

CROATIA

REVIEW OF HUMAN RESOURCES DEVELOPMENT

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REVIEW OF HUMAN RESOURCES DEVELOPMENT

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WITH SPECIAL THANKS TO DORIANA MONTELEONE AND CRISTINA VIANO**

December, 2011

PREFACE

Over the past 15 years, the EU enlargement process has provided solid evidence that human resources are extremely important in the wide-ranging reforms launched by countries on their road to EU membership. At present, the Western Balkans and Turkey invest huge efforts in harnessing the potential of their human capital and maximising its contribution to economic and social welfare.

The Employment, Social Affairs and Inclusion Directorate General of the European Commission asked the ETF to draft a human resources development country review for Croatia. This has given the ETF the opportunity to look at the development of human resources as both an aim and a means of EU driven reforms. This review reflects the ETF's understanding of the major human resources development challenges faced by the country and Croatia's endeavours to achieve sustainable growth, increase prosperity and enhance social cohesion. It is my hope that the findings and conclusions of the review will inform the IPA programming exercise of the European Commission and the national policy-making process.

The review has been prepared by the ETF country team for Croatia. It focuses on the interplay between two major aspects of human resources development: education and training in a lifelong learning perspective and employment. The review also reflects on the importance of equal opportunities in society for the quality of human capital development and takes into consideration the inclusiveness of Croatia's education, training and employment systems.

Relevant national and international documents, research papers and studies have provided a solid frame of reference for the review. In the process of collecting up-to-date information and the verification of the main findings and conclusions, ETF experts have consulted and involved key national stakeholders. During a series of missions to Croatia in 2010 and 2011, the ETF team conducted interviews and discussions with representatives in the Ministry of Science, Education and Sports, the Ministry of Economy, Labour and Entrepreneurship, the Agency for Vocational Education and Training and Adult Education, the Education and Teacher Training Agency, the Agency for Science and Higher Education, the National Employment Service, chambers of commerce and trades and crafts, education institutions and research organisations, the main social partners and civil society organisations, as well as bilateral and international donors. In addition, two counties (Varazdin and Sisak-Moslavina) were visited to gather some examples at sub-national level.

On behalf of the ETF, I wish to thank the Employment, Social Affairs and Inclusion Directorate General of the European Commission for entrusting us with the preparation of the review. I would also like to extend my thanks and appreciation to all experts and institutions in Croatia for their responsiveness, involvement and valuable contributions to this paper. I am convinced that this report can be used effectively to better inform decisions and actions at both European and national levels. At the same time, I would like to underline the importance of continuity in the policy-making process at national level, in all its phases – policy formulation, implementation, monitoring and evaluation – and to assure Croatia that the ETF will continue to provide support for fostering the development of the human resources in the country.



Madlen Serban
Director
European Training Foundation

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EXECUTIVE SUMMARY

Human resources development (HRD) is one of the key areas in Croatia's endeavour to become the next new European Union (EU) member. Characterised by innovations and challenges, this dynamic area faces problems made more acute by the repercussions of the current economic crisis on jobs, skills needs and social policies. The country has made progress in addressing the issues involved and is mobilising capacities to make use of forthcoming EU funds to make significant investments in HRD with a strategy aimed at bringing Croatia closer to achieving economic competitiveness, sustainable development and an inclusive society. Much has been achieved by the Croatian authorities over the last decade, especially in developing the institutional and legislative framework, but there are still pending issues that need to be addressed.

For Croatia, as the candidate country closest to EU membership, the strategic framework for European cooperation in education and training – Education and Training 2020 (ET 2020) – which contributes substantially to the Europe 2020 strategy for jobs and growth, provides a reference for the country's HRD policies. Thanks to the efforts of the Croatian government, the initial setting for these strategies is in place. Considerable groundwork has also been done in terms of strategies for education, employment and social inclusion to incorporate the four ET 2020 objectives, EU-level benchmarks, the peer learning approach and the European reference tools, as well as the European Employment Strategy and the two Europe 2020 flagship initiatives ('Youth on the move' and 'Agenda for new skills and jobs'). The conclusion of the present review is that implementing these policies and strategies through the proper use of the Instrument for Pre-Accession Assistance (IPA) funds is both the main challenge facing Croatia at this time and, at the same time, represents a great opportunity.

