

Croatia: Economic and social policy measures to address the COVID-19 crisis

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Since 17 March 2020, the Croatian government has adopted more than 60 measures to mitigate the socio-economic consequences of the COVID-19 pandemic. The total cost of increased expenditure and lost revenue due to the pandemic is estimated at around 7% of the forecasted GDP in 2020. However, there have been very few social protection measures adopted during the crisis.

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Description

Since 17 March 2020, the Croatian government has adopted more than 60 measures to help companies that were closed by the lockdown and those which suffered a more than 50% decrease in revenues due to COVID-19. These measures include wage support, deferral of payment of income/profit tax and health and pension contributions, postponement of loan repayments, restructuring of existing loans, interest-free loans etc.

The economic, labour market and job retention measures can be divided into two categories:

- The first stimulus package adopted in March 2020 included measures for preserving jobs. The government has paid out 100% of minimum net wages (HRK 3,250 or €433) and health and pension contributions, including an additional HRK 1,460 (€195) per employee, to companies affected by lockdown measures and in which employers did not lay off workers. In April, the government raised the support for net wages from HRK 3,250 to HRK 4,000 (€533). The wage/job preservation support measures were extended in June and the following months, and employers were required to prove that they had suffered a drop in revenue of at least 50% (40% as from October).
- In June some new measures were introduced, such as a support for short-time work scheme (using financial allocations from the SURE programme). Eligible employers could receive a grant to offset an eligible employee's potential loss of employment income if an

employee's working hours were temporarily reduced in one or more months in the period June to December 2020. Eligible employers with 10 to 50 employees had to submit a grant request for at least 20% of all employees; employers with 51 or more employees had to submit a grant request for at least 10% of all employees. An eligible employer could receive a grant of up to HRK 2,000 (€267) per month per eligible employee. An eligible employee is an employee whose working hours were temporarily reduced by no more than 50% of his/her contracted monthly working hours between 1 June and 31 December 2020.

On 30 November, it was reported that expenditure related to these two sets of measures had reached 7.4 billion HRK (€0.99 billion), which contributed to saving 630,000 jobs, and that the amount was likely to increase to a total of HRK 8 billion (€1.01 billion) by the end of 2020 (Government of Croatia, 2020).

In the area of healthcare, the following measures were adopted. If a doctor decides that a worker has to be in isolation or self-isolation because he/she has the symptoms of COVID-19 and/or meets certain epidemiological criteria (e.g. he/she has been in close contact with a person infected), this worker is entitled to a salary compensation. This compensation is then paid by the Croatian Institute of Health Insurance (CIHI) from the first day of the sick leave (rather than as from the 43rd day of sickness for those actually infected by COVID-19). The amount paid is equivalent to the average salary received in the last six months, capped at HRK 4,257 (€568). In addition, all working (employed and self-employed) parents having to take care of

children infected by the virus are also entitled to this leave with a salary/income compensation; if their jobs cannot be performed remotely from home, the compensation is paid by CIHI (rather than the employer in the case of employees). This salary/income compensation for COVID-19 related reasons has applied since April 2020.

Also worth mentioning is the 6-month moratorium (from 18 April to 18 October 2020) on debt and loan enforcement for natural persons. According to the data from the Croatian Notaries Chamber, during the moratorium public notaries received about 170,000 instructions to chase up debts/loans (most of them referred to debts for water consumption, gas, electricity and telephone services).

During the pandemic, there have been no changes to the minimum income protection, unemployment benefits or other social protection benefits.

Outlook and commentary

According to the estimates from the Ministry of Finance, the COVID-19 cost, at the end of 2020, of the increased expenditure on economic and social measures and lost budget revenues is around HRK 30 billion or €3.9 billion (more than 7% of the estimated GDP in 2020).

Almost all political parties and social partners have supported the measures themselves, but the government has often been criticised because of their short duration; for instance, opposition political parties wanted to extend the moratorium on debt and loan enforcement until the end of the pandemic.

At the beginning of the implementation, some trade union representatives accused certain employers of misusing the job protection support (Novosti, 2020). On the other hand, some employers complained that the government support was paid with a significant delay (Dnevnik, 2020).

There have been no measures to simplify and facilitate the access to unemployment benefits, social assistance or other social benefits. Neither were there measures directed at the protection of parents and vulnerable families with children. As during the second semester of the 2019/2020 school year children did not attend classes at school, but online, children from poor families no longer benefited from free school meals, which play an important role for them in terms of food safety and quality. There have been no measures to provide temporary assistance to parents when they could not use the services of kindergartens or schools. Even though evidence is not yet available, this is likely to result in an increase in income poverty and/or material deprivation.

Also, the number of citizens who have used one-time assistance in order to overcome situations caused by the pandemic is not known (this social assistance scheme is not based on strict means-testing, which gives more discretionary powers to social workers).

The healthcare system is under great pressure due to the rise of the number of COVID-19 patients requiring hospital treatment. Access to health services for non-COVID-19 patients has been limited because health sector resources were reserved to combat COVID-19. This has resulted in a situation where many people have postponed health checks because they are afraid of COVID-19 or because there are long waiting lists, which will most likely have negative effects on health outcome indicators. Besides, a shortage of medications emerged in October 2020 because wholesale pharmacies (suppliers of medications) stopped the deliveries of medications to 33 hospitals due to the government debt of HRK 5 billion (€667 million). This debt occurred before the pandemic, but the COVID-19 crisis has led to a drastic fall in state budget revenue and has increased healthcare system expenditure.

Further reading

Dnevnik (2020), <https://dnevnik.hr/vijesti/hrvatska/glas-poduzetnika-jos-nisu-isplicene-potpore-za-srpanj-a-nekima-ni-za-lipanj---617514.html> (22.08.20). Accessed 05.01.21.

Hrvatski zavod za zapošljavanje (HZZ): Potpore za očuvanje radnih mjesta [Croatian Employment Service: Job Preservation Support Measures]:

- March-May 2020 measures: <https://mjera-orm.hzz.hr/potpore-ocuvanje-radnih-mjesta-ozujak-svibanj/>
- October-December 2020 measures: <https://mjera-orm.hzz.hr/potpore-za-ocuvanje-radnih-mjesta-listopad-prosinac/>

Novosti (2020), <https://www.portalnovosti.com/profiterima-nikad-dosta> (06.05.20). Accessed 05.01.21.

Government of Croatia (2020), Press release 30.11.2020 available at: <https://vlada.gov.hr/vijesti/nove-kladine-mjere-vrijedne-2-1-milijardu-kuna-za-ocuvanje-radnih-mjesta-pokrivanje-fiksni-troskova-i-covid-kredite/30941>. Accessed 05.01.21.

Vlada prihvatila paket mjera za pomoć gospodarstvu uslijed epidemije koronavirusa [Government has accepted the set of measures to help the economy because of the Coronavirus]:

- <https://vlada.gov.hr/vijesti/vlada-prihvatila-paket-mjera-za-pomoc-gospodarstvu-uslijed-epidemije-koronavirusa/29018>

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