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**COMMISSION STAFF WORKING DOCUMENT**

**CASE STUDY - CROATIA**

*Accompanying the document*

**REPORT FROM THE COMMISSION TO THE COUNCIL**

**on the evaluation of the Council Recommendation on the integration of the long-term unemployed into the labour market**

{COM(2019) 169 final} - {SWD(2019) 155 final}

# CASE STUDY – CROATIA<sup>1</sup>

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<sup>1</sup>Study supporting the evaluation of the Council Recommendation on the integration of long-term unemployed into the labour market, Ramboll Management consortium for the European Commission, 2019

## 1. INTRODUCTION

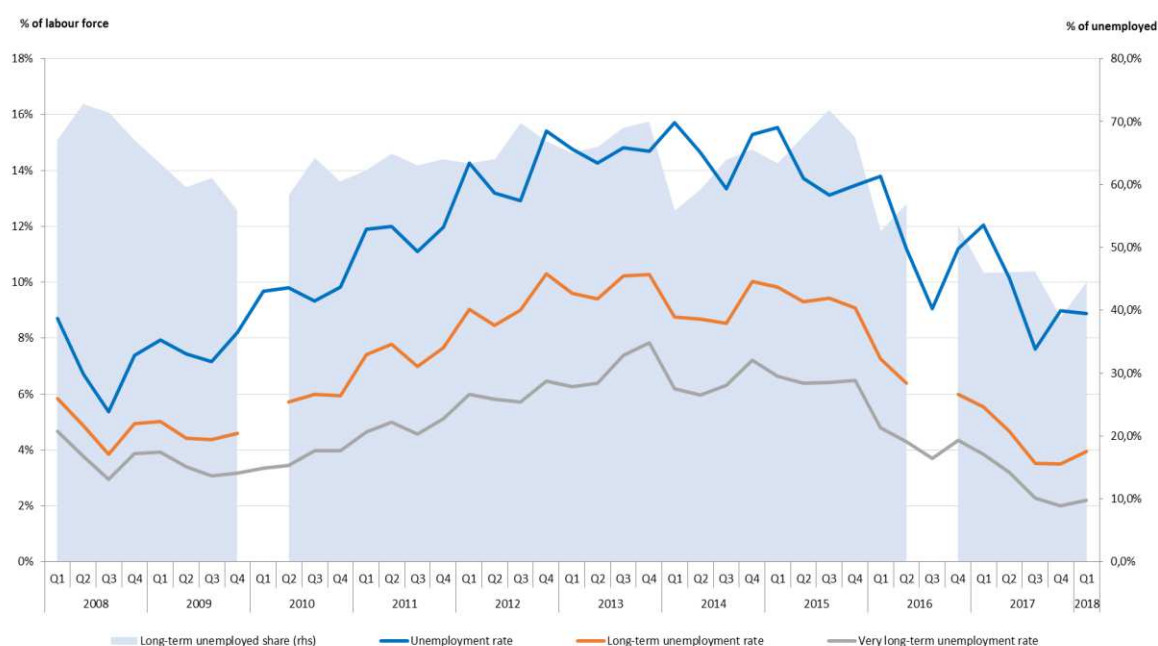
The objective of this report is to assess and explore the concrete actions taken at national and local level in Croatia, in response to the Recommendation on the integration of the long-term unemployed into the labour market (2016/C 67/01) (hereafter ‘the Recommendation’). The report aims to establish whether and how the Recommendation has influenced policy, funding, activities, and long-term unemployment<sup>2</sup> in Croatia.

### 1.1 Context of the implementation of the Recommendation

#### 1.1.1 Evolution of labour market situation

The latest economic crisis in Croatia was longer and deeper than in most Member States. The average growth rate in the period 2009-2014 was negative (-2.2%), which had significant negative effects on the Croatian labour market. In 2014 the **unemployment rate** was around 15% and fell to 9.7% in 2017, and 8.9% in early 2018. Despite this improvement, the unemployment rate is well above the EU average of 7.8%. It remains **one of the highest unemployment rates in the EU**, after Greece (21.7%), Spain (17.3%) and Italy (11.4%). The long-lasting effect of the crisis on the economy is particularly noticeable from the rate of long-term unemployment. In the same 2014-2017 period the **long-term unemployment rate** fell from 9% to 4.3% (EU28 approximately 3.4%), with a rate of 3.9% recorded in early 2018.<sup>3</sup>

**Figure 1: Long-term unemployed share, unemployment rate, long-term unemployment rate, and very long-term unemployment rate in Croatia, 2008-2018<sup>4</sup>**



Source: Eurostat Note: Gaps in the graph refer to quarters where certain subgroups of unemployed classified by unemployment duration had no value and as such calculations could not be performed.

In Croatia, **long-term unemployment as a share of total unemployment** was 61.1% in 2014 and fell to 44% in 2017 (EU28 53.3% and 49.5% in these years respectively). The

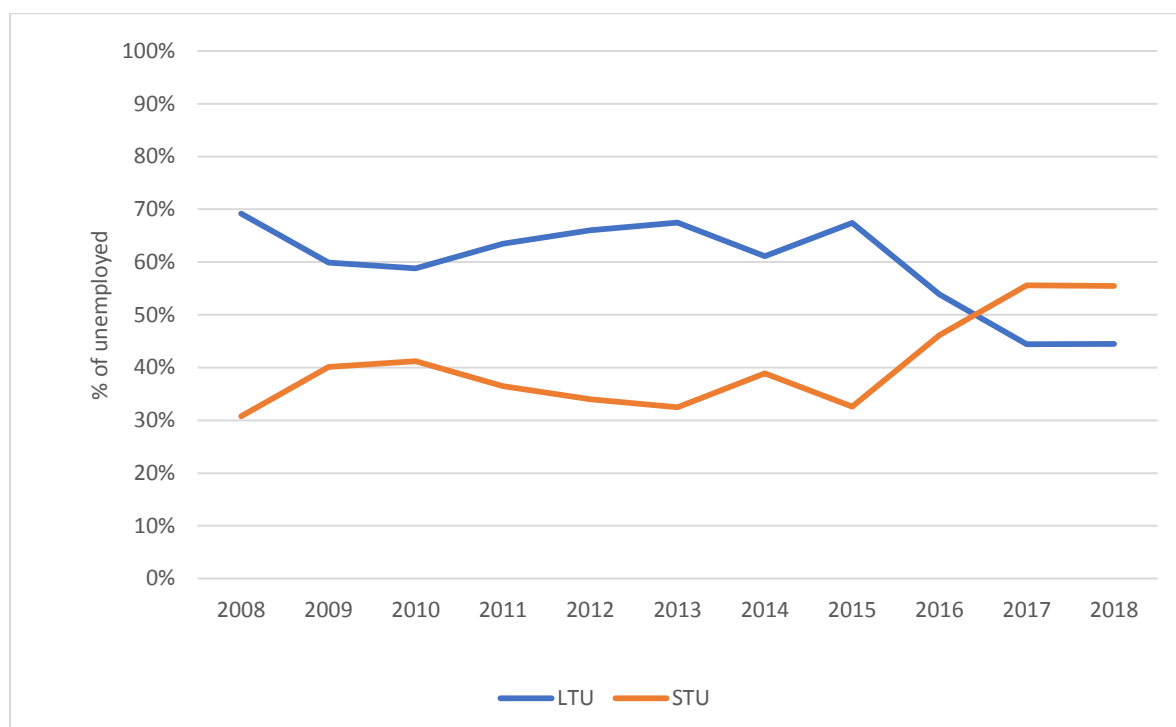
<sup>2</sup> Long-term unemployment refers to unemployment (ILO/Eurostat definition) lasting for more than one year, with Eurostat data presented here including adults between the ages of 25 and 64 years old.