Steering the reforms and implementing changes in education, employment and social inclusion in Croatia will require strengthening of strategic leadership, adequate support capacities and a sufficient number of competent staff to administer EU funds. Strategic planning capacity needs to be further developed, some of the strategies and policy documents lack action plans and resources, and implementation time frames are not always realistic. As a result, there are still gaps between what is announced and what is actually implemented. Stakeholder consultation needs to be strengthened and institutional cooperation and partnerships should be further developed.

Adequate learning processes are crucial to achieving the learning outcomes that meet the demands of society and the economy, but curricula in Croatian schools still need to be adapted to national frameworks. The Croatian Qualifications Framework (CROQF) is expected to play a pivotal role in the reform of education and training, but the

implementation strategy for this framework is still under development. The national curricula and qualifications frameworks are steps in the right direction, but these now need to be used as practical tools for redesigning education programmes incorporating new ways of validating lifelong learning. Teachers, school principals and managers need to be further motivated and prepared to increase the quality of learning. The objectives will only be achieved with stronger leadership and improved performance in all the institutions involved. Existing innovative schools and approaches should be used as examples of excellence for the rest of the education system. The capacities of the ministries, agencies and councils need to be further developed, as do those of all the other actors (social partners, local government institutions, schools and other centres of learning, as well as civil society organisations active in education).

The economic crisis has led to decreasing investment in school refurbishment, in-service teacher training, and in the national programme for introducing obligatory secondary education (Secondary Education for All).

The positive labour market trends that characterised the beginning of the millennium have vanished with the economic crisis. After a decade of moderate but steady growth, employment rates fell in 2009 and 2010. Unemployment has been rising, most alarmingly in the young population. Boosting career and employment opportunities for young people will require a holistic approach and joint efforts. Tackling the problems of low employment and activity rates with more effective activation approaches requires a policy mix including both active and passive labour market measures on the supply side. On the demand side, combating informal employment and stimulating job creation are the key conditions for more effective activation.

The budget for active labour market policies (ALMPs) is limited and as yet the number of unemployed people covered remains small. Although investment in ALMP doubled in 2010, the activation rate is still too low to make an appreciable positive impact. There is an acute need to strengthen assessment capacities and evaluation measures. Considerable new IPA and European Social Fund (ESF) funding will shortly be available. This will open up new opportunities for a more dynamic labour market, but will also challenge absorption capacities at all levels.

Employment protection in Croatia remains relatively strict, and labour market segmentation is emerging, with a high proportion of new jobs being offered on fixed-term contracts and a wide gap between formal and informal labour. New labour legislation passed in 2009 has increased the possibilities for flexible employment and includes new forms of apprenticeship and internship to ease the transition from education to work.

Ongoing privatisation of state-owned enterprises has become more difficult in the context of the economic crisis. The state continues to play a strong role in the economy, with privatisation still under way in the shipbuilding sector, one of the key industries. For some years, measures have been taken to mitigate the negative effects of restructuring and mass layoffs, but more comprehensive and effective action will be needed to minimise unemployment and support restructuring and modernisation.

While a series of measures have been developed and implemented, mainly by the Croatian Employment Service (CES), to anticipate skills demands and labour market needs, a multilevel approach with national coordination in line with macroeconomic goals is needed. An intergovernmental body has been created and is expected to coordinate this process.

Low employment, youth unemployment, skills mismatch, labour market segmentation and regional disparities have been defined as the main challenges for Croatia and therefore the foremost priorities in the national employment policy. The existing formal institutional structure and capacities represent a strength in this area, but the employment policy framework lacks overall vision and measurable goals in terms of outcome or results. Labour market policy needs to be embedded in a more strategic plan that includes clearly defined objectives and macroeconomic measures that will stimulate job creation.

Considerable and rapid growth in social inequalities, poverty and social exclusion has been observed in Croatia following the transition from a socialist to a market economy. The most vulnerable social groups at present are the long-term unemployed, economically inactive

people, elderly people with no pensions, single-parent families, families with more than two children, internally displaced persons, refugees, Roma and people with disabilities.

Although Croatia has a long tradition of providing integrated education to children with disabilities in a normal school setting, these children still tend to drop out at secondary level, and the system struggles to ensure that they receive relevant and quality education. Roma children are also very much excluded from the education system, a situation that has a major negative impact on their lives as adults. Roma in Croatia also occupy an extremely unfavourable position in the formal labour market, mainly due to low educational attainment, employer prejudice and the fact that they live on the margins of society in poverty and social exclusion. Despite new legislation and the implementation of institutional measures, employment opportunities for people with disabilities are also limited.

