



European Employment Observatory

EEO Review: Youth Employment Measures, 2010

Croatia

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1. Introduction

Croatia has the highest rate of youth unemployment in comparison with other former transition countries and is ranked in the top position together with Bulgaria, Slovenia and Poland. The consequences of high youth unemployment and the lack of employment opportunities for young people lead to low productivity levels, poverty and social exclusion. Vehovec (2008) underlined that in the period from 1998-2008 youth unemployment in Croatia has been falling both in absolute terms and relatively compared to adult unemployment. There are several possible reasons for the fall in the youth unemployment rate: one is the exit from political isolation and the economic recovery after 2000, together with active labour market policy targeting young people; the other is the size of the youth cohort, which was also decreasing and consequently reducing the number of people entering the workforce. The situation deteriorated somewhat in the period from Q4 2007 to Q4 2009, particularly for the youngest age group (15-19), among whom the unemployment rate increased from 41.5 % to 47.0 %, while for the age group 25-29, the unemployment rate fell from 12.3 % to 12.1 % (see Annex).

The table below shows the activity rates of different age groups in the Croatian population for the period 2006-2009. The table reflects the categorisation used in the Labour Force Survey, where young people are referred to as the age cohort 15-24. The table provided in the Annex to this report, however, includes data which have been recalculated by the Central Bureau of Statistics, to include the age group 25-29.

Table 1: Population Activity Rates by Age Groups in the Period 2006-2009

	<i>Activity Rates</i>			
	2006	2007	2008	2009
15 – 24	35.4	34.5	34.7	34.2
25 – 49	82.7	84.1	84.2	83.2
15 – 64	62.6	63.2	63.2	62.4
	<i>Employment / Population Ratios</i>			
15 – 24	25.2	26.2	27.1	25.6
25 – 49	74.5	76.9	78.0	76.3
15 – 64	55.4	57.0	57.8	56.6
	<i>Unemployment Rates</i>			
15 – 24	28.9	24.0	22.0	25.1
25 – 49	10.0	8.7	7.4	8.3
15 – 64	11.5	9.8	8.6	9.3

Source: The Labour Force Survey

Youth employment and unemployment rates differ significantly across the age groups: the employment rate is low and the unemployment rate is high for the age group 15-19 (people with no occupation and/or low and unfinished secondary education, with qualifications below

level ISCED 3), while older young people (aged 20-24, and particularly 25-29, more often with qualifications above level ISCED 3) have significantly lower unemployment rates and much higher employment rates (see the Annex). Thus, young people without education or/and with lower educational attainment, mostly without work experience and with lower employability, are particularly exposed to unemployment.

Young people have a better ratio of unemployment exit to employment within the first year of unemployment, in comparison with adults. According to the Labour Force Survey more than half of unemployed young people are long-term unemployed: 51.9 % in the age group 20-24 and 52.6 % for age group 25-29 (which is better than 62 % of the long-term unemployed for the total unemployed population). The share of young people in long-term unemployment is therefore relatively low. For those under 29 years of age, both the entrance and exit from the job market are more frequent, which means that the reallocation of young people is higher. Temporary work is particularly notable among the youngest age cohort (15-24) where two thirds are active in that form of employment. NEET rates (although not based on fully accurate figures) increase from 14.5 % for the age group 15 - 24 to 87.1 % for the age group 25-29. In the youngest age cohort there is a 2.6 % rate of school drop-out, in the middle age cohort the drop-out rate is 3.9 %, while in the oldest age group the rate is 7.6 %. Nevertheless, one should bear in mind that the sample of unemployed persons in the Labour Force Survey is too small for a more detailed analysis, to make reliable conclusions.

2. Measures taken to promote youth employment

2.1 School education and training policies

According to the Croatian Employment Service (CES) database, the largest number of unemployed young people is made up of persons with no occupation (unskilled persons). From the total number of unskilled persons, around one third is under 30 years of age. In the last few years, the occupations with the highest unemployment frequency were mostly the same, from which one can conclude that there is a constant structural mismatch between labour supply and demand. This should be solved by re-qualification programmes or by opening job opportunities where these unemployed persons could use their skills and knowledge. All of these occupations belong to the services sector, which is one of the most important sectors of employment. Although the reallocation of young people is higher than for adults, it is possible to find ways to improve this, through, for example, labour market measures and education policy.

