

“The socio-economic impact of pension systems on the respective situations of women and men and the effects of recent trends in pension reforms”

National Report Croatia

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EXECUTIVE SUMMARY

The Croatian pension system covers 27% of the Croatian population, and the share of the insured and pensioners is very low (1.22), which indicates the problems of its sustainability. Not all the elderly are covered by the pension system (estimations say about 12% of them), while those not covered are mainly women who had no paid work. The risk-of-poverty-rate is much higher among the elderly, particularly elderly women. The average pension benefit is at the level of about 40% of the average salary. The position of pensioners, particularly that of women (both covered and not covered by the pension system), is affected by population ageing, future demographic scenarios, and the situation on the labour market: the level of population ageing in Croatia is equal to that of other EU countries; due to fertility and other demographic variables, the population is expected to shrink significantly, while the rise in employment is hard to predict.

The national debate about the pension system reveals general public dissatisfaction with it, mainly with the low level of pension benefit (and harsh social situation of pensioners) and its different aspects resulting in different position of certain groups (such as pension privileges for certain groups which are perceived as immoral or those arising from changes in benefit formula, which causes sizeable differences among pensioners who entered pension systems in different years). This also has a clear gender aspect, as the pension of women who entered the new pension system in 2002 (which radically changed the system) and were forced to retire after some years (due to the economic recession) is much lower than it would have been if they had remained in the old system. The change in 2010 whereby the pensionable age for women was increased to 65 (although only by 2030) has also generated a vivid public discussion.

The Croatian pension system is divided into three pillars. The first one is a public one, the second is an obligatory fully-funded one, while the third is a voluntary fully-funded pillar. The first pillar is actually a pay-as-you-go system, i.e. a defined benefit system, while the second and third pillars are the defined contributions systems. The three pillars system was introduced in 2002, and was at that time obligatory for all aged under 40, while those aged between 40 and 50 could chose between remaining in the old public system or entering the new one. The share of pension expenditures was 10.53% in 2009.

The difference between women and men is visible from the fact that women could opt for pension 5 years earlier than men, although that has been gradually changing due to the new Act passed in 2010. There are some other gender aspects of the system, such as those associated with the provision of survivors' pension which is mainly claimed by women. The most important provision from the gender aspect is a minimum pension, which offers a certain amount of pension benefit for all those who would otherwise have a much lower pension. Namely, the minimum pension is provided to those whose salaries amounted to less than 75% of an average salary so they receive about 70 Euros more that they would under usual conditions. The share of

minimum pension beneficiaries in new pension beneficiaries was 24.54% in 2010, out of which 34% were men and 66% women. Unfortunately, there are no other worthwhile examples in the pension system (except from the fact that maternity or parental leave is covered by the pension insurance), while in general not much attention is paid to the gender dimension in the current reform or in the discussion about future changes.

Although there is a public and expert consensus that the reform in the pension system is necessary, due to very different interests and the economic and political crisis, a kind of “in-lock” situation is present, and it is not possible to predict which direction possible changes will take. There are proposals to raise the contribution to the second pillar as well as to reduce it to the first, public pillar, but there are no estimations about possible gender aspects thereof. The idea to provide payment to the elderly without any income or with a very low income, i.e. a kind of “social pension” which would improve the position of elderly women, has been postponed because of the economic crisis.

OVERVIEW OF GENDER DIFFERENCES IN DEMOGRAPHIC AND LABOUR MARKET TRENDS AFFECTING PENSION INCOME IN CROATIA

1.1 Income situation and pension income of elderly women and men

There are 1.200.386 pensioners in Croatia (data from 2010)¹ and having in mind that there are 4.429.000 inhabitants in Croatia (estimates for 2009 of the Croatian Bureau of Statistics), it becomes visible that the pension system is a comprehensive one covering 27% of the Croatian population, as well as an important source of income for a considerable part of the population. The other main aspect of the pension system is related to the fact that the ratio between insured persons and pensioners was as low as 1.22 in 2010 indicating the fragility of the system. In terms of sex distribution there were 53.7% of women and 46.3% of men among pensioners. Among old-age pensioners the sex distribution is balanced (51.2% women and 48.8% men), while among invalidity pensioners men prevail (29.8% women vs. 70.2% men), whereas among survivors' pensioners women prevail (90.9% women vs. 9.1% men).² The pension system covers mainly the elderly, but not only them, as there is a considerable number of younger pensioners due to the earlier retirement, survivors and invalidity schemes, as well as of the beneficiaries of pensions granted under more favourable conditions. Thus, on December 31, 2010, there were (only) 64.73% pensioners older than 65. Among men, there were 66.76% of those aged 65 or more and for women that figure was 63.2%.

Although very comprehensive, the pension system does not cover the elderly population in total. There are no statistical data on the elderly not covered by the pension system, and according to the estimates based on the UNDP Quality of Life Survey from 2006, there were 12.4% of those aged 65 and more not covered by the pension system or about 86.400.³ Among persons not covered by the pension system there were almost only women (about 95%), but about 70% of the elderly without a pension live with a partner who has a pension. Women not covered are mainly those who have never had paid work.

¹ All data about pensioners are drawn from: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2011) *Statističke informacije Hrvatskoga zavoda za mirovinsko osiguranje, broj 4/2010 (Statistical Information of the Croatian Institute for Pension Insurance, No 4/2010)*, http://www.mirovinsko.hr/UserDocsImages/publikacije/statisticke_informacije/2010/4/Statisticke_informacijeHZMO_4_2010_veljaca2011.pdf or from: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2010) *Izješće o radu i poslovanju Hrvatskog zavoda za mirovinsko osiguranje (Report on Work and Activity of the Croatian Institute for Pension Insurance for 2009)*, http://www.mirovinsko.hr/UserDocsImages/upravnovijece/sjednice/24_17060210/2009HZMO_godisnje_izvjesce_I_XII_2009_tablicni_prilog.pdf The data are presented either for 2010 or for 2009, whichever is available.

² Croatian Bureau of Statistics (2011) *Women and Men in Croatia 2011*, www.dsz.hr

³ Šućur, Z. (2008) *Socijalna sigurnost i kvaliteta života starijih osoba bez mirovinskih primanja u Republici Hrvatskoj (Social Security and Quality of Life of Elderly Persons without Pensions in the Republic of Croatia)*, *Revija za socijalnu politiku (Croatian Journal of Social Policy)* 15(3):435-454.

At-risk-of-poverty rate after social transfers was at the level of 16.3% in 2006 and 18% in 2009 for the entire population, but for those older than 65 it was significantly higher amounting to 23.9% for older men in 2009 and 36.1% for older women (Tables 1 and 2).⁴ At-risk-of-poverty rate was higher for persons older than 65 than for pensioners in general indicating the previously mentioned fact that not all elderly people are covered by the pension system. This higher poverty rate also indicates that other ways of protecting those with no pension (social assistance or some other welfare payments) are not adequate. The income structure for a one-person household aged 65 and over was as follows in 2009: income from paid employment (0.2%), income from self-employment (2.3%), income from property (13.6%), pensions (47.8%), and transfers and other receipts (36.1%).⁵ Poverty is, accordingly, much more present among one-person households, and particularly among one-person households older than 65, where we can find 29.9% of poor men and as much as 56.5% of poor women in 2009. Data from Table 2 (national data) also indicate worsening of the social situation as there was a trend of rising poverty from 2006 to 2009.

The social situation of elderly in Croatia is visible also from data presented in Tables 3 and 4. The relative median income ratio in Croatia was 0.74 in 2005 and 0.76 in 2009, thus lower than in the EU 27 where it was at the level of 0.86 in both years.⁶ The aggregate replacement ratio in Croatia was 0.49 in 2009 (very similar to EU 27), but the gender gap in that respect was higher in Croatia as the aggregate replacement ratio was 0.57 for men, and 0.47 for women.⁷

An important aspect of the income situation of pensioners is connected with the fact that the net average pension benefit in 2009 was at the level of 40.46% of net average salary (Figure 1). The old-age pension benefit was at the level of 44.94%, while the survivors benefit was at the lowest level or 34.78% of the net average salary. However, the replacement ratio is higher for those who had maximum number of years of employment, and it goes up to 60%. Very low pension benefits, i.e. benefits below 1500 HRK (some 200 EUR) were received by 27.8% of pensioners in 2009, mainly because of short pension contribution period and low previous salaries. There is a strong difference in average pensions between the beneficiaries who retired before 1999 and those who retired afterwards. Among the recipients of low pension benefits there were more women (59%) than was their share in total number of pensioners (56%).

⁴ EU-SILC, At-risk-of-poverty rate of older people,

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_pnp1&lang=en

Croatian Bureau of Statistics, Poverty Indicators, www.dsz.hr

⁵ Croatian Bureau of Statistics (2011) Results of Household Budget Survey 2009, www.dsz.hr

⁶ EU-SILC, Relative median income ratio, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_pnp2&lang=en

⁷ EU-SILC, Aggregate replacement ratio, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde310&plugin=1>

1.2 Factors affecting gender differences in pension income

1.2.1 Gender differences in demographic change and migration trends

Population ageing is present in Croatia to the same extent as in the EU (Tables 5 and 6). In 2009 there were 4,429,078 citizens in Croatia, out of which there were 51.8% of women and 48.2% of men.⁸ The age coefficient (percentage of population aged 60 and over in total population) was 26 for women and 19.3 for men in 2008. The ageing index (percentage of population aged 60 and over in population younger than 20) was 130.4 for women and 85.8 for men in the same year. These and other indicators presented in Table 6 (such as population by age and average age for women and men) indicate not only a very visible process of ageing but also a sex distribution which points to much larger share of women in old age, which is, however, connected with a worse social situation they are in, as described in the previous chapter. The old-age replacement ratio (% of those aged 65 and over in comparison to the population aged 15-64) was the same in Croatia as in the EU 27 in 2010.⁹ Thus, life expectancy at birth has also been higher for women than for men and was 79.6 for women and 72.4 for men in 2008. It is interesting to note the difference in life expectancy between Croatia and the EU 27. In Croatia, life expectancy for men was lower - 3.83 years for men, and 2.7 years for women in 2008.¹⁰ According to available projections, life expectancy at birth will rise to 84.5 for women and 78.8 for men by 2045-2050.¹¹ According to the projections the ratio between the insured and beneficiaries will not change much or will even slightly worsen. As the projections are based on different assumptions (different employment and unemployment rates, different level of economic activities, etc.) projections on the share between the insured and beneficiaries range from 1.56 to 1.23 for 2031.¹² The underlying population projection expects shrinking of population to 3,902,236 in 2031, and the share of those aged 65 and over to 24.9%. Another population projection for 2050 predicts the median age of 47.1 for men and 52.0 for women, and the rise of those aged 65 or more by 70.9%, accounting for almost one third of population.¹³