<sup>3</sup> Figures given for early 2018 refer to Eurostat data available for Q1.

<sup>4</sup> There is a break in Eurostat data series in Q2 2006.

comparatively high share of long-term unemployment is characteristic of the Croatian labour market as it has been consistently above the EU average since before 2007. Long-term unemployment accounted for a higher share among all unemployed until around 2016, after which a shift occurred which reversed this trend as Figure 2 shows below.

**Figure 2: Long-term unemployment (LTU) versus short-term unemployment (STU) share in Croatia, 2008 - 2018**



Source: Eurostat. Note: data for 2018 is based on Q1 and Q2 only.

The 25-54 age group is most affected by long-term unemployment, and it remains a serious issue for low-skilled job seekers, although rates have decreased since 2014.

**Table 1: Long-term unemployment rates (unemployed for more than 12 months) in Croatia, 2014-2017**

Country	LTU rate (>12 months)							
	Total	Education level			Gender		Age	
		Low	Medium	High	Men	Women	25-54	55-64
<b>2014</b>	9	17.2	9.5	3.9	8.3	9.8	9.2	7.9
<b>2017</b>	4.3	9.6	4.5	2.0	4.3	4.3	4.4	3.5

Source: EMCO monitoring data 2014-2017

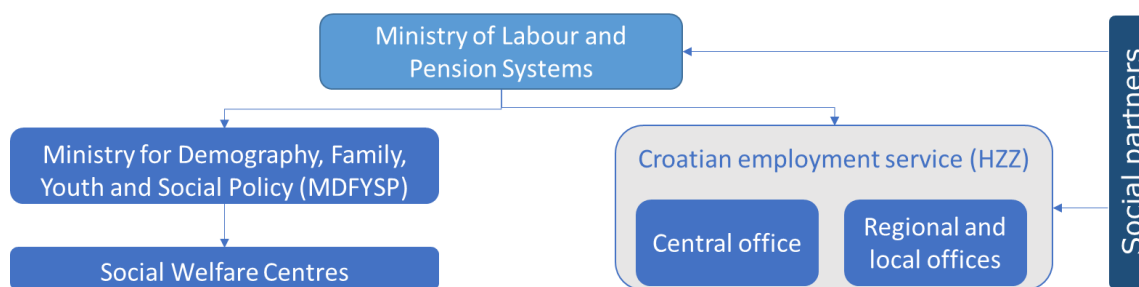
The regional differences within the Croatian labour market are persistent.<sup>5</sup> At NUTs two level, Croatia has two regions, and long-term unemployment rates are higher in the inland, more rural parts of the country. Data from the HZZ register reveals that the share of long-term unemployment varies across Croatian counties as well. The national trend on decreasing shares of long-term unemployment among all unemployed is not followed on the county level. In 2017 some counties had a higher share of long-term unemployment than national

<sup>5</sup> See for example Botrić, V. (2003) Regional Aspects of Unemployment. Croatian Economic Survey. 6: 77-95; (2009) Regionalna dimenzija nezaposlenosti u Hrvatskoj. Franičević, V., Puljiz, V. (ed), Rad u Hrvatskoj: pred izazovima budućnosti, Zagreb: Centar za demokratizaciju i pravo Miko Tripalo i Pravni fakultet Sveučilišta u Zagrebu, 81-105; (2017) Seminar on 'Improving measures to implement the Recommendation on integration of the long-term unemployed into the labour market: Host country discussion paper, <http://ec.europa.eu/social/BlobServlet?docId=18714&langId=en>; (2017) Youth Employment Initiative (YEI) in Croatia, [http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/607332/IPOL\\_IDA\(2017\)607332\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/607332/IPOL_IDA(2017)607332_EN.pdf); Jakšić, S. (2017) Explaining regional unemployment in Croatia: GVAR approach, Revija za socijalnu politiku, 24(2): 189-217.

average of 44%, such as Sisačko-Moslavačka county (60%), while other counties showed a stronger decrease, Istarska county (25%).

### 1.1.2 Institutional framework for providing support to the long-term unemployed

**Figure 3: Institutional set-up of stakeholders involved in supporting LTU labour market integration**



Stakeholders involved in designing labour market policies in Croatia include the Croatian Ministry of Labour and Pension System, Croatian public employment services, social partners (trade unions' representatives and the Croatian Association of Employers), relevant chambers (Chamber of Commerce and Chamber of Crafts), and other relevant ministries and non-government organisations.

Designing labour market institutional setup falls under the responsibility of the Croatian Ministry of Labour and Pensions System (MLPS). The responsibilities of the Ministry encompass administrative and other tasks related to employment policy, such as regulation of labour relations, designing active labour market policy measures (ALMP) and systems of pension insurance and maintaining relations with trade unions and employers' associations.

The Croatian public employment services - Hrvatski zavod za zaposljavanje (HZZ) - is a public institution owned by the Republic of Croatia,<sup>6</sup> with the task of resolving employment and unemployment related issues in the broadest sense of the terms. One of its important activities is related to the registration of unemployed people. HZZ operations are organised throughout Croatia. The HZZ performs its activities through the Central Office, 5 Regional Centres, 17 Regional Offices and 99 Local Offices, covering the whole territory of the Republic of Croatia. At the end of 2017, HZZ had 1564 employees, 256 in the Central Office and the remaining Regional and Local Centres and Offices (HZZ 2018b). In 2015, the average case load per staff dealing with unemployed was 644, which is on the high end compared to public employment services in other Member States.<sup>7</sup> Most of the employees (81%) have tertiary level of educational attainment. Although private labour market intermediators exist on the Croatian labour market, they are not involved with difficult to place individuals, such as the long-term unemployed.