In Croatia, limited employment opportunities for young people and the skills gap are related to: the inadequate educational attainment of the labour force; a vocational education and training (VET) system that does not cater for the needs of the labour market; and low, although increasing, tertiary education enrolment rates. Average length of school attendance in 2006 (13.53 years) compared unfavourably with the EU-27 average (15.63 years) and key international peers (e.g. 16.69 years in Slovenia). There is a surplus of places available in vocational programmes, in comparison with demand, while the enrolment quotas for gymnasiums and four-year programmes in contrast tend to be lower than demand for places. The enrolment quotas in three-year vocational programmes exceed demand consistently year after year, pointing to a weak connection with labour market demand.

The early school leaver (18-24 years) rate in Croatia is relatively low (3.9 %) in comparison with the situation in the EU-25 (15.0 %), but it is nonetheless a significant problem for part of the youth population. Mostly it is caused by a lack of a network of 'second chance' schools, aimed at young people who have either been excluded from education or are on the verge of exclusion. The Government of Croatia has adopted Annual Employment Promotion Plans for various years, which include different measures for the education, training and employment of long-term young unemployed persons who have left school (drop-outs). Furthermore, Croatia has embarked upon a very ambitious reform of the education system. It is based on the document 'Development Plan for the Education System for 2005-2010', where significant attention is given to an increase in the education level of early school-leavers, primarily through their further education and training. In particular, Roma children tend to leave school early (even in the beginner classes of primary school), although adequate attention is given to motivating them to remain at school.

There is a general consensus that education has a key role to play for the future development of Croatia as well as to improve the employability of the labour force, particularly of young people. The preparation of the new National Framework Curriculum is underway. It will enable the division of primary education into cycles and differential programmes; it will give greater discretion to schools in the preparation of school curricula, a greater autonomy of teachers and pupils, and the possibility to introduce new programmes. The curriculum will be the basis for the adoption of syllabi and it will define competencies for each phase of schooling. The implementation of the new curriculum is underway and it should be fully implemented by 2012.

Vocational education has not adjusted quickly enough to the changes in the economy and to the needs of small and medium sized businesses. There are three and four year educational programmes, special programmes for under-qualified workers or students with special needs, and there is a dual system of schooling with work placement. In the area of vocational and higher education, a number of legal strategic activities aimed at harmonisation with labour market demand have been carried out. In 2008 the Strategy for Development of the System of Vocational Education in the Republic of Croatia 2008-2013 was adopted. The Strategy was developed with the presumption that vocational education is a strategic development priority. It is based on the adjustment of the learning outcomes to meet labour market demand. In March 2009 the Vocational Education Act was adopted, which introduced the focus on learning outcomes in vocational education. Thus, the legal basis for the development of the system of evaluating non-formal education was created. The Agency for Vocational Education promoted the need for vocational schools to take more account of labour market needs by ensuring that approximately 50 % of all professional training courses of teachers are run within relevant companies. The improvement of the attractiveness of the vocational education programmes is also implemented by organising state competitions of pupils - the best pupils are secured direct enrolment in corresponding faculties.

2.2 Labour market and employment-related policies and access to benefits

There are two *current* main concerns for young people in Croatia. Firstly, while the employment rate for prime-age men in Croatia is only slightly lower than the EU average and the employment rate for prime-age women is close to the EU average, there is a major gap for young people. The gap accounts for most of the employment difference between Croatia and

the EU. Recently there were significant changes and for example in 2008 the most significant decrease in unemployment was recorded in the youngest age groups. In March 2009, 4.5 % of the unemployed were aged 15 and 19 years of age and 13.3 % were between 20 and 24 years of age. However, the number of the unemployed without educational qualifications, i.e., without any schooling or with uncompleted or completed primary school education was decreasing less than the number of the unemployed with secondary, two-year-post-secondary or university qualifications, therefore their relative share in unemployment increased. At the end of 2009, in comparison with the same period in 2008, unemployment rose in all age groups, with the highest relative increase (of 34.3 %) recorded in the age group between 25 and 29 years of age. A significant relative increase was also recorded in the 30-34 cohort (by 29.7 %) and the youngest cohort, from 15 to 19 years of age (29.3 %).

Key priorities for Croatia in the promotion of youth employment are:

- 1) To increase the level of employability of groups most affected by long-term unemployment, primarily by directing active labour market policies towards persons with low employability and/or disabilities;
- 2) To expand the scope of secondary and higher education (through extending the number of years of obligatory education and better monitoring and prevention of school dropouts);
- 3) To encourage the completion of a form of education which will provide a vocational qualification and the systematic development and implementation of measures for successful graduation at a university; and
- 4) To reform vocational education so that it meets labour market requirements.