The size of international migration is not particularly huge.¹⁴ The number of immigrants has been shrinking and it amounted to 14,230 persons in 2005 and only 8,468 persons in 2009. As a significant drop in the number of immigrants occurred only in 2009 (in 2008 there were

⁸ Source: Croatian Bureau of Statistics (2010) *Women and Men in Croatia 2010*, www.dsz.hr

⁹ Eurostat, Population,

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde510&plugin=1>

¹⁰ Croatian National Institute of Public Health (2010) *Croatian Health Service Yearbook 2009*, http://www.hzjz.hr/publikacije/hzs_ljetopis/Ljetopis_Yearbook_HR_2009.pdf

¹¹ UN Population Division: *World Population Prospects: The 2008 Revision*, <http://data.un.org/Data.aspx?d=PopDiv&f=variableID%3a67>

¹² Akrap, A. (2006) Active insured persons and retired persons in Croatia – expected trends up to 2031, *Revija za socijalnu politiku (Journal of Social Policy)*, 13(2):127-150.

¹³ Rozga, A. (2004) Forecasting Population Changes in Croatia until 2050, *2004 JSM Proceedings*. American Statistical Association, http://bib.irb.hr/datoteka/183339.Forecasting_Population_Changes_in_Croatia_until_2050.doc

¹⁴ Source: Croatian Bureau of Statistics (2010) *Migration of Population of the Republic of Croatia*, www.dsz.hr

14,541 of immigrants) possible reasons were found in the economic crisis and in the changes in the procedures introduced by the Ministry of Interior of obtaining legal status which has become much stricter, as well as in the new Aliens Act from 2008. However, the immigrants to Croatia were mainly those who already had Croatian citizenship but lived in other post-Yugoslav states prior to the immigration to Croatia (90% of them). In 2009, 9.940 citizens emigrated from Croatia, while the number was different in previous years (from 11.767 in 2002 to 6.012 in 2005 and 9.002 in 2007). With regard to sex, out of the total number of immigrants, there were more men than women (53.5%), and out of the total number of emigrants, there were slightly more women (50.2%). It can be expected that migration will rise in the next years as Croatia will close its negotiation with the EU and will eventually become an EU member states, which will pose a problem of the portability of pension. So far, the issue of portability has been solved by agreements on social security signed between Croatia and other countries (20 agreements with different countries have been signed and on the basis of succession of the former Yugoslavia additional 5 agreements are in force), and the biggest issue so far has been that of pension rights of workers who worked in different states of former Yugoslavia, particularly Serb returnees, i.e. Serbs who left the country during the war and returned later on and claimed their pension rights. In 2010 there were 130.627 beneficiaries in Croatia who got their pension on the basis of agreements signed between Croatia and other countries, and the average pension benefit for these persons has been very low (719.71 HRK or about 97 EUR), mainly due to low pensionable record they obtained (12-13 years in average).¹⁵

1.2.2 Gender differences in the labour market

The employment rate of older workers (aged 55 to 64) has been lower in Croatia than in the EU 27 (Table 8). In 2009 the rate was 38.4% in comparison to 46% in the EU 27, 50.1% for men and only 28% for women.¹⁶ The positive side is that the rate was growing from 2005 to 2009. The lower employment rate for women is very present in the older age groups, and not so in the age group 25-54, where employment rate was 69.4% in Croatia, which is very similar to the EU 27 rate (Table 9). The employment rate for older workers results from the overall activity, employment, and unemployment rates (Table 10). The unemployment rate in 2009 was 6% for men and 8.7% for women, not very different from the EU 27 average rates, but both employment and activity rates were much lower in Croatian than in the EU 27. The deepness of the economic crisis in Croatia has further worsened the situation in 2010. According to the latest data, the registered unemployment rate was 19.6% in January 2011 (in comparison to 14.9% in 2009), while the unemployment rate according to the LFS rose to 11.5% (15-64) in the period

¹⁵ Rismondo, M. (2011) Osiguranici i korisnici mirovina u mirovinskom osiguranju (Insurers and Pensioners in Pension Insurance), Presentation at the Round Table, February 16, 2011, <http://www.bankamagazine.hr/Projekti/Analizamirovinskogsustava/tabid/413/CategoryID/153/currentpage/2/Default.aspx>

¹⁶ EU-LFS, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_emp_a&lang=en

July-September 2010, 11.3% for men and 12.5% for women.¹⁷ Still, the average exit age from the labour force was 60.6 years in 2009 in Croatia, not much different from the EU 27 data (Table 7).

Temporary employment is still not so present in Croatia, as in 2009 there were 8.6% of men and 9.7% of women temporary employed (Table 11). Part-time employment is also not so spread, but in that respect there is a significant difference between the Croatian women and women in the EU. The respective figures were 31% in the EU 27 in 2009, while only 11.8% in Croatia in the same year. The lower share of part-time employment could be a result of generally low level of salaries, which means that net return from part-time is very low, particularly calculating associated transportation or childcare costs. Also, the lowest employer contributions for social security and health insurance are based on the minimum wage of a full-time employee, which means that a part-time employee on a low wage becomes more expensive than a full-time employee.¹⁸ Among self-employed, there were 16% of men and 14.3% of women in 2009 and these figures are higher than those in the EU 27, particularly for women.

The data on vertical and horizontal segregation among sexes on the labour market, on career patterns and on the gender pay gaps are non-existent or very scarce. Based on the findings from the Joint Assessment Paper of the Employment Priorities of the Republic of Croatia from 2008 it can be said that the share of employed women in highly skilled occupations is similar to the share for men, while among less skilled, women are employed more in non-manual occupations. The same document states that the gender gap was (based on the average gross wage paid in legal persons) only 11.5% in 2005. Statistical report on women and men in Croatia indicates that the share of gross women's salaries as percentage of men's was 89.4% in 2009, but this also concerns only persons employed by legal entities, thus not covering all the employed.¹⁹ A scientific analysis on gender pay gap based on the LFS data has found that the gender gap was 10% in 2008, but when looking at the education and experience (as for example employed women are better educated than employed men) this rose to around 20%.²⁰ According to this analysis the gender wage gap is relatively mild at the lower part of the wage distribution, but larger at the top of the distribution. Also, it has found that private sector employers provide lower wages to mothers with children than to other women with the same labour characteristics. Although this difference was not found in the public sector, this greatly affects women's position in the pension system.

¹⁷ Data from the Croatian Bureau of Statistics web-site: www.dzs.hr

¹⁸ Ministarstvo gospodarstva, rada i poduzetništva (Ministry of Economy, Labour and Entrepreneurship), *Zajednički memorandum o prioritetima politike zapošljavanja Republike Hrvatske (Joint Assessment Paper of the Employment Policy Priorities of the Republic of Croatia)*, 2008, <http://www.mingorp.hr/defaulteng.aspx?id=1126>

¹⁹ Croatian Bureau of Statistics (2011) *Women and Men in Croatia 2011*, www.dzs.hr

²⁰ Nestić, D. (2010) The Gender Wage Gap in Croatia – Estimating the Impact of Differing Rewards by Means of Counterfactual Distributions. *Croatian Economic Survey*, 12(1) :83-119.

2. ASSESSING GENDER EQUALITY IN EXISTING PENSION SCHEMES IN CROATIA

2.1. The national debate on the possible gender impact of existing pension schemes

The pension system is an issue hotly debated among the public. Although there are many reasons for that, two of them could be singled out. The first one is connected with the general public dissatisfaction with pensions as pension benefits are generally low and in many cases do not offer protection against poverty. The second one is connected with the internal inconsistency of the system due to a series of partial changes which have occurred in the last years and which have led to different position of pensioners who entered the pension system in different years. That general dissatisfaction with the pension system also has a gender dimension.

A recent public debate about the gender aspects of the pension system has occurred in 2010 when the Parliament passed amendments to the Law on Pension Insurance, which came in force on November 1 2010 and regulated the gradual rise of pensionable age for women, so that the conditions will be equal for women and men: for the old-age pension 65 years and minimum 15 qualifying years and for the early retirement pension 60 years and 35 qualifying years.²¹ However, as under the previous system women could retire five years earlier than men, the equalization system will be in place by 2030. The decision for this very gradual rise came as a compromise between the Government and trade unions, which at the first stage fiercely opposed the initial Governmental proposition to equalize pensionable conditions for women and men by 2018. The Government based its wish on the Constitutional Court decision which in its ruling from April 2007 has found that favourable possibilities for women in the pension system violate the principle of sex discrimination, but the Court proposed the gradual rise and decided that articles on different conditions for pension for women and men should be terminated by December 31 2018.²² Still, the general public was against the proposal and their arguments mainly referred to more harsh working conditions for women and in general worse social conditions for women in Croatia, as well as in other transitional post-communist countries. The public discussion did not touch upon the possibilities of granting women any kind of credits for family care obligations (except for maternity or parental leaves which are covered by the pension

http://hrcak.srce.hr/index.php?show=toc&id_broj=4199. See also Nestić, D. (2007) Differing Characteristics or Differing Rewards: What is Behind the Gender Wage Gap in Croatia? *EIZ Working Papers*, www.eizg.hr

²¹ Zakon o izmjenama i dopunama Zakona o mirovinskom osiguranju (Law on Amendments to the Pension Insurance Law), *Narodne novine*, 121/10 (Official Gazette 121/10).