Due to the long detachment from the labour market, the long-term unemployed are more likely to become beneficiaries of the social welfare system. The Ministry for Demography, Family, Youth, and Social Policy (MDFYSP) is responsible for defining the institutional setup for the Social Welfare Centres. The MDFYSP also participates in different Advisory Boards and Working Groups chaired by the MLPS. The network of social welfare centres is organised by local and regional government units, covering the whole territory of Croatia.<sup>8</sup>

<sup>6</sup> Established under the Act on Employment Mediation and Unemployment Entitlements (Official Gazette 80/08, 94/09, 121/10, 25/12, 118/12, 12/13 - consolidated text, 153/13, 16/17)

<sup>7</sup> PES Capacity Survey 2016

<sup>8</sup> <https://mdomsp.gov.hr/adresar-ustanova/1673>

Both HZZ and the Social Welfare Centre system are centralised, meaning that there are **no transmission issues from national to local level**. When policies are agreed on at the national level, local offices are informed, and the same process is implemented throughout the country.

In 2017<sup>9</sup>, the Ministry of Labour Market and Pension System **established a relevant Working Group for ALMP monitoring** including relevant stakeholders such as HZZ, employer associations, social partners, civil society organisations (CSO), and representatives of the academic community. People who are long-term unemployed were also consulted in one of the meetings.<sup>10</sup> During this meeting MLPS informed the participants about the Recommendation and announced the Peer Review on the topic of long-term unemployment organised in Zagreb. The public employment services also presented ongoing activities to support people who are long-term unemployed wherein the redesign of the ALMPs for this group were discussed. The decision was taken that persons older than 50, as well as those who are low-skilled and inactive should be additionally targeted. In general, Croatian public employment services **increased their expenditure on ALMPs from 2010 to 2016**.<sup>11</sup> In 2017 public employment service expenditure<sup>12</sup> on ALMPs was 83.2% of total expenditure, which was amongst some of the highest rates in the EU28<sup>13</sup> and ranged from 6.8% in the Netherlands to 92.2% in Luxembourg.<sup>14</sup>

## 2. IMPLEMENTATION OF THE RECOMMENDATION

### 2.1 Progress on implementation of the Recommendation

This section outlines the progress on implementation of measures proposed in the Recommendation. It provides an overview of policy and practice changes in relation to:

- Registration of long term unemployed
- Individualised support
- Coordination and continuity of support
- Cooperation with employers

The findings presented below are based on the information obtained from fieldwork carried out in July and August 2018. Semi-structured interviews were carried out with the main national level stakeholders<sup>15</sup>. In addition to national-level stakeholders, the study also incorporated views from two local communities within Karlovačka county,<sup>16</sup> because it has one of the largest shares of long-term unemployed persons. In June 2018, the share of long-term unemployed in the county was 52.96%. A particular problem in Karlovačka is the high share of long-term unemployed women, due to the mainly industry-oriented economic structure that favours male employees. Two municipalities were visited: Karlovac (the administrative centre of the county) and Ogulin (located in the mountainous area). In each field visit, semi-structured interviews were conducted with local public employment service

<sup>9</sup> The first meeting was held in September 2017. <http://www.mrms.hr/odrzan-prvi-sastanak-radne-skupine-za-pracenje-provedbe-mjera-aktivne-politike-zaposljavanja/>

<sup>10</sup> <http://www.mrms.hr/odrzan-sastanak-radne-skupine-za-pracenje-provedbe-mjera-aktivne-politike-zaposljavanja-na-temu-dugotrajne-nezaposlenosti-u-republici-hrvatskoj/>

<sup>11</sup> Assessment Report on PES Capacity (2017). <https://publications.europa.eu/en/publication-detail/-/publication/7f2b39a6-0184-11e8-b8f5-01aa75ed71a1/language-en>

<sup>12</sup> Excluding benefit payments and pro forma budget items.

<sup>13</sup> For which data was available.

<sup>14</sup> Assessment Report on PES Capacity (2018). [file:///C:/Users/AJEY/Downloads/PES%20Capacity%20Report%202018\\_FINAL.pdf](file:///C:/Users/AJEY/Downloads/PES%20Capacity%20Report%202018_FINAL.pdf)

<sup>15</sup> The full list of interviewees could be found in Section 4

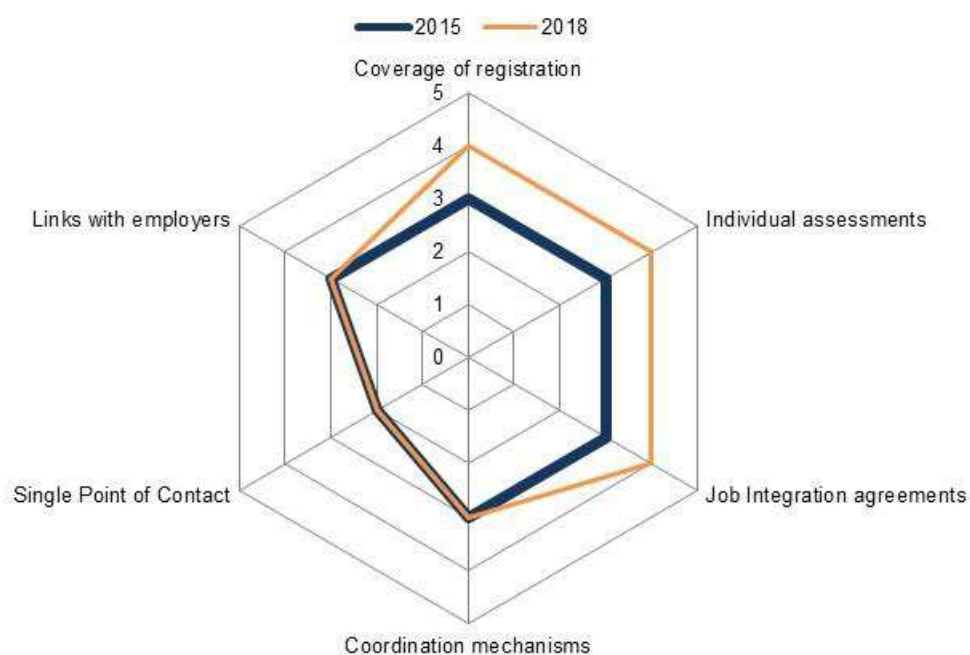
<sup>16</sup> Croatia's territory is divided into 21 administrative units, 20 counties and the capital City of Zagreb. The 21 administrative units correspond to the Eurostat NUTS 3 level.

workers, social workers in Social Welfare Centres, employers and civil society organisations (CSO); focus groups were conducted with long-term unemployed persons, public employment service workers and social workers in Social Welfare Centres.<sup>17</sup>

The assessment of progress takes into account the expected impact from the 2015 Commission Staff Working Document accompanying the proposal for a Council Recommendation<sup>18</sup> and Task 6 Integration of Secondary Data, and is based on the mapping of policy changes, and stakeholder consultations during field work. When available, indicators on outputs and results are included in the analysis.