The National Employment Promotion Plan for 2009 and 2010 outlined the basic principles of the employment policy. The key priorities in the implementation of the plan are, inter alia: an increased participation rate of young people, addressing the problem of long-term unemployment, a reduction of the skills mismatch on the labour market, improving the adaptability of workers and enterprises, increased investment into human resources through enhanced education and skills, good governance and administrative capacity building.

Key employment promotion measures (pursuant to the proposal of measures of the Annual Employment Promotion Plan) include co-financing the employment of young people registered with the CES without work experience. Thus, in 2008, co-financing supported the provision of employment for 1 081 young persons aged up to 29 years. In the period from 1 January to 31 March 2009, co-financing supported the employment of 1 003 young unemployed persons (460 of whom were women) without working experience. Young people participate also in the majority of other active labour market measures such as up-skilling, requalification, education, public works, etc. In 2009, a total of 3 025 people were included in training - this was 28.1 % more than in 2008. The number of unemployed people included in training will rise in 2010 to the planned 3 907, and this will be a further increase of 29.2 %. In addition, CES co-financed the training of the employed at risk of unemployment because of the introduction of new technologies or production programmes by their employers. A particular focus was on preparation for employment through various forms of information provision and counselling, especially for the young and long-term unemployed. In 2009, there were 20 016 organised group information sessions with participation of 123 631 unemployed people, mostly young people. Unemployed people underwent the job counselling procedure,

so that in 2009 there were 714 819 individual counselling sessions recorded in the CES. For people with lower employability, workshops for developing skills of active job search were organised. Workshops were organised through three modules: how to seek a job actively, how to introduce oneself to the employer and self-assessment methods. In 2009 those workshops were attended by 26 637 unemployed people, most of whom were the young and long-term unemployed with low employability.

There have been a number of programmes and projects at the local level, such as *Creating New Opportunities in the Labour Market*, which were implemented by the Centre for Education, Counselling and Research. The project objective was to improve the position of women, particularly young women, in the labour market by providing and enhancing their skills and knowledge in order to increase their employability, competitiveness and facilitate integration into the labour market. The project also empowers women in seeking, selecting and obtaining employment. Furthermore, it increases: the availability of information about employment and labour rights; informs employers about the practice of socially responsible business operations; and raises awareness and informs the public and key stakeholders about the unequal position of women in the labour market and problems of poverty and social exclusion of women. The target groups of the project are unemployed young women first-time job seekers, women without formal education and single mothers.

Regarding access to social security benefits, since the beginning of 2009 a new method of calculating the cash benefit payable during the period of unemployment has been introduced. For the first three months of unemployment, this benefit is calculated at 70 % of the previous gross wage, reduced by the amount of compulsory contributions, and after that the percentage is 50 % of the base. In relation to this, it should be pointed out that during the first three months of unemployment, the maximum unemployment benefit may not exceed 70 % of the average wage prevailing in the economy, and after that it may not exceed 50 %. The duration of unemployment benefit has not been changed significantly and it ranges from between 90 and 450 days, depending on the duration of the person's previous employment. Due to the aforementioned conditions, many young persons registered for the first time are not entitled to unemployment benefit but are eligible for support from the social welfare system, mostly on a means-tested basis. It seems that poverty and unemployment traps are not significant problems in general, but only for people with lower educational attainment and higher number of dependent children. The reason is that their income from employment in the official economy is probably lower than social and unemployment benefits from various sources. In Croatia there are no special tax systems and labour market legislation for the employment of young people. The only exception is the possibility of non-paying social contributions for the employment of young persons with some educational programmes, but this measure has not been systematically analysed.

2.3 Addressing problematic features of youth employment

The biggest problem relating to youth (un)employment is the low adjustment of education outcomes and labour market needs. Skilled workers, in particular skilled manual workers, are very difficult to hire, reflecting a shortage of high and specialised skills and a surplus of low and general skills. Specifically, there is a deficit of workers with secondary and tertiary technical education. At the same time there is a surplus of workers with less than secondary (including vocational) and general secondary education. In term of occupations, there is a

strong demand for professionals, technicians, and skilled workers (in services and in industry); at the same time there is an excess supply of clerks, salespersons and workers in elementary occupations. As regards professionals, there is a shortage of engineers, business and health care professionals, coinciding with a surplus of legal, art, social sciences and teaching professionals. Furthermore, there is a shortage of blue collar workers demanded by the construction industry, as well as personal service workers, coupled with excess supply of administrative white collar workers. ICT specialists are in particularly high demand, although the number of job applicants in this field is higher than the number of jobs on offer. This suggests a skills gap within the ICT field: apparently many job applicants in ICT lack the skills required by employers.