²² Odluka Ustavnog suda Republike Hrvatske br. U-I-1150/2000 od 18.04.2007. (Constitutional Court of the Republic of Croatia Decision No. U-I-1150/2000 from April 18, 2007), <http://www.pravo.hr/RSP/zakoni>

insurance). The final decision about the gradual rise by 2030 pleased trade unions and softened the public discussion.

Other aspects of the pension system which have attracted public attention are differences between the so-called “old” and “new pensioners”. In fact, two major differences occurred between the “old” and “new” pensioners. “Old” pensioners are those who retired before the pension reform of January 1999 which changed many aspects of the system, including those which affected the lower level of pension benefit for those who entered the pension system after that reform (as the reform introduced the rise of pensionable age, reduction of benefits in case of early retirement pension, new formula for pension adjustments, etc.). These changes, as well as some other changes that privileged “old” pensioners, contributed to the fact that “new” pension benefits (i.e. pension benefits for those who entered the pension system after the reform of 1999) were about 20% lower than they would be under the old conditions. As these differences raised public concerns, changes were made in 2007 which introduced additional benefit for “new” pensioners in the amount from 4% to 27% (4% for pensions obtained in 1999 to 27% for those obtained in 2010 and later).

The second difference concerns the pension reform of 2002 which, in addition to the public pillar, introduced the second fully-funded pillar. When introduced in 2002, the new system was obligatory for all under 40 years of age, and was optional for those between 40 and 50 years of age. Some of those who at that time opted for the new system, mainly women, due to different reasons (in particular those connected with the economic situation and loss of jobs) were in fact forced to retire by the end of 2000s. As they did not have a chance to accumulate much in the second pillar, and because of different benefit formula for those who obtained benefits from the first and from the second pillar, their pension benefits are much lower than they would have been if they had remained only in the old system (only public, the first pillar). The same will happen in the future as well, as some calculations predict that pension benefits from the first and second pillar will be lower than that from the first pillar only, even by 2035, which is a prediction that was not clearly presented when the reform was introduced.²³ That will affect mainly women, and there is no acceptable political solution at the moment for that.

Public debates have also touched upon privileges in the pension system granted to different groups, such as politicians, war veterans (of the Homeland War 1991-1995 and of the World War II). Croatia has a particularly large share of invalidity pensioners (27.23% of all pensioners), and there are indications that some (many?) of the pensions were granted unlawfully.²⁴ The gender

²³ Marušić, Lj, Škembar, A. (2008) Socijalni i gospodarski aspekti uvođenja obveznog mirovinskog osiguranja na temelju individualne kapitalizirane štednje (Social and Economic Aspects of the Introduction of Mandatory Pension Insurance based on Individual Capitalized Saving), *Revija za socijalnu politiku (Journal of Social Policy)*, 15(3):343-363.

²⁴ Badun, M. (2011) Zašto Hrvatska ima mnogo korisnika invalidskih mirovina? (Why Croatia has so many invalidity pension beneficiaries), Presentation at the Round Table, April 19, 2011, <http://www.bank.hr/Projekti/Analizamirovinskogsustava.aspx>

aspect visible in these discussions is connected with the right of former female MPs who can qualify for old-age pension at 55 (if they served as MPs for at least 4 years and have 25 years of contributing period), which is a lower age than that for former male MPs (they can obtain the same right at 60), and of course lower than that for other women.

2.2. Main characteristics of existing pension schemes in a gender perspective

2.2.1. Overview of the current institutional framework of the pension system

The Croatian pension system is divided into three pillars.²⁵ The first pillar is a public one, the second one is an obligatory fully-funded pillar, while the third one is a voluntary fully-funded pillar. As the new three-pillar system came into force in 2002, those who were at that time older than 50, and those who were aged between 40 and 50, but did not opt for the new system, and still work, pay contributions only to the first pillar. In terms of calculating pension benefits there are important differences between those who remained in the old public pension system, i. e. those who pay contributions only to the first pillar, and those who pay contributions to the first and to the second pillar.

The public pillar represents the compulsory pension insurance scheme and is run by the public institution, the Croatian Pension Insurance Institute. All persons who make an income by working are covered by this scheme, and are entitled to the following rights: old-age pensions, early retirement pensions, invalidity pensions, survivors' pensions, minimum pensions, basic pensions²⁶, professional rehabilitation with the right to salary compensation, allowance for physical damage, and the reimbursement of travel expenses linked to the use of these rights. Professional rehabilitation is the only in-kind benefit and can be obtained only on the Croatian territory. The first pillar is a pillar of inter-generational solidarity, based on two basic principles: mutuality (link between the obtained benefit and qualifying period and the amount of salary on the bases of which the contributions are paid) and solidarity (redistribution in favour of certain groups). There were 1.475363 of insured persons in the first pillar at the end of 2010, which is 3.5% less than in 2009 and this indicates the economic crisis and rising unemployment rate. Out

²⁵ For basic information about the Croatian pension system see: Puljiz, V. (2008) Mirovinski sustav (Pension System). In: V. Puljiz et al. *Socijalna politika Hrvatske (Croatian Social Policy)*. Zagreb: Pravni fakultet u Zagrebu; Potočnjak, Ž. (2002) Nova koncepcija i struktura mirovinskog sustava (New concept and structure of the pension system), *Zbornik Pravnog fakulteta u Zagrebu (Collected Papers of Zagreb Law Faculty)*, 50(5):699-722. Information can be obtained also from the Croatian Pension Insurance Institute web-site (<http://www.mirovinsko.hr/>) and Ministry of Economy, Labour and Entrepreneurship web-site (<http://www.mingorp.hr/>).

²⁶ Basic pension is a part of the pension benefit for the insureds who were parallelly insured in the first and second pillar, and who from the first pillar do not receive a pension determined via the pension formula but a basic pension per year of a parallel insurance multiplied by the longest completed qualifying periods of a parallel insurance in the first and the second pillar.

of them, there were 53.82% of men and 48.18% of women. 48.35% were younger than 40, 26.91% were aged between 40 and 50 and 24.72% older than 50.²⁷

From the second pillar old-age and early retirement pensions can be obtained, while disability pensions and survivors' pension can be obtained in the first pillar and exceptionally in the second pillar.²⁸ The second pillar is run by four private pension funds that operate in Croatia. These four funds had 1.561,456 members in the last quarter of 2010, but there are no data on gender distribution.²⁹ With the purpose of the regulation and supervision of the second pillar, two institutions have been established: REGOS (the Central Registry of Affiliates) and HANFA (Croatian Financial Services Supervisor Agency), which also supervises the third pillar funds.

The third pillar offers additional pension for those who have the possibility or are willing to invest in these funds. The right from the voluntary pension insurance can be acquired by the member after the age of 50 and after the person transfers pension savings from the voluntary pension fund to and concludes contracts with the pension insurance company of one's choice. The only exception, when the benefit can be acquired earlier, is in the case of death or invalidity, but only under the conditions specified in the contract between the member of the fund and the pension company. In order to stimulate voluntary pension insurance there are incentives paid by the state budget in the amount of 15% of the paid contribution in the previous year but up to HRK 5,000 (about 675 EUR), which means that the maximum amount of the incentive can be HRK 750 (about 101 EUR) per person per year. These stimulations were lowered in 2010, as from 2002 (when the system was introduced) the incentives were higher: 25% of the paid contributions and also up to a contribution of HRK 5,000.00 (therefore the maximum amount of the incentives was HRK 1,250.00, or about 168 EUR).³⁰ Foreigners will be eligible for those incentives under the same conditions as Croatian citizens when Croatia becomes a full EU member. Still, at the end of 2010 there were only 169.851 members in six open private voluntary pension funds and 17.618 members in 15 closed voluntary pension funds.

EU recommendations / directives (such as Directive 79/7 and Directives 96/97 amending 86/378) are incorporated in Croatian laws and provisions and there are no different treatments in this respect.

²⁷ : Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2011) Statističke informacije Hrvatskoga zavoda za mirovinsko osiguranje, broj 4/2010 (Statistical Information of the Croatian Institute for Pension Insurance, no 4/2010), http://www.mirovinsko.hr/UserDocsImages/publikacije/statisticke_informacije/2010/4/Statisticke_informacijeHVM_Oa_4_2010_veljaca2011.pdf

²⁸ There is a possibility to obtain the invalidity and survivors' pension in the second pillar when an insured person (in a case of invalidity or death) is more than 50 years old and has been a member of the second pillar obligatory fund for more than 5 years.

²⁹ HANFA – Hrvatska agencija za nadzor financijskih usluga (Croatian Financial Services Supervisory Agency) (2010) Kvartalni bilten IV/2010 (Quarter bulletin IV/2010), <http://www.ripe.hanfa.hr/hr/publiciranje/izvjesca/>

Migrant workers for whom the EU coordination of social security rules shall be applicable (Regulation 883/04, Implementing 987/09, Regulation 1231/10) will receive pension from the second pillar in line with the amount of contributions collected in the second pillar account.

2.2.2. Financing system and spending for pensions

The first and the second (obligatory) pillars are financed by contributions. Mandatory contribution is 20% on gross salary. If the insured person is included in the first and second pillar, then the contribution is divided in 15% (for the first pillar) and 5% (for the second one). The minimum base for calculating contributions is 0.35% of average gross salary, while the highest base is six gross average salaries. Though the pillars are financed by contributions there is a fundamental difference among them. The first pillar is a pay-as-you-go pillar, based on the defined benefit system, while the second and the third are organised as defined contribution systems. Therefore, the calculation of benefits is different in these two systems. The formula for the calculation of pensions is: personal points x pension factor x actual value of the pension.³¹ Those who are entitled to the pension from the first and second pillar receive the first pillar pension (on the bases of the mentioned calculation) for the period before the introduction of the second pillar. For the following insurance period, the person receives the first pillar basic pension (0.25% of the national average gross salary of all employed persons in the preceding year for every year of qualifying period completed after the introduction of the second pillar + 0.25% of the actual value of personal points realised after the introduction of the second pillar). The second pillar benefit is calculated on the bases of funds saved in the individual's account and the actuarial unisex tables.

