty and social exclusion has emerged since late 2005, leading to the signing of the Joint Inclusion Memorandum (JIM) in March 2007. Four broadly positive aspects of the process of the preparation and signing of the JIM can be discerned. First, it has led to a greater harmonization of social statistics with Eurostat methodology and a clearer awareness of the gaps which remain. Second, there has been a process of stakeholder participation, through a series of conferences and meetings which, while far from perfect, represents an improvement on the previous practice of ‘behind closed doors’ strategy document preparation. Third, key social policy experts have been involved in the drawing up of the JIM, within a clearer framework, supervised by the European Commission, in which policy measures, indicators, and funding possibilities were more aligned than previously. Fourth, substantive comments from the Commission on aspects of social policy, particularly relating to issues around discrimination, active labour market policies, and coordination of services, have added to the quality of debate. However, the JIM has not confronted some key questions, including those connected with low spending for basic social assistance accounting for only about 0.25 per cent of GDP and which, even assuming perfect targeting, covers only 16 per cent of those at risk of poverty (Babić 2008).

### *Labour market*

Similarly to other post-communist countries, the complete collapse of the industrial and service sector, caused by the bankruptcy of major companies, but in Croatia also by the war, resulted in mass unemployment. As Croatia relies heavily on the tourism industry the war particularly affected this. However, the unemployment rate continued to grow until 2000. According to administrative data the rate was 8 per cent in 1990, 15.7 per cent in 1996 and as high as 22.3 per cent in 2000. Although the administrative data are not suitable for comparison, only Macedonia had in 2000 a higher unemployment rate among 23 post-communist countries (Nesporova 2002). The first labour force survey, done according to the ILO and Eurostat methodology in November 1996, showed an unemployment rate of 10 per cent rising to 17 per cent in the second half of 2000. The unemployment benefit protection system, inherited from the communist period, continued to be in place, albeit with some important changes, connected mainly with the shortening of the duration of benefits, meaning that only about 20 per cent of those registered as

unemployed actually receive benefits, the rest being reliant on social assistance. Interestingly, dramatic changes in the labour market did not provoke any important changes in the labour law. It seemed that the situation was in the early and mid-1990s not suitable for radical changes and the government passed in 1995 the new labour law prepared on the basis of the German (conservative) model. This was different to many other Central European countries where pressure from the huge number of the unemployed and from the International Financial Institutions influenced labour law changes in more liberal directions.

After 2000, and mainly on the basis of the economic growth experienced after 2000, the unemployment rate started to slow down and came to a level of 9.1 per cent in 2007. Although the first National Employment Programme was adopted in 1998 it was, because of a lack of funds, not implemented. The same happened with subsequent programmes after 2000, although at the end of 2004 the new National Employment Plan for 2005 to 2008 was for the first time prepared according to the European employment strategy. The discontinuity in programmes and lack of evaluation have remained as key challenges. The changes to the labour law in 2003 diminished slightly the protection of workers in case of dismissal and further regulated temporary employment. However, as Croatia is still seen as offering high levels of employment protection compared to Central European countries, further changes in labour market policies in the direction of flexibility are being discussed (Matković and Biondić 2003; Cazes and Nesporova 2003).

### *Pension system*

Croatia inherited basically the Bismarckian PAYG pension system which in the post-1990 period came under attack not only as a result of demographic ageing, but has become more and more fragile due to rapid worsening of the ratio between insured and retired persons, which fell from 3 : 1 in 1990 to 1.38 : 1 in 1999 and with expenditures rising to almost 14 per cent of GDP (Puljiz 2007). Furthermore, the government issued in 1993 the decree which, because of economic reasons and high inflation, restricted the rise of pensions. However, this was done without the necessary changes in the law; the Constitutional Court in 1998 ruled this unlawful, and ordered the government to pay back to pensioners the so-called 'pensioners' debt'. That issue was and has remained the most important issue in public debate, while the changes in the pension system never attracted such public interest. Therefore, in the shadows of domestic public debates a radical pension reform started to be prepared in late 1995, under the influence of the World Bank, which promoted the Chilean experience in terms of a radical privatization of pension funds. Eventually, laws introducing the new system were passed in 1998 and 1999, gradually implemented in subsequent years. Croatia, as the majority of other post-communist countries, adopted the more modest so-called Argentinean type of combined public-private pension system (Orenstein 2005).