Figure 5 summarises the progress on the implementation of the Recommendation on the integration of the long-term unemployed in the labour market by comparing the picture prior to the recommendation (H1 2015) with the situation since.

**Figure 4: Quality of measures - Croatia<sup>19</sup>**



Source: Quality rating by national expert

## 2.1.1 Registration of long term unemployed

### Baseline and development

In 2013, in Croatia, there was a **high share of long-term unemployed registered with public employment services**<sup>20</sup> (85.9% with EU28 72.8%), although it decreased to 76.3% in 2017 (EU28 71.8%). Given the fact that registration rates have remained relatively high, the need to increase the coverage of registration for long-term unemployed persons was moderate, although with a downward trend, at the time of adoption of the Recommendation.

<sup>17</sup> It was not possible to organise focus groups with public employment services workers and social workers at the same time. In small community, it was not possible to organise a focus group within public employment services or Social Welfare Centres, due to low staff count.

<sup>18</sup> European Union, European Commission, Commission Staff Working Document, Document Accompanying the document Proposal for a Council Recommendation on the integration of the long-term unemployed into the labour market (2015) 176.

<sup>20</sup> See Commission Staff Working Document, Document Accompanying the document Proposal for a Council Recommendation on the integration of the long-term unemployed into the labour market (2015) 176, p. 10. Figure 7. Long-term unemployed by Member State, stock and share registered with the PES, 2013.

According to the mapping of policy changes, measures targeting registration of long-term unemployed did not exist at the baseline of the evaluation (H1 2015) however changes in measures have since been implemented as outlined below.

The quality rating provided by the national expert for the **coverage of registration** therefore improved from 3 at the baseline (H1 2015) to 4 in October 2018.

### **Case study findings**

Changes in existing legislation<sup>21</sup> were introduced in 2017 that related to encouraging the long-term unemployed to remain registered. Previously, penalties for individuals not actively seeking work were applied – people who were long-term unemployed were removed from the unemployment register and were not allowed to re-register for a period of 6 months. With the new procedures, HZZ is trying to keep the long-term unemployed registered with employment service and does not deregister individuals when they do not comply with the requirements.

As an acknowledgement of the fact that people who are long-term unemployed may be more likely to be discouraged by the duration of their job-search efforts, HZZ has **additionally trained counsellors with the aim to introduce motivational activities**. A pilot of these activation programmes was carried out in the cities of Karlovac and Bjelovar in 2017, and they have been fully implemented nationwide since August 2018.

The long-term unemployed are also an important target group for ALMP measures, but certain provisions of the social welfare system have discouraged them from participating. Before the legal changes in 2017, people who were long-term unemployed who participated in certain activities (e.g. public work), lost their benefit support for the duration of their participation. In cooperation between MLPS and the Ministry for Demography, Family, Youth, and Social Policy (MDFYSP), the **provisions of the benefits scheme changed with the legislation adopted in 2017**, so that the long-term unemployed participating in public work programmes now no longer lose the total amount of benefit support. As a result, participation in these programmes becomes a more attractive option.

Most of the stakeholders maintain that the current system of registration is relatively good and see no need to additionally improve the registration process.

#### **2.1.2 Individualised support**

##### **Baseline and development**

The 2015 Commission Staff Working Document accompanying the proposal for a Council Recommendation stated that the **recommendation on individualisation of support would have a strong impact** in Croatia because there were no profiling tools and individual assessment available to the long-term unemployed was weak.

According to the mapping of policy changes, **measures were already in place in H1 2015 for individual assessments and personalised guidance of long-term unemployed** at the latest at 18 months of unemployment. Upon registration, unemployed persons undertake an individual assessment that takes at least 30 minutes. For some people, this can take longer and, in some cases, more than one session is required to gather all necessary information. The assessment at the point of registration includes gathering information about the person's

<sup>21</sup> Law on labour market intermediation, Zakon o posredovanju pri zapošljavanju i pravima za vrijeme nezaposlenosti (NN 16/2017).



educational attainment, formal and informal qualifications related to additional training, occupation, prior work experience and work conditions, motivation, desire to work in specific sector, family obligations, potential health barriers, potential transportation barriers (how far they will be willing to commute), etc.

The quality rating provided by the national expert for **individual assessment** improved from 3 in H1 2015 to 4 in October 2018.

According to the mapping of policy changes, **tools similar to Job Integration Agreements existed at the baseline** for the evaluation (H1 2015). Based on the individual assessment, a Professional Plan/Individual Action Plan (PP/IAP) is developed with all unemployed and a counsellor/employment advisor categorises a person in one of three categories: (1) employable, (2) permanently unemployable, or (3) difficult to find employment. The IAP contains different activities a counsellor suggests to the unemployed person in order to enhance their chances of finding a job. Thus, the IAP contains basic information about the unemployed person, personal job preferences, individual consultation (time and frequency of the contacts with a counsellor) and the proposal for activities to be undertaken to raise the employability (counselling, active job search workshops, education and training). The process would be the same for all unemployed. Changes in the measures have been implemented since 2015 as outlined below.

The quality rating provided by the national expert for **Job Integration Agreements** improved from 3 in H1 2015, to 4 in October 2018.

### **Case study findings**

In 2017,<sup>22</sup> HZZ started to develop **statistically assisted profiling (StAP) with the aim to establish a risk assessment of long-term unemployment** for registered unemployed persons. The procedure enables more individualised counselling based on the estimated distance from the labour market and was implemented in four phases beginning in March and ending in August 2017. The ultimate goal is to utilise the profiling to detect persons with higher risk of becoming long-term unemployed, so that HZZ counsellors can implement additional efforts towards trying to bring them closer to the labour market.