Adjustment of the pension from the first pillar is done twice a year, determined by a 50% increase in consumer prices and 50% increase in national average gross earnings in the previous half of the year. For paying taxes, there is an individual tax exemption in the amount of HRK 3,200.00 (about 432 EUR) plus exemptions for a dependent child, a disabled person and for living with a disabled person. After the reduction, there is a scale for paying taxes which ranges from 15% (up to HRK 3,600.00 – about 486 EUR) to 45% (for the amount exceeding HRK 25,200 per month – about 3405 EUR).

The average pension in average salary is low and it amounts to 44.53% for old-age pensions and 40.46% for all types of pensions (Figure 1). This share does not change much, as in 2005 it was 41.8% for all pensions. The lowest value is that of invalidity (36.14% share), and survivors' pension (34.78%). Only 18.23% of all old-age beneficiaries have 40 years or more of the qualifying period and for them the average pension was 59.67% of average salary in 2009. The

³⁰ Vukorepa, I. (2001) *Novela Zakona o obveznim i dobrovoljnim mirovinskim fondovima* (Act on Compulsory and Voluntary Pension Funds Amendments). *Revija za socijalnu politiku (Croatian Journal of Social Policy)*, 18(1):99-102.

low value of the pension is partly associated with the fact that 10.3% of all pensioners obtained their pension in line with international social insurance agreements, as they had a work record in other countries as well, but the qualifying record they obtained in Croatia was only 11 years in average with the average pension benefit in the amount of HRK 728.00 (about 98 Euros). As already indicated, in 2009 27.8% of all pensioners, out of which 59% of women, received the pension benefit below HRK 1,500.00 (about 202 Euros). The percentage of women's pensions as a percentage of men's was 77.6% for all pensions, the highest for survivor's pensions (98.7%) and the lowest for invalidity pensions (65.8%) (data for 2010).

The share of pension expenditures in GDP amounted to the maximum of 12.04% in 2001, and has been declining since then.³² In 2008 the share was 9.80% and in 2009 the figure was 10.53% (Figure 7). This rise occurred due to the inflow of new pensioners because of the expected changes in the pension system (the change that actually occurred and which raised the pensionable age for women), as well as because of the economic crisis. The economic crisis contributed to the inflow of those who opted for earlier pensions and has lowered the GDP level in the country. That is visible from the share of different types of new pensioners in the period 2006 - 2010: old-age (-11.6%), earlier old-age (+340.3%), invalidity (+38.5%), survivors (-17.5%), and for all types: + 18.6%. As there are only national data on pension expenditures, they are not publicly available in Euro and in PPS.

2.2.3. Assessment of the main pension schemes in the country in a gender perspective

The basic structure of main pensions schemes are presented in the following three tables.

Table: First pillar

NAME OF THE SCHEME and year of implementation	First pillar, in force from Jan 1, 1999
Basic principles of the scheme and field of application	Pay-as-you-go system, public system of inter-generational solidarity
Conditions / Eligibility <ul style="list-style-type: none"> Retirement age (legal and effective for men and women) and flexible exit conditions (if present) Minimum contributory years (minimum period of membership) 	-Retirement age for old-age pension: 65 for M and for W (for W gradual rise from 60 to 65 by 2030 in effect from 2011 – each year the retirement age for W is rising by 3 months) + 15 years of qualifying period

³¹ For details see: Potočnjak, Ž (2000) Nove mirovinske formule mirovinskog osiguranja generacijske solidarnosti (New Benefit Calculation Formulas of the Pay-as-you-go Pension Scheme), *Revija za socijalnu politiku (Journal of Social Policy)* 7(1):1-18.

³² Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2010) *Izvešće o radu i poslovanju Hrvatskog zavoda za mirovinsko osiguranje (Report on Work and Activity of the Croatian Institute for Pension Insurance for 2009)*,

http://www.mirovinsko.hr/UserDocsImages/upravnovijece/sjednice/24_17060210/2009HZMO_godisnje_izvjesce_I_XII_2009_tablicni_prilog.pdf

<ul style="list-style-type: none"> • Conditions for drawing full pensions • Regulations related to the marital status (survivors' pension benefits; spousal benefits; divorce and cohabitation) • Individualised vs household derived pension right 	<p>- Early retirement: 60 for M and W (for W gradual rise from 55 to 60 by 2030 in effect from 2011 – each year the retirement age for early pension is rising by 3 months + gradual rise of qualifying period from 30 to 35 years for W) + 35 years of qualifying period</p> <p>- Survivors' pension – member of the family has a right to the pension if conditions are fulfilled (such as if the insuree completed at least 5 years of insurance period or at least 10 years of qualifying period, etc.); there are conditions set for the right to survivors' pension for a widow, divorced spouse, child, and a parent of a deceased insuree.</p> <p>Pension right is individualised. Survivors' pension is determined with respect to the number of survivor's pension beneficiaries, but is paid individually.</p>
<p>Benefits</p> <ul style="list-style-type: none"> • Determining factors • Reference Earnings • Minimum and maximum pension (household and/or individual) • Link between contributory years and amount of benefits paid (defined benefits vs. notional defined contribution systems); • Credits for non-contributory periods (child care credits and other care credits); • Supplements for dependents (spouse, children, other dependents) 	<p>Previous earnings employment history.</p> <p>Defined benefit system based on the following calculation method: personal points x pension factor x actual value of the pension. Personal points = average value points x total qualifying period x initial factor. Value points = gross of net earnings of the individual in each calendar year divided by the national gross or net annual earnings of all employed persons in the same year. Average value points = total of value points divided by respective period for which the value points are taken into account.</p> <p>Minimum pension – the right to minimum pension can be exercised by those who obtained their pension after Jan 1, 1999, but whose regularly calculated pensions are below the minimum. It is determined by the full number of qualifying years x 0.825% of the national average wage of the employed persons in 1998 x initial factor x pension factor.</p> <p>Maximum pension – for the pensioners after Jan 1, 1999, the average value point should not exceed 3.8, i.e. the personal average wage from the entire employment history taken into account cannot exceed 3.8 average wages of all employed persons. The final amount of the maximum pension then depends on the period of insurance and of the kind of pension (old-age, invalidity, survivors').</p> <p>Basic pension – is calculated for those insured in both the first and the second pillar, and the basic pension is a part of the pension obtained in the first pillar after the introduction of the new pension system. The beneficiaries of the basic pension have the right to a minimum pension only for the qualifying period obtained before being insured in the second pillar.</p> <p>Non-contributory periods taken into account: the periods of receipt of the sickness benefit, periods completed in wars and military personnel or servicemen, periods of war and post-war imprisonment, and periods of maternity and parental leave. There are no other-care credits. No</p>

	supplements for dependents. Special rules apply for minimum and maximum pension of MPs and homeland war veterans.
Indexation system	Twice a year an adjustment is made by adding 50% of the increase in consumer price and 50% of the increase in national average gross earnings in the previous half of the year. This was suspended in 2010 and 2011 due to the economic crisis.

Table: Second pillar

NAME OF THE SCHEME and year of implementation	Second pillar, in force from Jan 1, 2002
Basic principles of the scheme and field of application	General compulsory individual capitalisation scheme
Conditions / Eligibility <ul style="list-style-type: none"> Retirement age (legal and effective for men and women) and flexible exit conditions (if present) Minimum contributory years (minimum period of membership) Conditions for drawing full pensions Regulations related to the marital status (survivors pension benefits; spousal benefits; divorce and cohabitation) Individualised vs household derived pension right 	Conditions / eligibility – the same as in the first pillar: pensions from the second pillar are acquired from the day the insuree fulfils conditions for the basic pension from the first pillar. Survivors' pension can be obtained only in the first pillar. Individualised pension right.
Benefits <ul style="list-style-type: none"> Determining factors Reference Earnings Minimum and maximum pension (household and/or individual) Link between contributory years and amount of benefits paid (defined benefits vs. notional defined contribution systems); Credits for non-contributory periods (child care credits and other care credits); Supplements for dependents (spouse, children, other dependents) 	Individual savings with unisex actuarial tables – not related to the previous earnings history. Defined contribution system – calculated according to the amount of funds saved. The pension payment is agreed in the form of the contract concluded between the member of the fund and the pension insurance company. No provisions on minimum or maximum benefit. No credits for non-contributory periods. No supplements for dependents.
Indexation system	Twice a year according to the changes in consumer price.

Table: Third pillar

NAME OF THE SCHEME and year of implementation	Third pillar, in force from Jan 1, 2002
Basic principles of the scheme and field of application	Voluntary pension insurance based on the individual capitalised savings.
Conditions / Eligibility <ul style="list-style-type: none"> Retirement age (legal and effective for men and women) and flexible exit conditions (if present) Minimum contributory years (minimum period of membership) Conditions for drawing full pensions 	Old-age insurance. The right can be acquired after the age of 50 (earlier in case of invalidity or death but only under conditions specified in the contract). Individualised pension right.

<ul style="list-style-type: none"> • Regulations related to the marital status (survivors pension benefits; spousal benefits; divorce and cohabitation) • Individualised vs household derived pension right 	
Benefits <ul style="list-style-type: none"> • Determining factors • Reference Earnings • Minimum and maximum pension (household and/or individual) • Link between contributory years and amount of benefits paid (defined benefits vs. notional defined contribution systems); • Credits for non-contributory periods (child care credits and other care credits); • Supplements for dependents (spouse, children, other dependents) 	Individualised savings. Defined contribution system. No provisions on minimum or maximum benefit. No credits for non-contributory periods. No supplements for dependents.
Indexation system	Based on the contract.