Although the new pension system in Croatia is quite similar to the Polish and Hungarian systems from the late 1990s, it is interesting how public debates were much less present in Croatia than in these two countries

(Müller 1999; Stubbs and Zrinščak 2007). Still, another important question was raised in terms of how such a reform was possible in a time of deep economic crisis and, even more importantly, political isolation, and in sharp contrast to non-existing reforms in other welfare fields (Müller 2002: 101–2). Certainly, the huge crisis of the pension system, the World Bank pressure, the political baggage associated with the previous pension system, a magical faith in privatized solutions, and the wish of the government, which was unable to develop any relations to the EU, to show that at least in some policy areas it is able to be reform-minded, are all parts of the answer (Stubbs and Zrinščak 2006).

Interestingly again, the implementation of the reform happened in the years after 2000, when the new government was in power. The introduction of the new system, together with important changes built inside the public tier (like more restrictive pension rights, rise in the pensionable age, change in the benefit formula) stopped the rise of pension expenditures and stabilized the ratio between the insured and the retired. There are no debates on how the new system functions, nor on what kind of consequences the global economic crisis can have on private pension funds, while there are visible pressures (coming mainly from financial organizations and economists) on the government to further change the system by raising the employees' mandatory contributions to the private pension fund (now 5 per cent) in relation to contributions to the public fund (now 15 per cent) (Guardiancich 2007; Puljiz 2007).

### **Conclusions: A Bridge to SEE?**

The war with all its humanitarian and social consequences, the state-building process, as well as the Yugoslav socialist institutional legacy clearly differentiate Croatia from other Central European post-communist societies. Still, there are some commonalities which are worth exploring. Although because of the war circumstances Croatia avoided the first wave of neo-liberal shock therapy, it nevertheless experienced the 'residual social', the period in which the response to the humanitarian crisis masks the neglect of new poverty and social inequality and lack of data. Neo-liberal pressure came later and had some specificities in terms of the role of the International Financial Institutions, which were very much present in pension reform, partly in health care, but not in other fields of social policy. Privatization was partly planned (pension system) and partly unplanned and uncontrolled, caused by the lack of state funding and the emergence of new private actors. The notion of 'late Europeanization' describes both the late and the limited influence of the EU through the 1990s and even at the beginning of the 2000s, thus further weakening Europeanization processes at a time when doubts were emerging in post-communist countries.

Croatia's specific social circumstances, unlike many other post-communist countries, provoked a complex mix of statism and centralization, and parallelism in terms of the lack of clear roles of non-state and local government actors. The context of state-building, the construction of national identities and the redefinition of citizenship influence to a large extent welfare rights and the

emergence of new welfare arrangements specifically devoted to war veterans, while those who left the country during the war face serious obstacles in realizing their rights. The idea of 'captured social policy', although known also in other social contexts, describes the particular attention given to specific social groups, such as war veterans and pensioners, and their problems, or to measures devoted to demographic renewal, while neglecting many other social policy issues.

The possibility of Croatia as a bridge, both actually and in terms of theory and research, to South-East Europe is highly contentious, not least as one part of dominant politics in Croatia wants to join the EU by leaving the Balkans behind. The significance of disjunctions between formal citizenship, place of residence and belonging, leading to the invoking of cross-border solidarities and ethnicized welfare claims-making, is relevant throughout the region. The region, including Croatia, has been seen by external agencies through the lenses of development and postwar reconstruction, thus bringing to the area a development discourse and practice combined with emergency interventions which have reconfigured what is understood in terms of social policy. This means that the intellectual reference points and therefore the discourse of policy advocates working in the region are more complex than the clash between discourses of universalism or targeting, or regarding public versus private social provision. This article has therefore suggested that questions of the relationship between national identity, state-building, citizenship, war and humanitarianism, and complex governance arrangements, will be the key themes through which the social policies of this region will need to be addressed in the future.

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