Counsellors themselves report that they have been additionally trained to work with people who are long-term unemployed. The training encompassed detecting certain (medical or family) conditions in order to provide specific suggestions to these clients. They have developed different procedures for directing specific subgroups of people who are long-term unemployed into different activities.<sup>23</sup> **The overall approach is more individualised than it was prior to the Recommendation.**

The factors included at the point of initial registration of the unemployed persons are further assessed when a person becomes long-term unemployed.<sup>24</sup> A detailed screening is done in order to identify what causes the difficulties in finding a job. **The in-depth assessment leads to the signing of a Job Integration Agreement** that is tailored to the person who is long-term unemployed. The Job Integration Agreement stipulates both rights and obligations of

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<sup>22</sup> See, also, Botrić (2017) Seminar on 'Improving measures to implement the Recommendation on integration of the long-term unemployed into the labour market: Host country discussion paper. <http://ec.europa.eu/social/BlobServlet?docId=18714&langId=en>

<sup>23</sup> For example, counsellors have developed different strategies for working with people who are long-term unemployed. If a counsellor believes that the most important problem is that a long-term unemployed person is discouraged by the duration of job search efforts, then they are more likely to be included in motivational workshops. If a counsellor believes that the main obstacle is the lack of skills, long-term unemployed people who are interested in obtaining new skills are included in training workshops.

<sup>24</sup> Actually, HZZ counsellors explained that they have a software solution that prompts when unemployed person is 'on the register for 11 months' so that they can start preparing to work on Job Integration Agreements.

the unemployed person as well as the counsellor. For example, how often they should meet, and whether the unemployed person should do additional training, etc. Before signing an agreement, there is a set of individual counselling sessions, one of which is a motivational counselling with a typical duration of 30-45 minutes.

Implementation of the Job Integration Agreement is monitored i.e. all specified activities in the agreement are monitored. After 6 months there is a status check, and after a year it is mandatory to reassess the Job Integration Agreement to determine whether there are other activities that would better suit the needs of that unemployed person. Whenever there is a change – e.g. an unemployed person has attended further training and acquired additional skills; or changes in medical status, etc., this results in alterations in the Job Integration Agreement.

In 2017 **90.7% of all people registered as long-term unemployed in Croatia had a Job Integration Agreement** (i.e. had their Individual Action Plan renewed), which is well above the EU28 average of 82.6%.<sup>25</sup> When looking to differences in terms of duration of unemployment, just two thirds (66.9%) of those who had been unemployed for between 12-18 months had a Job Integration Agreement whereas 94.2% of those registered for at least 18 months had one. This difference shows that some people who enter long-term unemployment have to wait beyond the point that they become long-term unemployed (i.e. up to 18 months) for their existing Individual Action Plan to be renewed. This is however not surprising given that this procedure was only introduced in 2017. As such, some people who were already long-term unemployed will now be in possession of a Job Integration Agreement when this was not available to them at an earlier stage of their unemployment (i.e. after a year).<sup>26</sup>

**Although similar procedures existed before the Recommendation, specific changes in the process were introduced.**<sup>27</sup> Changes were introduced mainly through the revisions of by-laws defining internal procedures (e.g. in addition to clearly defining required activities for the long-term unemployed, the Job Integration Agreement now also specifies responsibilities for each counsellor, i.e. each Job Integration Agreement clearly states the name of the counsellor responsible for implementation so that the long-term unemployed know who to contact). Additionally, it is expected that performance of public employment services counsellors could be monitored more easily. Since most of the changes were related to reorganisation of internal procedures, stakeholders do not associate them with any additional costs.

Some people who are long-term unemployed are also beneficiaries of the social welfare system.<sup>28</sup> **Social Welfare Centres have their own assessment of their beneficiaries as well as their own individual plans**, which does not cover employment prospects. For example, they may instead focus on medical conditions. Social Welfare Centres monitor if something has changed over time and incorporate this information into their own database (see section 2.1.3). The Social Welfare Centres do not share this information with public employment services and they do not share individual assessments of their beneficiaries with other institutions, as they are considered to be confidential.

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<sup>25</sup> EC (2018): Data collection for monitoring the integration of the long-term unemployed into the labour market 2017. Country Fiche: Croatia.

<sup>26</sup> *Ibid.*

<sup>27</sup> The new ordinance published in the Official Gazette in June 2017 stipulates that Job Integration Agreement (Sporazum o uključivanju na tržište rada, in Croatian) should be signed with long-term unemployed person. Pravilnik o evidencijama Hrvatskog zavoda za zapošljavanje, Narodne novine NN 52/2017.

<sup>28</sup> Respondent from local Social Welfare Centre assessed that approximately 40% of their beneficiaries have 'work capacity', which requires them to register at HZZ.

### 2.1.3 Coordination of support

#### Baseline and development

The 2015 Commission Staff Working Document accompanying the proposal for a Council Recommendation stated that the recommendation on coordination<sup>29</sup> and transition to employment would have a strong impact in Croatia.

According to the mapping of policy changes, **coordination mechanisms<sup>30</sup> between organisations working with the long-term unemployed were already in place in H1 2015**. Public employment services, and social services were the institutions involved in coordinating services to long-term unemployed.

Although formally Croatia public employment services offer only employment services, there is good cooperation with Social Welfare Centres according to interviews. Social Welfare Centres provide information to their beneficiaries on a wider set of available services, including counselling and other psychological support and housing as well as public employment services, than what is stipulated by the legal requirements.

**Since 2013, the HZZ has started to develop a network of Life-long Career Guidance Centres** (Centri za informiranje i savjetovanje o karijeri – hereafter referred to as ‘CISOK centres’). CISOKs are intended to reach out to different target groups, including those who are long-term unemployed, in order to provide information, advice and guidance on careers and educational opportunities through ‘one-stop-shops’ at the local level. CISOKs are open not only to job seekers but to employers as well. Currently, there are 13 CISOK centres around Croatia, with a plan to expand and cover all counties by 2020.<sup>31</sup>

The quality rating provided by the national expert for **interinstitutional coordination** remained at 3 from H1 2015 to October 2018.

The quality rating provided by the national expert for **Single Points of Contact** remained at 2 from H1 2015 to October 2018.

#### Case study findings

HZZ and Social Welfare Centres have worked on an agreement to exchange data on their mutual beneficiaries since 2011. However, **currently this data exchange is not available online and the scope of the exchange is rather limited**, i.e. the Social Welfare Centres inform HZZ if a person is a beneficiary of the social welfare system and HZZ inform Social Welfare Centres in case a person is not actively seeking work. The introduction of Single Points of Contact for the long-term unemployed, responsible for benefits and long-term unemployment support, has not yet been implemented. Whereas the Croatian public employment services have been identified since 2017 as the only institution responsible for acting as a Single Point of Contact, its function does not fulfil the profile as foreseen in the Recommendation itself.

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<sup>29</sup> Coordination refers to coordination of support between support services of relevant to the long-term unemployed, including employment, social, physical and mental health, housing support services for example.