The presented basic structure of the system shows that there is not much attention paid to the gender aspects of the pension system. Actually, four main facts are worth mentioning here. The first one suggests that the gender perspective, i.e. gender equality, is tackled by raising the retirement age for men and women so that in 2030 there will be no difference in the conditions for obtaining pensions between men and women. The gradual rise of the retirement age for women can be evaluated from two different angles – on one hand it seems that the Government is sensitive to the social and working situation of women (harsh job conditions, shortage of jobs for older female workers), but on the other it seems that the sustainability of the pension system is endangered, as low pensionable age poses a financial treat. Secondly, there is a provision for the survivors' pension which is important from the gender perspective as women are in 91% survivors' pension beneficiaries. Thirdly, the elements of solidarity (survivors' pension, invalidity pension, minimum pension) exist only in the first pillar, while the second and the third pillar are sustained mainly on paid contributions, and women in general have lower wages and, consequently, pay lower contributions, and will in the future have lower benefits from the second and the third pillar. The provision of the minimum pension is particularly important for women, and that will be elaborated in the next section. Fourthly, there are credits for non-contributory periods, but there are no credits for other dependents and there is no public debate about introduction of credits for dependents, or for earlier retirement in case of having children.

2.2.4. Examples of good practices

As seen from the description, there are no practices which can be highlighted as good ones from a gender perspective. The only good practice can be found in a provision of a minimum pension. The right to minimum pension has those beneficiaries whose pension is lower than the minimum one (although this is applied only to the beneficiaries who were insured only in the first pillar or to those who were insured in both pillars just for the period before the entrance in

the second pillar, since for those insured in both pillars, the basic pension, not the minimum pension any more, is calculated using different formula. The minimum pension is established per year of the qualifying period and is multiplied with the total number of qualifying years: it is determined in the amount of 0.825% of the average gross salary of all employees in 1998. For the beneficiaries of invalidity and survivors' pensions whose disability occurred as a result of an employment injury or occupational disease or after death from the same causes, it is calculated for a total of 40 years of the qualifying periods. The minimum pension is also determined by the application of the personal factor. It is adjusted, like other pensions, via the actual pension value. The first analysis after the minimum pension was introduced in 1999 showed that there was a huge number of those who received the minimum pension (55% of all pension beneficiaries) and that the value of the minimum pension can be detrimental to the payment of contributions, as all those who paid contributions in the amount that was a bit less than the gross average salary could be expected to be entitled to a minimum pension.³³ Still, the minimum pension on January 1, 2010 for a 15 year-qualifying period was HRK 849 (about 114 Euros), and for a 45 year-qualifying period it amounted to HRK 2.547 (332 Euros).³⁴ The share of minimum pension beneficiaries in the new pension beneficiaries was 39.05% in 2007 and 24.54% in 2010. At the end of 2010, there were in total 163.269 minimum pension beneficiaries with the average pension of HRK 1.336.00 (about 180 Euros), out of which there were 34% men and 66% of women. The average pension benefit of women minimum pension beneficiaries was slightly higher than of men (HRK 1.359,00 to HRK 1.292,00, respectively). To sum up, the minimum pension is received by those whose salaries amounted to less than 75% of an average salary, and these beneficiaries have about HRK 530 (about 71 Euros) higher pension benefits than they would have under "normal" conditions. This was much more important for women. However, the share of expenses for the coverage of minimum pensions was only 2.71% of all pension expenditures in 2010.

³³ Potočnjak, Ž (2001) Najniža mirovina (Minimum pension). *Zbornik Pravnog fakulteta u Zagrebu (Collected Papers of Zagreb Law Faculty)*, 51(3-4):557-586.

³⁴ Marušić, Lj. (2010) Najniža i najviša mirovina (Minimum and maximum pension), Presentation at the Round Table, February 16, 2011, <http://www.bankamagazine.hr/Projekti/Analizamirovinskogsustava/tabid/413/CategoryID/153/currentpage/2/Default.aspx>

3. RECENT REFORMS AND THE CURRENT DEBATE ON FUTURE PERSPECTIVES AND CHALLENGES IN TERMS OF GENDER EQUALITY

3.1. Challenges and perspectives in the short and long term: sustainability and adequacy of pension reforms under a gender perspective

3.1.1. The current national debate on the future of pensions and pension reforms

There are two types of debates in Croatia concerning the pensions system. The first one is a public debate about the pension system and the second one is a more expert debate, though not so publicly visible and influential. Of course, these two types of debates overlap.

The public debate is dominated by the negative view on the pension system although for very different reasons and from very different perspectives. The first perspective is the one which points to a poor social situation of pensioners, generally low level of pension benefits, spread of poverty among elderly, etc. This perspective also points to the unregulated labour market in Croatia which tolerates the cases of work without pay or paying of salaries to workers without simultaneously paying contributions to the pension and health insurance funds, paying workers only partially through the official system (and partly illegally, thus also avoiding payment of contributions and taxes), etc. This perspective also highlights the shortage of work for elderly workers so in many cases workers are actually forced to retire instead of working longer. Finally, this perspective points also to the injustice inside the pension system, mainly because some categories of people were granted pensions in the amount that is much higher than it would be according to the regular system. Politicians (particularly former members of the Parliament who could obtain favourable pensions only after 2 years of being an MP – although that was changed to 4 years in 2011), but also other categories are usually mentioned as immorally privileged inside the pension system (War veterans, former Constitutional judges, etc.). The other source of injustice comes from many partial changes of the system which occur almost every year and which have contributed to its inconsistency. Consequently, the system has become hardly understandable. The first perspective could be found mainly in the media and trade unions discourse.

The second perspective is the one which mainly points to high costs of the pension system and the still very low return from the second pillar, while both issues can be tackled by increasing contributions to the second pillar and decreasing those to the first pillar. By shrinking the role of the first public system, future public expenditures will be lowered, while the incentives for individual responsibility should be much higher. This perspective also points to the unfavourable demographic projections and low level of activity and employment rates which can be partly boosted by rising the second pillar contributions, i.e. the funds that would be invested

in economy and thus lead to better economic conditions in the future, the basic preconditions for financial sustainability of the pension system. This perspective is mainly shared by employers and private pension funds managers.

Experts, of course, share opinions that are different from those in both perspectives, but what distinguishes the expert work on the pension system from the public debates is that experts at least try to analyze different aspects of the system. However, the expert work is marginal and not publicly visible. In the past few years there were some important publications / analyses on different aspects of the system and from the beginning of 2011 the journal "Banka" (Bank) and the Institute for Public Finance have organized a series of very interesting and important round-tables on the pension system which have contributed to deeper insights in different aspects of the system and provided an opportunity for exchanging different perspectives. Still, not much could be expected in the near future. There is no political will for any consistent and profound changes in the system, while the strongly opposing different interests of the stakeholders (pensioners, trade unions, employers, private pension funds managers) still do not leave much room for any kind of compromise. In the course of this "in-lock" situation, there is unfortunately even no room for changes that can be implemented on the bases of the expert analyses and which would at least partly improve some aspects of the pension system.

However, the "in-lock" situation is also determined by external factors which cannot be changed by any pension system changes, such as the ratio between the insured and the beneficiaries and demographic projections. Another important external factor can be found in "attacks" on the system. In 2008 the public debate occurred due to the fact that those who retired but were involved in both pillars (mainly women), due to low wages and short period of contributing to the second pillar (which was established in 2002) got the pension which was considerably lower than it would have been if they remained in the old public system. Because of that the Government came up with an idea of dissolving the second pillar and transferring all the money that was collected back in the public pillar. The idea was, however, not further seriously elaborated, but it did show both the fragility of the system and its total dependency on the political will.

There is no space here for elaborating all aspects of the system which needs particular attention and reforms. Therefore, only some financial aspects of the system will be mentioned, those crucial for its sustainability, though not adequately elaborated. One of the reasons of missing elaborations / financial projections can be found in the fact that Croatia is still not fully incorporated in the Eurostat databases so financial projections and comparisons are still scarce. The ESPROSS methodology for calculating costs has been only put in place in the last few years. Actually it was only at the end of 2009 that the first ESPROSS social expenditures data were released. They suggest that the expenditures for old-age pension (measured by % of the GDP) were much lower in Croatia than in the EU 27 (5.1% in Croatia and 10.9% in the EU), while the expenditures for invalidity and survivors' pension were higher (2.6% and 1.9% in Croatia in

comparison to 2.1% and 1.2% in the EU 27).³⁵ The economic crisis which lowered the GDP level in 2009 and 2010 raised the share of pension expenditures, but pension expenditures should not be the main concern. Namely, it seems that the low level of pension benefits keeps the expenditures at the “appropriate”, “affordable” level, while instability of the system has been mainly caused by the low level of employment, the economic crisis, and pension privileges for certain groups which are not financially fully covered. That does not mean that demographic projections do not put the need for higher pensionable age on the agenda.

The role of private pension funds is not adequately addressed at all. The public debates do not touch upon this issue, and the public image is that private pension funds operate at the financial market without problems, successfully avoiding the effects of the crisis. Although there was a financial misbalance in 2008, private pension funds had a positive return in 2009.³⁶ The investment has been very conservative, as funds have been mainly invested in the Government bonds and domestic financial market, the fact which has been changing in the course of EU accession. There are important social security aspects of the pension funds (like how to regulate the risk of returns) which deserve much more attention.³⁷

3.1.2. The main elements of the reform underway in a gender perspective

Unfortunately, there is not much to say about the gender perspective in the current reforms. A very recent reform has been described in the previous sections which has gradually raised the pensionable age for women to 65 (the same as for men), but only by 2031, raising the conditions for full pension for women by 3 months each year. The rationale was found in the Constitutional Court ruling from 2007, but it was highlighted in the public debates that both the rising of pensionable age to 65 or more and equalizing it for both sexes is a move that can be found in virtually all EU countries. Longer life expectancy for women was also an argument. Those who were not in favour pointed out different working situation of women and the fact that Croatia is a traditional country in which there is still a very strong division of labour in households. However, the pension systems still do not pay attention to the working and household situation of women like for example by introduction of care-dependent credits.

³⁵ Babić, Z. (2010) Izdaci za socijalnu zaštitu u Hrvatskoj – usporedba sa zemljama Europske unije (Social Security Expenditures in Croatia – Comparison with the EU Countries), *Revija za socijalnu politiku (Journal of Social Policy)* 17(3):427-431.

