

# Croatia: Financial compensation for unemployed parents of preschool aged children

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*In 2016, the City of Zagreb introduced financial compensation for unemployed parents who raise and care for three or more children if one of these children is of preschool age (so-called "parent-educators"). The main objective of the measure was to increase the birth rate. Available data show that in the first two years the number of third- and later-born children increased very slightly, while the number of first-born children fell significantly. The number of beneficiaries as well as the related public expenditure have increased constantly. The financial compensation might be reduced because of the COVID-19 crisis.*

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## Description

The City of Zagreb is the only local self-government unit which has introduced (in 2016) a financial compensation ("cash for care") for unemployed parents raising and caring for three or more children if one of these children is of preschool age (so-called "parent-educators"). Unfavourable demographic trends have been mentioned as the basic reason for its introduction. As the number of new-born children fell considerably in 2015 and 2016 compared with 2014, the objective was to increase the number of third- and later-born children by introducing the compensation.

According to the latest decision from 2018, a "parent-educator" can be a mother or a father, a foster parent or any other person who is entrusted by an authorised body with caring for the child(ren) - which open(s) the right to financial compensation - and who lives in a household with at least three children below the age of 26. At least one of these children should be of preschool age. Even if the "parent" meets the aforementioned preconditions, he/she is not entitled to the benefit if he/she is currently receiving unemployment insurance benefit, contributing to pension insurance, or receiving a maternity leave allowance or pension. Single mothers/fathers are entitled to the benefit. In two-parent families, only one parent receives it.

The financial compensation ends when the child(ren) which triggered the

entitlement reach(es) 15 years of age - i.e., once the right is open, the compensation is paid until the child is 15. It is paid monthly and amounts to 65% of the average gross salary of employees in the territory of the City of Zagreb for the first eight months of the previous year.

Between 2016 and 2018, about 4,000 people acquired the status of parent-educator. Since the allowance was introduced, it is estimated that about 5,000 children have dropped out of kindergartens/ nurseries due to the measure.

In 2019, the City of Zagreb envisaged tightening the conditions for acquiring the status of parent-educator, and reducing the benefit. The reason for considering these changes was to tackle abuse of the scheme: employed parents had started to use the compensation to quit their jobs and withdraw the child from kindergarten immediately before the child started the first class. The following key changes were proposed:

- the parent should have been unemployed for at least 6 months prior to the application;
- the parent could not receive the compensation if any parent was receiving maternity, parental or adoption benefit;
- the financial compensation would be received if the youngest child is under 6 and the oldest under 18, and would be paid until the youngest child turned 8;
- the amount of the compensation would be fixed (HRK 4,250 or €574 per month).

However, parent-educators opposed the suggested changes and the City of Zagreb withdrew the proposal.

## Outlook and commentary

Most opposition parties in the City of Zagreb have been against the financial compensation from the beginning, and at the end of 2019 they asked for it to be scrapped. Their reasons for opposing the measure were the following: the expected results were not attained (the total number of new-born children decreased); there was a constant increase in the number of beneficiaries, and thus in the related public expenditure; there were no indicators for monitoring the efficiency of implementation and no analysis of the financial aspects and projections for coming years; the measure has restored gender biases and discouraged the inclusion of women in the labour force; the possibilities of socialisation offered by childcare facilities for young children have been lost.

The financial compensation for parent-educators was introduced without any pre-assessment of its financial, social or educational impact. Given that the scheme was introduced in 2016, it is too early to assess its demographic effects. Nevertheless, the statistics for the first two years indicate that the total number of new-born children has in fact decreased. Based on the data of the Croatian Bureau of Statistics, the number of third- and later-born children increased by 133 children between 2016 and 2017, but at the same time the number of first-born children decreased by 241. Therefore, it

seems unlikely that demographic problems in the City could be resolved by encouraging the delivery of third- and later-born children. It would, rather, be more appropriate to encourage the birth of first and second children. High birth rates can hardly be expected from parents who already have three or more children, or from mothers probably in late middle age.

Public expenditure is expected to rise in the future. All unemployed mothers or fathers, as well as all employed parents earning less than HRK 4,000 (€541), are potential beneficiaries of the financial compensation.

Additionally, and quite importantly, the compensation goes against the Barcelona objectives (agreed as far back as 2002) on the development of childcare facilities for young children with a view to increasing female labour participation and striking a work-life balance for working parents. Despite the fact that the coverage in Zagreb is much higher than the Croatian average, unemployed parents, who are obliged to actively look for a job, have slim chances to place their children in childcare facilities for young children. Therefore, the issue is, rather, whether the funds for parent-educators could be used more efficiently, for example to increase the number of children in these facilities or to improve their quality.

Finally, we must consider the extent to which this measure reduces the supply of labour, especially female labour as more than 90% of people using it are mothers. It can be assumed that parents who leave the labour market for a longer period will find it more difficult to return to it and

find a job. This means that their household income could be significantly lower once they no longer receive the compensation.

If the crisis caused by the COVID-19 virus continues, it will negatively influence the City budget revenues. The mayor already announced cuts in salaries, and the financial compensation might be reduced (it is considered a "salary").

### Further reading

Odluka o novčanoj pomoći za roditelja odgojitelja (Službeni glasnik Grada Zagreba, 10/2018) [*Ordinance on financial compensation for parent-educators (Official Journal of the City of Zagreb, 10/2018)*].

<http://www1.zagreb.hr/slglasnik/index.html#/akt?godina=2018&broj=100&akt=19C009FAB8F26513C1258286003D5D88>

Skupa demografija: GLAS i HSU traže ukidanje zagrebačke mjere roditelj odgajatelj, tvrde da će trošak u 2021. biti 500 milijuna kuna [*The expensive demography: GLAS and the Croatian Pensioners' Party request elimination of Zagreb's parent-educator measure, claiming that the cost in 2021 will be 500 Million Kunas*]: <https://www.tportal.hr/vijesti/clanak/glas-i-hsu-traze-ukidanje-zagrebacke-mjere-roditelj-odgajatelj-tvrde-da-ce-trosak-u-2021-biti-500-milijuna-kuna-foto-20191015/print>

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