There are territorial disparities in living standards in Croatia, but these are moderate. The counties in Central and East Croatia have the highest incidence of poverty and social exclusion and the lowest GDP per capita. The majority of poorer people in Croatia live in rural areas.

While in relative terms, the scale and severity of social problems in Croatia appear to be less pronounced than in the rest of the enlargement region, social cohesion and equity remain serious issues. Croatia needs to increase the participation of vulnerable groups in high-quality education and training and subsequently in decent and gainful employment. The country also needs to enhance regional cohesion through better coordinated, more streamlined and more holistic policy approaches.

1. POLITICAL AND SOCIOECONOMIC BACKGROUND

1.1 EU, REGIONAL AND NATIONAL POLITICAL CONTEXT

Croatia is preparing for EU membership. After applying for membership in 2003, it was granted candidate country status the following year. The Stabilisation and Association Agreement with the EU entered into force and accession negotiations began in 2005. These negotiations were divided into 35 chapters covering the whole range of EU policies and rules. The last four chapters were closed in June 2011, bringing the accession negotiations with Croatia to an end. The Accession Treaty was signed in December of the same year. Croatia's accession is expected to take place on 1 July 2013, once it has been ratified by all Member States and by referendum in the country. It was agreed by Member States that until the date of definitive accession the European Commission will closely monitor Croatia's fulfilment of the commitments undertaken during the negotiations and its preparations for assuming the responsibilities of EU membership. More work is required, in particular in the areas of judicial and administrative reform, minority rights, war crimes, and the return of refugees. Among the challenges still facing Croatia are the fight against corruption, support for returning refugees, and the restructuring of its shipbuilding industry. As regards the economic criteria, the country is already a functioning market economy and it should be able to cope with competitive pressures and market forces within the EU provided it implements a comprehensive reform programme with determination in order to reduce structural weaknesses.

Progress in the area of public administration reform has been limited and more work is needed, particularly to further develop the administrative capacity needed to properly implement EU legislation and standards, and the absorption of EU funds. Shortcomings in the public administration include overly complex administrative procedures, politicisation and weak human resources management. If tangible results are to be achieved, stronger political commitment and improved coordination between the key stakeholders at central, regional and local levels are needed.

Croatia has helped to improve bilateral relations in the region by continuing to participate actively in regional initiatives, including the South-East European Cooperation Process, the Regional Cooperation Council, the Central European Free Trade Agreement (CEFTA) and the South East European Centre for Entrepreneurial Learning

(SEECEL). The Croatian President has adopted a proactive approach to regional cooperation, and efforts continue to be made to develop bilateral relations with other candidate and potential candidate countries and neighbouring EU Member States, including Serbia and Slovenia.

1.2 DEMOGRAPHIC DEVELOPMENTS AND TRENDS, INCLUDING MIGRATION

According to the preliminary results of the April 2011 population census¹, Croatia has a population of 4 290 612 inhabitants. The findings of this census cannot be compared directly with the results of the 2001 census because the methodology was changed in 2011 to bring it into line with international standards; a direct comparison would suggest that Croatia lost 146 848 inhabitants during this period, but this difference is actually the result of a change in the way the total population is defined statistically (Croatian Bureau of Statistics, 2011).

The final results of the 2011 census, which will be available in 2012, will include data on ethnicity and the religions espoused by the population. In the 2001 census, the population consisted of 89.63% Croats and 7.47% ethnic minorities, of which 4.54% declared themselves to be Serbian and 2.01% were ethnically uncommitted. While only 9 463 persons (0.21% of the population) declared themselves to be Roma in the 2001 census, best estimates are that the Roma population is between 30 000 and 40 000 (Meznaric and Stubbs, 2010).

TABLE 1.1 shows the age structure of the population and the negative growth rate between 2004 and 2009. In addition to this decline, Croatia is facing a rather fast-ageing population. The Croatian Bureau of Statistics forecasts a decline of 700 000 in population (-16%) by 2050. The share of older people (over 64 years) in the total population could increase from 17% in 2005 to 27% in 2050, while the percentage of young people (15–24 years) may fall from 13% to 10%. The working age population (15–64 years) could well fall by 780 000. According to the 2007–09 HRD Operational Programme (Government of Croatia, 2007a), a significant increase in the employment rate will be required to meet the cost of increased social security transfers and health care spending associated with an ageing population.