³⁶ HANFA – Hrvatska agencija za nadzor financijskih usluga (Croatian Financial Services Supervisory Agency) (2010) Godišnje izvješće 2009 (Annual Report 2009), <http://www.ripe.hanfa.hr/hr/publiciranje/izvjesca/>

³⁷ Potočnjak, Ž., Vukorepa, I. (2008) Upravljanje rizikom prinosa u obveznim kapitalno financiranim mirovinskim sustavima (Risk Management of Returns in Mandatory Capital Financed Pension Systems), *Revija za socijalnu politiku (Journal of Social Policy)* 15(3):323-342.

In recent years the idea of “social pension” has been debated. In the National Action Plan on Social Inclusion 2009-2010 it was mentioned that Croatia would discuss and propose a model of social pension for the elderly without any or very low income.³⁸ Although that would be covered from the general Government revenues, not from the pension contributions, the word pension was chosen in order to lessen the stigmatization for the older persons who, as they do not have adequate income, would otherwise apply for social assistance or other social benefits. This solution would have an important gender aspect, as among the elderly who are not covered by pensions, there is a majority of women (accounting for some 95% according to the estimation). Still, the new Social Welfare Act has been drafted in March 2011 and does not contain any provisions in terms of a social pension. The argument has been that Croatia does not have any money for that in the current economic situation.³⁹

As there are no reforms that pay attention to gender aspects in the pension system, there is no relevant good practice in the pension reform that can be presented.

3.2. Pension schemes for specific groups: the actual situation, reforms underway and possible associated risks

Migrant workers from third countries going back to the country of origin do not lose their acquired pension rights because the Croatian legislation provides for the preservation of vested rights and cross-border payments (export of benefits). Regarding voluntary pension schemes (third pillar) the Croatian legislation is aligned with the Directive 98/49/EC. Since there is no common framework in the EU regulation of portability of pension rights, the Croatian legislation does not regulate that issue. Namely, a migrant worker collects contributions on its individual voluntary pension account as long as he/she works in Croatia. The assets cannot be transferred to another pension fund outside Croatia. When the person reaches retirement age (within the third pillar it is 50 years) the person transfers the accumulated assets on his/her pension account within the voluntary pension fund to a pension insurance company, and then the pension benefits can be exported outside Croatia. However, if the accumulated amount is less than 10.000,00 HRK (some 1.350,00 EUR) then this amount can be paid out directly to the pension fund member (without the obligation to “buy” the pension with the pension insurance company).

³⁸ Ministarstvo zdravstva i socijalne skrbi (Ministry of Health and Social Welfare), *Nacionalni provedbeni plan za socijalno uključivanje 2009-2010 (National Action Plan on Social Inclusion 2009-2010)* - the document not available on the Ministry web-site.

³⁹ There was a projection that if the social pension benefit was 15% higher from the current social assistance level, then the expenditures for all the elderly without any income would amount to 0.3% of the GDP. See: Šućur, Z. (2008) *Socijalna sigurnost i kvaliteta života starijih osoba bez mirovinskih primanja u Republici Hrvatskoj (Social Security and Quality of Life of Elderly Persons without Pensions in the Republic of Croatia)*, *Revija za socijalnu politiku (Croatian Journal of Social Policy)* 15(3):435-454.

Regarding the increasing role of supplementary pension provisions in the adequacy of pension income for survivors, the Croatian legislation is designed to favour the survivors since it provides for the transfer of pension account assets to the Croatian Pension Insurance Institute and the calculation of pension benefits according to the more favourable pension formula as if the entire qualifying period was completed only within the 1st pillar scheme (compulsory scheme). Secondly, the law stipulates the calculation and comparison of total pension benefits (as if completed under a one pillar compulsory system or two pillar compulsory system), thus providing for more favourable payment of benefits.⁴⁰

⁴⁰ Namely, on the one hand, if a compulsory fund member dies before becoming entitled to a pension and his or her family members are entitled to a survivors' pension in accordance with the Pension Insurance Act, the total capitalised assets standing to the account of that member shall be transferred by the compulsory fund to the Croatian Pension Insurance Institute, which shall determine a survivors' pension for them on the basis of the total qualifying periods completed by the deceased insuree in accordance with the Pension Insurance Act, as if the deceased insuree had only been insured in the compulsory pension insurance scheme based on generation solidarity (first pillar). However, this shall not apply if the deceased member of the compulsory fund was older than 50 at the time of the death and if he/she was a member of the compulsory fund for longer than five years and if the monthly sum of the survivors' pension based on the total capitalised assets of the deceased member of a compulsory pension fund payable to his or her family members under the pension insurance company's scheme increased by the sum of the basic survivors' pension from the first pillar would exceed the monthly sum of a survivors' pension determined as if the total number of the qualifying period was completed within only the first pillar scheme. In that case the total capitalised assets standing to the account of the deceased compulsory fund member shall be transferred to the pension insurance company chosen by his or her family members, which would provide them with permanent monthly survivors' pension under its scheme, in accordance with a special law. On the other hand, if a compulsory fund member dies and his or her family members are not entitled to a survivors' pension under the Pension Insurance Act, the total capitalised assets standing to the account of the deceased compulsory fund member shall form part of the deceased's estate under the Inheritance Act.

4. CONCLUSIONS

In the last twenty years the Croatian pension system has gone through some fundamental changes, with two aspects of these which are of particular importance. The post-communist transition with the economic problems and their accompanying effects (increase of unemployment and significant decrease of employment, wide use of earlier retirement) has affected the system considerably, particularly its sustainability, as by 2010 the share of insured person and pensioners was only 1.22. Secondly, the system was radically changed at the end of the 1990s and beginning of 2000s with the introduction of the second (and the third) fully funded pillars, but also by other subsequent changes which resulted in different positions of pensioners who entered the pension system in different time frames. The pensioners account for 27% of the Croatian population, but their economic and social situation is not particularly good. The net average pension benefit is at the level of about 40% of the net average salary and the risk-of-poverty-rate is much higher among the elderly. The harsh social situation of the elderly is additionally conditioned by the fact that, according to the estimations, about 12% of the elderly are not covered by the pension system. All of these have a clear gender aspect. Those not covered by the pension system are mainly women, while older women have a higher at-risk-of-poverty rate and women account for more of those with lower pension benefits. In addition, women who entered the new pension system in 2002 (at the time of the introduction of the new pension system), but were forced to retire after several years (mainly because of economic crisis by the end of 2000s) are in a very bad position, as they have, due to different benefit formula and a very short contribution period to the second fully funded pillar, much lower benefits than they would have if they remained in the old system (only in the first, public pillar). The additional element is associated with the fact that these kinds of risks were not adequately presented to those who were between 40 and 50 years old in 2002 and could choose between remaining in the old system and opting for the new one.

There is no basis for any optimistic future scenarios. Croatian demographic projections point to both a significant decrease of the population and a much larger share of the elderly. It is also hard to predict higher employment in the future and a more favourable share of the insured and pensioners, although the recent reform which stipulated a gradual rise of pensionable age for women will contribute partly to its sustainability. In addition, the employment rate of women, the existing wage gap as well as other aspects of women's position on the labour market (although there are not much data about vertical and horizontal segregation among sexes on the labour market and no indications that we could expect equal or favourable position of women), signal a continuing poor position of women in the pension system. Still, and even though the pension system covers such a large population, the pension expenditures are not so high in comparison to other EU countries, while low pension benefits are the main cause of that. On the other hand, the share of invalidity pensioners is much higher in Croatia than in other countries, and the unfavourable share of the insured and pensioners is a constant threat to the sustainability of the system.

There is not much attention paid to gender aspects of the pension system and there is not much to say about good practice from the gender perspective although periods of maternity and parental leaves are covered by pension contribution. However, when in 2010 the Government proposed and passed the changes which rise (although very gradually) the pensionable age for women so in 2030 there will be no difference between women and men in that respect, there was much opposition to this change, but the discussion did not touch upon other possible changes in favour of women. The only worthwhile example from the gender perspective has been the provision of the minimum pension which contributed to the protection of those who would otherwise have a very low pension. However, the role of the minimum pension will be slowly diminished in the future, as for those who are covered by both pillars the minimum pension is calculated only for the period before the entrance in the new system. The new system offers so-called basic pensions from the first, public pillar, which is according to different benefit formula, lower than both pensions received by the older system and the provision of the minimum pension. Accordingly, debates about possible future changes in the pension system which argue in favour of the need for rising contributions to the second fully funded pillar do not consider possible gender aspects, as higher contributions to the second pillar would mainly benefit those with higher salaries / higher contributions.

5. POLICY RECOMMENDATIONS

It is obvious that the Croatian pension system needs comprehensive, but also coherent changes. Although there are many interests in and around the pension system, the preparation of changes should be based on factual insights and on wide consultations. That was missed so far as changes were made in a hurry, without consultations with interested stakeholders and were mainly focused on a particular issue, without taking into account the possible consequence for other parts of the system.

Sustainability of the system is endangered by the low share of the insured and pensioners, low level of employment and unfavourable demographic trends. However, the sustainability of the system is also attacked by different privileges of different groups (War veterans, MPs, former political prisoners...). The problem is that these privileges are established by the Government / Parliament but are not fully financially secured and the debts incurred are attributed to the pension system, which creates the image of its un-sustainability. The revision of privileges should be done but the crucial thing is to establish clear financial responsibility: "regular" pensions should be covered by contributions and other, non-contributed rights by the State budget.

A considerable part of the elderly is not covered by the pension system, it mainly covers women who did not have paid work or did not work enough to obtain the pension benefit. The so-called social pension, i.e. payment to the elderly without any income has been proposed as a solution, but postponed because of the economic crisis. The problem is also to determine the appropriate

level of the social pension. It should be higher than the social assistance, but lower than the minimum pension, so that the social pension should not be detrimental to work. However, the difference between, for example, the level of social assistance for a single person and the minimum pension is not so big according to the new Welfare Act. Still, the introduction of social pension would be of great interest for the elderly without appropriate income, particularly for older women without any pension / income. That would lessen the stigmatization of the elderly asking for the social assistance or other welfare payments and would reduce a quite high poverty rate among the elderly.