<sup>30</sup> European Commission (2015) specifies two mechanisms: a systematic referral system to the support needed and data sharing mechanisms across organisations. The document places Croatia among countries with no formal coordination.

<sup>31</sup> The central web page for the network of CISOK centres (<http://www.cisok.hr/>). More information can also be found in Agency for Vocational Education and Training and Adult Education (2018) Guidance and outreach for inactive and unemployed – Croatia. Cedefop ReferNet thematic perspectives series. [http://libserver.cedefop.europa.eu/vetelib/2018/guidance\\_outreach\\_Croatia\\_Cedefop\\_ReferNet.pdf](http://libserver.cedefop.europa.eu/vetelib/2018/guidance_outreach_Croatia_Cedefop_ReferNet.pdf)

There is a concern regarding the question of whether a beneficiary of the welfare system is employable or not. Technically, according to the existing legislation, social welfare system beneficiaries (who are ‘in work capacity’) have to register as unemployed if they are seeking benefits. Although this exchange of data exists, more **efforts can be made to improve the scope of the information shared** as well as the technical solution used for the exchange of the data. Stakeholders on national and local levels believe that improvements in this area would be beneficial. It is not entirely clear how to improve on the scope of the shared information, because Social Welfare Centres consider some of the personal data to be confidential and the recently introduced EU General Data Protection Regulation (GDPR) prompts additional issues.

National stakeholders also reported that there will be changes in the law on the welfare system,<sup>32</sup> specifically through the system of social mentorship.<sup>33</sup> This involves trained social mentors who work with the long-term unemployed to support them in developing skills for the workplace. To date, this method has been implemented via a project which ran from 2010-2012, however **there are plans to continue to develop social mentorship as a form of individualised support** as a follow on from this pilot. It is believed that this will intensify the work of social workers with long-term unemployed people and could - in cooperation with HZZ - facilitate the [re-]integration of this group into the labour market. Since both Social Welfare Centres and the HZZ are centralised systems, a coordination of the activities is developed top-down. Representatives of respective institutions at the local level report having good cooperation with each other. Their general observation is that there have not been any significant recent improvements.

It should however be noted that the long-term unemployed perceive HZZ as an institution which assists them in their job search efforts. They do not expect that any of their other needs will be met by them. Case study participants who were long-term unemployed also emphasised that their main problem related to finding a job, and they do not expect the public employment services to provide them with other services. This is probably related to the **traditional role of the HZZ as the job mediator on the Croatian labour market**, as opposed to some other European countries where this task is not so centralised. Civil society organisations in Croatia do not have a role in the Recommendation implementation process, as they do in some other EU countries, as they are not involved in the unemployment registration process. They are however active in some projects that also involve working with people who are long-term unemployed.

#### **2.1.4 Cooperation with employers and businesses**

##### **Baseline and development**

Among the interventions included in the Recommendation, two mechanisms were considered in relation to employment support: enhancing services to employers and focusing labour market policies (ALMPs) on the competitive labour market, reducing to a minimum public works. The 2015 Commission Staff Working Document accompanying the proposal for a Council Recommendation suggested that the impact of the Recommendation in Croatia would to be high given the relatively strong focus on public works. Namely, prior to the

<sup>32</sup> Changes in the law are announced in the Croatian National Programme of Reforms for 2018 <https://ec.europa.eu/info/sites/info/files/2018-european-semester-national-reform-programme-croatia-hr.pdf>

<sup>33</sup> The project Establishing Support in Social Inclusion and Employment of Disadvantaged and Marginalized Groups carried out in the period 2010-2012 and financed through the ESF included development of social mentorship (<https://mdomsp.gov.hr/projekt-uspostava-podrske-u-socijalnom-ukljucivanju-i-zaposljavanju-socijalno-ugrozenih-i-marginaliziranih-skupina/241>).

Recommendation, Croatia focused over 40% of long-term unemployment schemes on public works.

According to the mapping of policy changes, some measures were already in place in H1 2015 to establish closer links with employers related to the placement of the long-term unemployed. These measures covered services to employers, such as screening of suitable candidates, placement support, and workplace mentoring and training. Interviewed employers are mostly satisfied with the services provided by Croatian public employment services. Employers are also included in different type of activities organized by the HZZ, such as jobs fairs. Even though these services were available to them prior to the introduction of the Recommendation, **the adverse economic situation in Croatia meant that employers had little need for or were not very much interest in the support provided.** Since the economic situation has improved and with the increase of demand on the labour market, the employers are more inclined to request support and participate in jobs fairs and other activities offered by the HZZ.

The quality rating provided by the national expert for **measures to establish closer links with employers** remained unchanged at 3 from H1 2015 to October 2018.

### Case study findings

In general, national policy makers see a **greater role for employers in the process of labour market integration of the long-term unemployed.** So far, employer representatives are included at the national level in working groups and advisory boards and they participate in the development of different strategies and legislation. However, these actions so far were not specifically focused on the integration of people who are long-term unemployed and were related to the labour market in general.

There are several **measures aiming to engage employers in the activation of people who are long-term unemployed, that relate to the adoption of the new approach to ALMP in 2017.** For example, employers can receive an ALMP financial support for employing a long-term unemployed person for a period of up to a year. Local government units receive support in organising public works,<sup>34,35</sup> which is financed by the HZZ. There is also additional measure for upskilling of the long-term unemployed in the workplace - the goal is to provide resources so that employers have lower costs when employing a formerly long-term unemployed person.

Local HZZ offices traditionally provide a set of services that can assist employers: pre-selection and selection in job-matching, additional training for the unemployed, organising meetings between employers and potential employees, and organising jobs fairs. The scope of the services is constantly improved, alongside the development of the overall scope of services provided by the HZZ. Most of the change are done through internal reorganisation and the introduction of different work schedules for employment counsellors. A reorganisation of HZZ according to economic sector implies that **counsellors are better informed about the particular needs of the employers** in specific economic sector, which enables the provision of custom-made services.