Due to relatively strict employment regulation and high severance payments, according to various estimations around 80 % of newly employed persons are employed on temporary contracts. Possible changes to the Labour Law encountered strong resistance from the trade unions and thus the Government withdrew its proposals. Working in the grey economy, unemployed young persons can partly solve their financial problems, although they do not pay contributions to the State. At the same time, they do not have the basic rights that they are entitled to by the Labour Act if they are legally employed. Long term insecurity of employment in the grey economy leads to mounting dissatisfaction and low levels of self-confidence, while the need for stability and security encourages the unemployed to look for employment abroad. In this way, Croatia is left without an educated young labour force that was available for a certain period of time, but then decided to go abroad due to unfavourable employment prospects.

2.4 Roles of the labour market actors

With various measures the attention is focused on strengthening the capacities of the Croatian Employment Service employees in management and the application of measures of active labour market policy. For example, training has been run for CES employees at national and regional level, responsible for application of measures and grant management, in order to improve the implementation of the measures. Within this component the Analyses of the Training Needs of CES Employees was prepared.

3. Conclusions

In Croatia young people have a lower average duration of unemployment than older people. Labour market absorption capacity for young people is stronger, especially for young adults and prime age adults who have spent longer studying at higher education level. One can expect in the future an increase in the ability of the Croatian education system to produce the expected results because an interested labour force exists. Faster employment of young persons would follow from their involvement during education and from their obligatory involvement in work processes as apprentices after they finish formal education, even in a part-time arrangement. Participation in the labour market would make it easier for them to commit to starting their own business in the future. Reducing unemployment is directly connected with the development of entrepreneurship. That is why financial benefits for business start-ups should have a positive effect on self-employment. No doubt some measures have been implemented, but not enough. Due to natural resources in Croatia, the services sector would be the most prominent, also because it has the biggest number of employed and unemployed persons.

The ongoing co-operation between career guidance services, permanent education services and personnel departments of individual economic units should be ensured. That would create preconditions for the development and planning of a total personnel policy. It is necessary to encourage and stimulate inventive work and to give special privileges to talented individuals. It is meaningless to approach the problem of unemployment if the match between the education system and the labour market is not sufficient, regardless of the level of education of unemployed persons. More attention should be given to practical work, and less to theoretical subjects that often overlap and repeat themselves. This is why qualified representatives of each occupation should go through every curriculum and adjust the content in line with changes in the economy and labour market, and increase the percentage of practical training while reducing the percentage of theoretical subjects. The educational system must be made more flexible and navigable, thus avoiding dead-ends and lowering the early drop-out rate, increasing the internal differentiation of students and reinforcing informal methods of acquiring knowledge and skills.

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Annex:

YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS			
Country	Data for the fourth quarter 2009		
Data	Age group 15-19	Age group 20-24	Age group 25-29
Employment rate	6.1%	42.3%	74.3%
Unemployment rate (total)	47.0%	22.0%	12.1%
Unemployment for the low-skilled (ISCED<3)	.	.	.
Unemployment for the high skilled (ISCED>3) ¹	((90.6%))	(89.7%)	(91.4%)
Difference in youth unemployment rate between Q4-2009 and Q4-2007	47.0% / 41.5%	22.0% / 20.8%	12.1% / 12.3%
Long-term unemployment as a % of unemployment	.	((51.9%))	((52.6%))
Temporary work ² as a % of employment	((67.7%))	(28.9%)	(18.5%)
NEET rate (% of the age group)	(14.5%)	55.2%	87.1%
Early school leavers (% of the age group)	((2.6%))	((3.9%))	(7.6%)
Age group	15 - 29		30 – 64³
Youth/adult unemployment ratio	18.7%		7.1 %

- No occurrence

. Not zero, but extremely inaccurate estimation

(()) Inaccurate estimation

() Less accurate estimation

¹⁾ The percentage represents the share of better educated unemployed persons in total employment of that age group

²⁾ The data for temporary work include persons working on fixed term contracts, seasonally or temporary

³⁾ Statistical data such as employment and unemployment are calculated according to age groups usually in five-year intervals. Thus, age groups are divided in the following way: a 64 year-old person is included in the lower group, while a 65-year-old person is included in the upper group.