The women on maternity or parental leave do receive benefits and are covered by the pension insurance. That also applies to the unemployed women. At the same time, having children has a negative impact on their career and employment opportunities in general. Therefore, it should be important to introduce additional child-care (like for example to retire at a younger age as a result of care for children) or other dependents credits and thereby improve the position of women and enhance negative demographic trends.

The gender aspect of the pension system is a fact that is not elaborated, not considered. Any pension debate should be gender sensitive. That particularly applies to the debates about further changes of the system which would eventually rise contributions paid to the second fully-funded pillar, thus rising the part of the benefit connected with an individual contribution / individual responsibility for the pension. Although "individualization" of the pension benefit is generally a welcomed move, the gender aspect of that should be considered. In addition, sex distribution of different data is not available, both in connection with the pension system and in connection with the position of women on the labour market.

The pension system is crucially connected with the labour market and the position of women on the labour market. Croatia has a low level of employment, and particularly in a group of older women, the gender wage gap is present, which all contributes to the low level of pension benefits. The reform of the pension system is necessary, but the pension system cannot solve the problems of employability and contribution payment.

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7. ANNEXES

Table 1: At-risk-of-poverty rate, EU 27 and Croatia

	2005	2007	2009
EU 27			
Older than 65	18.9	19.4	17.8
Older M	15.9	16.2	14.9
Older F	21.1	21.8	20.1
Less than 65	15.9	16.2	16.0
Croatia			
Older than 65	29	30	31.3
Older M	23	25	23.9
Older F	32	33	36.1
Less than 65	15 (2004)		

Source: EU-SILC, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_pnp1&lang=en

Table 2: At-risk-of-poverty rate, Croatia, national data

	2006	2007	2008	2009
Total	16.3	17.4	17.4	18.0
M	15.1	15.9	15.5	16.1
F	17.4	18.7	19.1	19.9
65+				
Total	29.5	29.0	31.2	31.5
M	26.9	25.2	26.2	23.7
F	31.3	31.4	34.4	36.5
Pensioners				
Total	22.7	22.8	23.4	24.3
M	23.6	22.3	21.2	21.9
F	22.1	23.1	25.1	26.3

One-person household				
Total	38.1	36.5	39.8	43.2
M	34.0	27.9	31.1	28.2
F	39.8	39.8	43.3	50.2
One-person household, 65+				
Total	43.8	41.5	47.8	50.9
M	40.0	30.5	34.7	29.9
F	44.8	44.1	50.5	56.5

Source: Croatian Bureau of Statistics, Poverty Indicators, www.dsz.hr

Table 3: Relative median income ratio: persons aged 65 and over compared to aged less than 65, EU 27 and Croatia

	2005	2007	2009
EU 27	0.86	0.84	0.86
Croatia	0.74	0.75	0.76

Source: EU-SILC,

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_pnp2&lang=en

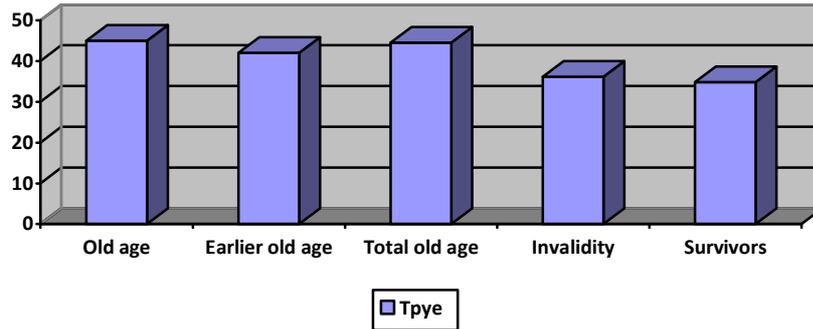
Table 4: Aggregate replacement ratio, EU 27 and Croatia

	2005	2007	2009
EU 27			
Total	0.51	0.49	0.51
M	0.54	0.52	0.54
F	0.51	0.49	0.50
Croatia			
Total	-	0.50	0.49
M	-	0.55	0.57
F	-	0.48	0.47

Source: Eurostat,

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde310&plugin=1>

Figure 1 - Share of net average pension benefit in net average salary according to different types of pensions on December 31, 2009, in %, Croatia



Note: all pensioners are included

Source: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2010) *Izješće o radu i poslovanju Hrvatskog zavoda za mirovinsko osiguranje (Report on Work and Activity of the Croatian Institute for Pension Insurance for 2009)*, http://www.mirovinsko.hr/UserDocsImages/upravnovijece/sjednice/24_17060210/2009HZM_O_godisnje_izvjesce_I_XII_2009_tablicni_prilog.pdf

Table 5: Old-age replacement ratio, % (65+/15-64, EU 27 and Croatia)

	2000	2005	2010
EU 27	23.2	24.7	25.6
Croatia	-	24.9	25.6

Source: Eurostat, Population,

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde51o&plugin=1>

Table 6: Croatian population by sex and different indicators on ageing, national data, 2009

	Total	F	M
Ppopulation	4,429,078	2,292,847	2,136,231
Population in %	100	51.8	48.2
Age coefficient	22.8	26.0	19.3
Ageing index	107.6	130.4	85.8
Population by age and sex			
0-14		14.4	16.3
15-64		65.2	69.7
65+		20.4	14.0
Average age		42.8	39.4
Life expectancy at		79.6	72.9

birth			
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Source: Croatian Bureau of Statistics (2011) *Women and Men in Croatia 2011*, www.dsz.hr

Table 7: Average exit age from the labour force, EU 27 and Croatia

	2005	2007	2009
EU 27	61.0	61.2	61.4
Croatia	60.5	58.6	60.6

Source, Eurostat,

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_exi_a&lang=en

8. Table 8: Employment rate of older workers (55 to 64), EU 27 and Croatia

	2005	2007	2009
EU 27			
Total	42.3	44.6	46.0
M	51.9	53.9	54.8
F	33.8	35.9	37.8
Croatia			
Total	32.6	35.8	38.4
M	43.0	48.4	50.1
F	23.8	24.2	28.0

Source, Eurostat,

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_emp_a&lang=en

Table 9: Employment rate of women by age groups, EU 27 and Croatia

	2005	2009
EU 27		
25-54 years	69.2	71.7
55-59 years	45.7	51.4
60-64 years	19.2	22.8
65 years or over	2.7	3.1
Croatia		
25-54 years	65.7	69.4
55-59 years	30.2	36.7
60-64 years	16.9	18.7
65 years or over	5.6	4.8

Source, Eurostat, <http://appsso.eurostat.ec.europa.eu/nui/show.do>

Table 10: Activity, employment and unemployment rates of men and women aged 25+, EU 27 and Croatia

	2005	2009
Activity rate, 25+		
EU 27 – M	68.6	68.4
EU 27 - F	50.6	52.0
Croatia – M	60.3	57.0
Croatia - F	44.1	43.7
Employment rate, 25+		
EU 27 – M	64.0	63.3
EU 27 - F	46.3	48.1
Croatia – M	54.9	53.5
Croatia - F	39.1	39.9
Unemployment rate, 25-74		
EU 27 – M	7.0	7.5
EU 27 - F	8.5	7.7
Croatia – M	9.0	6.0
Croatia - F	11.4	8.7

Source: Eurostat,

http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/main_tables

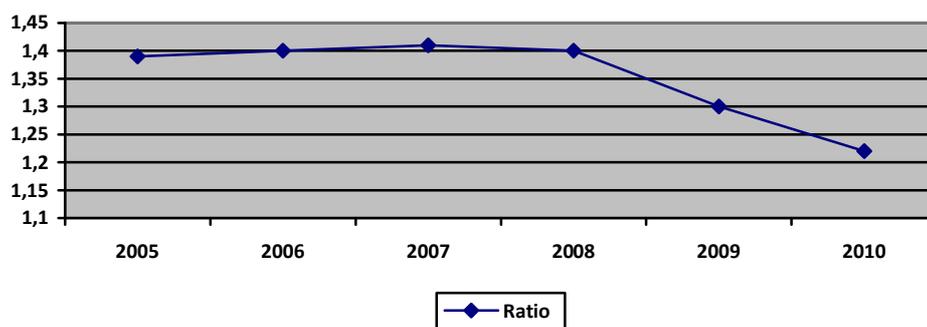
Table 11: Temporary employees, part-time employment and self-employment rate of men and women, EU 27 and Croatia

	2005	2009
Temporary employees, 25+		
EU 27 – M	10.0	9.5
EU 27 - F	11.2	11.4
Croatia – M	9.2	8.6
Croatia – F	9.8	9.7
Part-time employment, 25+		
EU 27 – M	6.2	7.0
EU 27 - F	30.7	31.0
Croatia – M	7.3	7.0
Croatia – F	13.6	11.8
Self-employed, 25+		
EU 27 – M	14.0	13.7
EU 27 - F	8.4	8.2

Croatia – M	18.4	16.0
Croatia - F	18.2	14.3

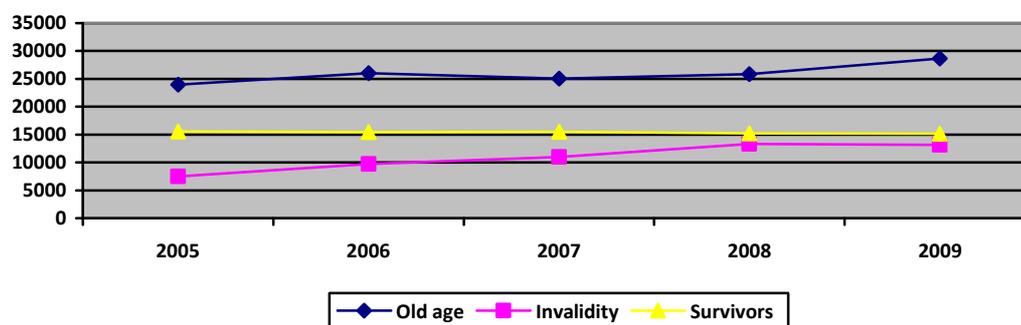
Source, Eurostat, <http://appsso.eurostat.ec.europa.eu/nui/show.do>