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<sup>34</sup> Public works is one of the active labour market policy measures in Croatia. See: Bejaković, P. and Mrnjavac, Ž. (2011) Need for integration of labour market policy and social policy in Croatia, <https://bib.irb.hr/datoteka/567423.BejakovicMrnjavac.pdf>

<sup>35</sup> In 2017, there were 11.479 participants in this measure. See: HZZ (2018) Godišnjak 2017., Zagreb: HZZ [http://www.hzz.hr/UserDocsImages/HZZ\\_Godisnjak\\_2017.pdf](http://www.hzz.hr/UserDocsImages/HZZ_Godisnjak_2017.pdf)

According to interviews, employers generally do not target the long-term unemployed when considering recruitment. Some of the interviewed employers had experience with employing people who had been long-term unemployed, with some mentioning positive experiences,<sup>36</sup> but more sharing negative<sup>37</sup> opinions. Employers did not have any specific selection mechanisms developed for the recruitment of the long-term unemployed, nor did they associate any additional costs with employing this group and they were generally aware of the financial support provided through ALMPs to employ the long-term unemployed.<sup>38</sup> Those who participated in financial support measures were satisfied with it, although some mentioned that they would have liked to be able to use it for a longer period of time.

Employers in general are also not interested in the possibilities to improve the cooperation with other institutions related to the implementation of Recommendation.<sup>39</sup> They are preoccupied with their own business activities and see no additional role for institutions (national or international) to intervene in their business processes.

## 2.2 Examples of measures

The following measures is highlighted here given its thematic link to the measures proposed in the Recommendation. Whilst it is not possible to make a definitive connection between the Recommendation and the introduction of the example given below, it is highlighted here given its key alignment with the main measures outlined in the Recommendation, mainly to incentivise the recruitment of the long-term unemployed amongst employers. As such it is presented here as interesting examples of *relevance* to the Recommendation:

Financial support for employment is designed to support the recruitment of groups at a particular risk of becoming long-term unemployed. These can include for example, first-time job seekers, persons with disabilities, and persons older than 50, etc.<sup>40</sup> Upon recruiting someone who may otherwise have been vulnerable to long-term unemployment, **an employer can receive 50% of labour costs for a duration of 12 months**. By the end of June 2018, out of 20,771 participants of ALMPs, 28.5% were included in this employment incentives measure.

Employers report being satisfied with this measure because the payment of the funds is made in two instalments, with the payment of the first package made upon signing an initial agreement with the HZZ. This means that employers are able to secure funds for wages by the time the new employee takes up their position. The second instalment is then made 6 months into the contract.

## 2.3 Use of the ESF to implement the Recommendation

Long-term unemployment falls within the first Priority Axis of the Croatian Human Resources Operational Programme, within which supporting the unemployed and particularly

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<sup>36</sup> An employer mentioned a person without previous work experience in their occupation who turned out to be very motivated and productive worker.

<sup>37</sup> For example, the view that the long-term unemployed do not have developed working habits, or they are not interested in keeping a job, etc.

<sup>38</sup> When employers who are beneficiaries of the ALMP were prompted about the costs, they usually thought that it was related to the administrative costs of participating in a measure (such as signing a contract), and not the costs related to additional training provided to a long-term unemployed person.

<sup>39</sup> It could be the case that this is specific to the regions chosen to participate in the survey, i.e. the regions with high unemployment rates and in particular high long-term unemployment rates. Employers in regions with more tight labour market could have different views.

<sup>40</sup> Full list of potential beneficiaries can be found, in Croatian, on <http://mjere.hr/mjere/potpore-za-zaposljavanje/>

the long-term unemployed is specified.<sup>41</sup> According to policy-level stakeholders interviewed, the European Social Fund is used for ALMPs in Croatia, particularly those relating to financial support for employers; **upskilling of the long-term unemployed at the workplace**; and to support to public works.

Some interviewees mentioned ESF being used as a complementary financing mechanism in addition to national resources used for the implementation of the ALMPs. Indeed, at the end of October 2018<sup>42</sup> it was announced that Croatia had received funds of 2.1 billion kuna from the European Social Fund to support ALMP implementation. It is however **not clear whether these costs are associated specifically with the implementation of the Recommendation** or whether they would have been incurred without it.

**A project that is currently being funded by the European Social Fund is the Zaželi programme.** The programme was introduced in 2018 and aims to support older women into employment. The programme provides training so that women can find employment as caregivers e.g. to the elderly or people with disabilities. Whilst it does not specifically target women who have been long-term unemployed, the programme nonetheless supports women – some of whom may have been away from the labour market for some time due to unpaid caregiving responsibilities at home or the favouring of male employees due to industry-oriented economic structures (see Section 2.1) and as such the programme can be seen as related to the aims of the Recommendation.

More broadly, Croatia is one of the recipient countries in a project developed under the European Social Fund Transnational Network on employment to develop “off-the-shelf” packages to support the long-term unemployed, specifically to provide support for development of shared case histories, post-placement after-care to ensure sustainable placements and targeted employability support through work experience/vocational training/guidance.

## 2.4 Monitoring of implementation

The HZZ carried out an evaluation of the statistical profiling model (STaP) and the finalisation of the results is expected in November 2018. The evaluation is external and the aim to assess whether current prediction of the statistical model can be further enhanced. Since Job Integration Agreements have specified the obligations of employment counsellors’, it is also envisaged that their work will be monitored. For these purposes internal procedures will be developed. The implementation of Job Integration Agreements is still at an early stage, but public employment services plan to monitor how their counsellors implement them. In order to this, they do not plan to have an external evaluation or a public tender, but to further develop internal monitoring procedures. **Currently, follow-up activities in relation to the implementation of Job Integration Agreements are regularly monitored through monthly reports.** More elaborate monitoring on progress and results of Job Integration Agreements is done through additional IT support, currently in testing phase expected to end by December 2018.

Stakeholders on local level monitor implementation of their operations and procedures. For example, public employment services employment advisors report that they monitor

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<sup>41</sup> <http://www.esf.hr/europski-socijalni-fond/razdoblje-2014-2020/>

<sup>42</sup> <http://www.hzz.hr/default.aspx?id=48603>

implementation<sup>43</sup> of Job Integration Agreements each time they have a scheduled meeting with a long-term unemployed person. However, some local practitioners suggest that it is still too early to assess whether the newly-introduced changes have yielded any results, as the number of long-term unemployed people is still relatively high. This view is also shared by the long-term unemployed themselves.

### 3. CONCLUSIONS

#### 3.1 Relevance

The **proposals made in the Recommendation are considered relevant by most stakeholders**, given that there is still a high number of people who are long-term unemployed in Croatia. The labour market situation has changed, the number of vacancies has recently increased, and as the overall unemployment rate decreases, the focus on long-term unemployment becomes even more important. There is still a room for improvement in terms of support to be provided to the long-term unemployed. When the unemployment level was high, the unemployment problem was overwhelming for most stakeholders and the focus was not on the long-term unemployed. When there are shortages on the labour market however, the importance of activation measures for the long-term unemployed increases. National policy level stakeholders interviewed confirmed that it is even more important to work on motivating the long-term unemployed and changing the perceptions of employers in the current situation, but most did however suggest that implementation requires time.