Figure 2: Ratio between insured persons and beneficiaries, 2005-2010, Croatia



Source: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2011) *Statističke informacije Hrvatskoga zavoda za mirovinsko osiguranje, broj 4/2010* (Statistical Information of the Croatian Institute for Pension Insurance, no 4/2010), http://www.mirovinsko.hr/UserDocsImages/publikacije/statisticke_informacije/2010/4/Statistickie_informacijeHZMOa_4_2010_veljaca2011.pdf and Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2010) *Izješće o radu i poslovanju Hrvatskog zavoda za mirovinsko osiguranje* (Report on Work and Activity of the Croatian Institute for Pension Insurance for 2009), http://www.mirovinsko.hr/UserDocsImages/upravnovijece/sjednice/24_17060210/2009HZMO_godisnje_izvjesce_I_XII_2009_tablicni_prilog.pdf

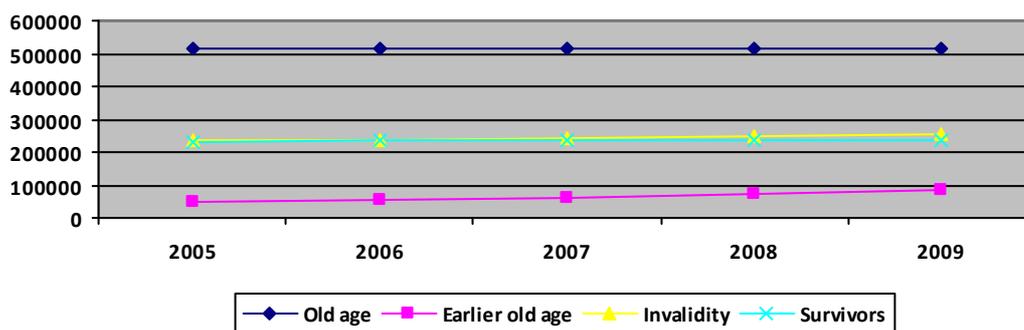
Figure 3: Inflow of new pensioners according to different types of pensions, 2005-2009, Croatia



Note: Old age pensions include both full and earlier retirement

Source: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2010) *Izveštće o radu i poslovanju Hrvatskog zavoda za mirovinsko osiguranje (Report on Work and Activity of the Croatian Institute for Pension Insurance for 2009)*, http://www.mirovinsko.hr/UserDocsImages/upravnovijece/sjednice/24_17060210/2009HZM_O_godisnje_izvjesce_I_XII_2009_tablicni_prilog.pdf

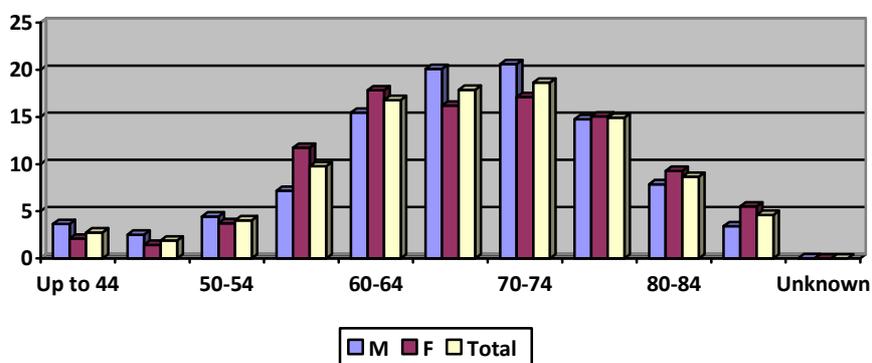
Figure 4: Number of pensioners according to different types of pensions, 2005-2009, Croatia



Note: Croatian Army, Croatian War veterans and Croatian Defence Council pensioners are not included

Source: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2010) *Izveštće o radu i poslovanju Hrvatskog zavoda za mirovinsko osiguranje (Report on Work and Activity of the Croatian Institute for Pension Insurance for 2009)*, http://www.mirovinsko.hr/UserDocsImages/upravnovijece/sjednice/24_17060210/2009HZM_O_godisnje_izvjesce_I_XII_2009_tablicni_prilog.pdf

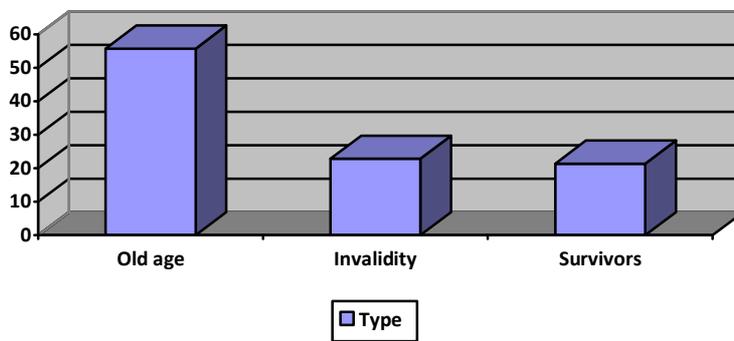
Figure 5: Pensioners according to age groups and sex on December 31, 2010, in %, Croatia



Note: Croatian Army, Croatian War veterans and Croatian Defence Council pensioners are not included

Source: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2011) *Statističke informacije Hrvatskoga zavoda za mirovinsko osiguranje, broj 4/2010* (Statistical Information of the Croatian Institute for Pension Insurance, no 4/2010), http://www.mirovinsko.hr/UserDocsImages/publikacije/statisticke_informacije/2010/4/Statisticke_informacijeHZMOa_4_2010_veljaca2011.pdf

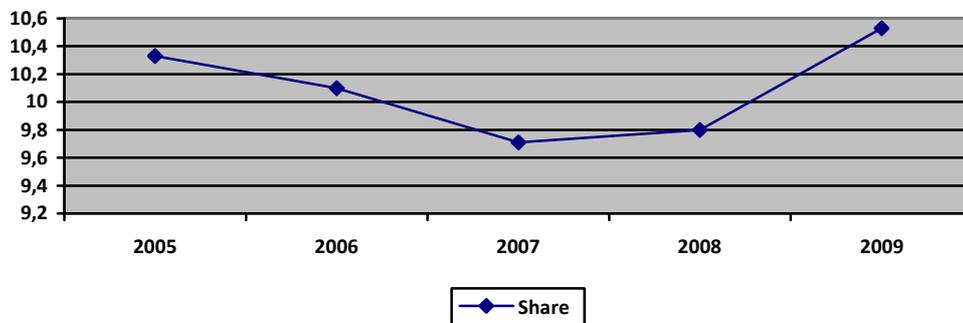
Figure 6: Pensioners according to different types of pensions on December 31, 2010, in %, Croatia



Note: all pensioners are included

Source: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2011) *Statističke informacije Hrvatskoga zavoda za mirovinsko osiguranje, broj 4/2010* (Statistical Information of the Croatian Institute for Pension Insurance, no 4/2010), http://www.mirovinsko.hr/UserDocsImages/publikacije/statisticke_informacije/2010/4/Statisticke_informacijeHZMOa_4_2010_veljaca2011.pdf

Figure 7: Share of pension expenditures in GDP, 2005-2009, in %, Croatia



Source: Hrvatski zavod za mirovinsko osiguranje (Croatian Institute for Pension Insurance) (2010) *Izješće o radu i poslovanju Hrvatskog zavoda za mirovinsko osiguranje (Report on Work and Activity of the Croatian Institute for Pension Insurance for 2009)*, http://www.mirovinsko.hr/UserDocsImages/upravnovijece/sjednice/24_17060210/2009HZM_O_godisnje_izvjesce_I_XII_2009_tablicni_prilog.pdf

Annex B – Good practices on minimum income provisions

Please provide a detailed description of the good practices. Please note that these tables are the main basis for the good practice boxes of the synthesis report, so the information should be as complete as possible. The source must be indicated as it serves as a reference within the boxes, following the Commission's standard.

	Minimum income provision – A
Type of provision	Minimum pension
Title of scheme and year of implementation	First pillar, in force from Jan 1, 1999
Target group / beneficiary	All insured persons whose pension is lower than the minimum pension
Detailed description of the scheme Such as: - eligibility criteria - specific regulations - financing system - etc.	Eligibility: all insured persons Way of calculating the minimum pension: 0.825% of the average salary of all employed persons in 1998 per each year of the qualifying period. For disability and survivors' pension (if disability or death occurred as a result of an employment injury or occupational disease) – for a total of 40 years of qualifying periods. Financing: from contributions paid to the first pillar Adjustments: as other pensions
The expert opinion in relation to the expected impact (GIA score)	Relevant gender direct effect
Is it considered a good practice in relation to gender equality and why?	The minimum pension protects beneficiaries whose pension will be lower than this one and which was at the level of 849.00 HRK (about 114 Euros) for 15 years of qualifying periods and 2.457,00 HRK (about 332 Euros) for 45 years of qualifying periods in January 2010. Out of all minimum pension beneficiaries, 66% of women receive it the amount of 1.35900 HRK (about 183 Euros). As this was about 71 Euros higher than they would receive according to their previous salaries and qualifying periods, the minimum pension offer considerable protection for women in the old age,
Source / Website	Potočnjak, Ž (2001) Najniža mirovina (Minimum pension). <i>Zbornik Pravnog fakulteta u Zagrebu (Collected Papers of Zagreb Law Faculty)</i> , 51(3-4):557-586. Marušić, Lj. (2010) Najniža i najviša mirovina (Minimum and maximum pension), Presentation at the Round Table, February 16, 2011, http://www.bankamagazine.hr/Projekti/Analizamirovinskogsustava/tabid/413/CategoryID/153/currentpage/2/Default.aspx Rismondo, M (2008) <i>Zakon o mirovinskom osiguranju (Pension Insurance Act)</i> . Zagreb: Narodne novine.

Zakon o mirovinskom osiguranje (Pension Insurance Act), http://www.pravo.hr/RSP/zakoni
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