#### 3.2 Effectiveness

Overall, the quality of measures in Croatia has not improved since H1 2015 except for coverage of registration, individual assessments and Job Integration Agreements, which show a positive change from the initial assessment.

Stakeholders at the policy level report that the **Recommendation was a type of breaking point leading to changes in legislation and redesign of internal procedures** in HZZ aimed at improving the services offered to the long-term unemployed. By-laws regulate the way to approach long-term unemployment and additional capacity building for public employment service counsellors provided them with the necessary skills to support people who are long-term unemployed in more efficient ways. Although some procedures existed before (or ideas were developed), the implementation of the Recommendation was associated with clearly defining responsibilities.

Most mechanisms (with the exception of the Single Point of Contact) existed in Croatia prior to the introduction of the Recommendation. The Recommendation stimulated further **fine-tuning and emphasised the greater need for an individualised approach** to the long-term unemployed. The additional focus on long-term unemployment is highly appreciated by public employment service staff and brought changes in internal procedures, redesign of the existing ALMP measures and additional capacity building of the persons working closely with the long-term unemployed. Although mechanisms for cooperation between different institutions exist, the need to strengthen them is recognised by most stakeholders.

However, most stakeholders believe that the implementation period is still too short to be able to assess the impacts of the Recommendation in terms of improved transitions or

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<sup>43</sup> Interviewed public employment service employment advisors mentioned internally developed software solutions that enables the monitoring of progress at the level of each individual long-term unemployed person.



employment outcomes for long-term unemployed. However, they warn that the ultimate outcome and the employment possibilities of those who are long-term unemployed depend on the situation in the labour market and not on the actions put forward in the Recommendation. This opinion is emphasised by both employers and the long-term unemployed themselves.

### 3.3 Efficiency

Most stakeholders agree that the **costs associated with the implementation of the Recommendation are not excessive**, because a number of measures were already in place. The implementation of the Recommendation was mostly associated with changes in internal procedures and processes of the HZZ. At the same time, it is too soon to assess whether any of the actions taken so far result in positive results. It is **assumed by the stakeholders that actions taken will contribute to lower number of people who are long-term unemployed**.

The only costs that were identified by interviewed stakeholders are related to the implementation of ALMPs, where the European Social Fund is used as a complementary financing mechanism in addition to national resources. However, it is not entirely clear whether these costs are associated specifically with the implementation of the Recommendation or whether they would have been incurred in its absence. Specifically, the Recommendation brought additional focus on long-term unemployment, so it could be the case that due to this indirect effect, an increased implementation of ALMPs for long-term unemployed beneficiaries was considered, but this is difficult to assess.

### 3.4 Coherence

The Recommendation was in line with national level efforts already in motion in Croatia, for example measures for individual assessments and personalised guidance of long-term unemployed at the latest at 18 months of unemployment prior to the Recommendation (which were since developed as outlined in Section 2.1.2), and the development of a network of Life-long Career Guidance Centres by Croatian public employment services since 2013 (see Section 2.1.3). Stakeholders at the national level in general believe that **there is a synergy between different actions in Croatia**. Whenever strategies or ALMPs are developed or redesigned, a wide set of stakeholders are consulted and, as a result, the horizontal connection between different measures and activities is relatively good, as other instruments also look at people who are long-term unemployed as a target group. For example, upskilling activities or life-long learning strategies are developed with the long-term unemployed in mind. One of the goals of the educational system reform for example, is to ensure that the educational programmes are more closely linked to the labour market needs.

Looking to the European level, the Recommendation is also coherent with Country Specific Recommendations made as part of the European Semester governance framework. In 2016 it was recommended that Croatia “provide appropriate up- and re-skilling measures to enhance the employability of the working age population with a focus on the low skilled and the long-term unemployed”.<sup>44</sup> This is **not only coherent with the Recommendation but also complimentary** in explicitly relating the issue of skills development with the alleviation of

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<sup>44</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1486055100657&uri=CELEX%3A52016DC0331>

long-term unemployment, a matter that is not explicitly addressed in the Recommendation itself but nonetheless contributes to the shared aim of addressing the issue.

### **3.5 EU added value**

Although there was a system in place to deal with the issue of long-term unemployment prior to the adoption of the Recommendation, most interviewed stakeholders agree that there is an added value of the EU process given that the **Recommendation put additional focus and brought some already developed ideas closer to the implementation phase**. Whereas public employment services are engaged in ongoing activities to support the long-term unemployed, the Recommendation now appears to form part of the discussion on the alleviation of the issue. For example, as mentioned in Section 1.1.2 it was outlined to stakeholders during a meeting for a national Working Group on ALMP monitoring during which a Peer Review on the topic of long-term unemployment was also announced.

**Local-level stakeholders are however less likely to see benefits from EU guidance**. They mention specific projects and EU funding (employers, long-term unemployed, Social Welfare Centres), but these are seen as short-term solutions. Guidelines produced by the EU are not perceived to help resolve the issue of unemployment. In addition, these stakeholders do not support frequent changes in the system, because they believe it takes time for the beneficiaries (both employers and the long-term unemployed) to become acquainted with the new processes.

National-level stakeholders would welcome **more information on good practices** from other countries – what works, what does not work, what can be transferable to other areas and similar questions. Their view is that capacity building activities with the support of EU funds should probably be intensified.

#### 4. LIST OF INTERVIEWEES

Level	Role / Position	Type of stakeholder
<b>National/EU</b>	Senior staff	Ministry of Labour Market and Pension Systems, EMCO core member
	Senior staff	Ministry of Labour Market and Pension Systems, EMCO core member
	Senior staff	Ministry for Demography, Family, Youth, and Social Policy
	Senior staff	Croatian Employment Service (HZZ)
	Senior staff	Ministry of Labour Market and Pension Systems, ESF Managing Authority
	Senior Adviser	Ministry of Labour Market and Pension Systems, ESF Managing Authority
	Senior staff	Union of Autonomous Trade Unions of Croatia
	Advisor	Croatian Employers' Association
<b>Local</b>	Company lawyer	Employer
	Company director	Employer
	President	Employer
	Chief accountant	Employer
	Director	Employer
	Director	Employer
	Director, employment advisor	Local PES
	Employment advisor	Local PES
	Employment advisor	Local PES
		LTU
		LTU
		LTU
		LTU
		LTU
		LTU
		LTU
		LTU
		LTU
	Director, social worker	Social Service Center
	Director, social worker	Social Service Center
Social worker	Social Service Center	
Social Worker	Social Service Center	
Director	Civil society organisation	
President	Civil society organisation	