Croatia experienced a long period of emigration for a variety of economic reasons, mainly between 1961 and 1981 (Meznaric and Stubbs, 2010). Officially recorded remittances were USD 1 222 million in 2004, or some 4% of the country's GDP. Internally, the trend has been depopulation of maritime and agricultural areas. Croatia's declaration of independence and the wars in Croatia and in Bosnia and Herzegovina between 1991 and 1995 led to massive irregular migration and displacement. There has been significant emigration of highly skilled persons from Croatia since 1990, apparently a brain drain rather than the circulation of skilled labour; there are indications that between 1997 and 2007 some 1 400 highly skilled persons left the country.

1.3 ECONOMIC DEVELOPMENTS AND TRENDS

Compared to other EU candidate and pre-accession countries, Croatia's economy is relatively strong, but structural deficiencies need to be corrected. The GDP per capita at purchasing power parity (PPP) is, at EUR 17 700, considerably higher than in other IPA countries and about 60% of the EU-27 average (**TABLE 1.5**).

Like other countries in South-East Europe, Croatia has been quite strongly affected by the economic crisis. The economic downturn reached its worst levels in 2009, with 5.8% negative growth, and declined further in 2010, although at a slower pace (**TABLE 1.3**). The estimated growth for 2010 and forecasts for 2011/12 (-1.2 and +1.5/+2.1, respectively) are below the average forecast for the EU-27 (Eurostat). Decreasing domestic demand (public and private) was the main reason for the decline. Private consumption shrank, mainly as a consequence of rising unemployment, declining wages and reduced credit supply. Nominal wages fell for the first time since the mid-1990s, with above-average declines in manufacturing and construction (Vidovic, 2010). Fiscal constraints and high foreign debt obligations represent a major obstacle to financing public investment projects. Fiscal policies, challenged by high current account deficits and foreign debt, have implemented budget cuts and raised taxes (for example, VAT was increased to 23%).

The 2011 first quarter results indicate that recession will continue for a third year. GDP declined by 0.8% year on year, and this was coupled with a marked decline in gross capital formation. The 2011 second quarter was marked by anaemic industrial production and retail trade indicators. The only positive news has come from the preliminary indicators of a good tourist season, which, together with declining interest rates on bank loans, could finally spur the economy and lead to an increase in GDP in the second half of the year.

The country's economic problems are related to low competitiveness and an unfavourable business climate. The World Economic Forum's Global Competitiveness Report (2010–11) ranked Croatia 77th out of 139 countries. The most problematic factors for doing business were inefficient government bureaucracy, high

tax rates and tax regulations. Labour productivity, measured as GDP per employed person, remains very low. In 2000, this indicator had fallen to 86% of the 1990 level, and in 2008 it was only 14% higher than in 1990 (**TABLE 3.22**). Foreign direct investment (FDI) peaked in 2007 and 2008 and fell sharply in 2009 and 2010. By country of origin, the largest investors were Austria, followed by the Netherlands and Germany. Financial intermediation ranked as the top investment activity (35% of all FDI since 1993), the manufacturing industry accounted for only a low share of FDI (only 4.8% since 1993) (MELE, 2011a). Corruption is still an issue in Croatia as evidenced by a corruption perceptions index of 4.1, which has remained almost unchanged since 2007. The problem is also acknowledged by Transparency International, which ranked Croatia 66th out of 180 countries in 2009 and 62nd in 2010 (**TABLE 1.8**).

An ambitious Economic Recovery Programme (ERP) launched in April 2010 by the Government of Croatia (2010a) combines short-term and structural measures. Three of the aims of this far-reaching reform agenda are to overhaul the social protection system and achieve better targeting and more efficiency, to increase activation of the unemployed, and to invest in training. Successful implementation of the ERP is of paramount importance, but so far recovery has been fragile and weaker than expected. While the external deficit is narrowing and the currency has remained stable, critical issues include the growing fiscal deficit (at the end of 2009 total public debt amounted to 34.5% of the GDP) and the slow pace of reform due to upcoming parliamentary elections in December 2011. In addition, public sector reforms have been announced, including a freeze of public sector recruitment to achieve the mid-term goal of reducing the staff of public administration and state-owned enterprises by 5%. The pension system is also undergoing a number of changes (introducing the same retirement age for men and women, limiting access to early retirement). For more details on the ERP see Sections 2.1 and 3.7.

In July 2011 the government adopted the 2012–14 Economic and Fiscal Policy Guidelines, which emphasise the need for fiscal consolidation and structural reform. These guidelines projected a GDP growth of 1.5% in 2011, 2.5% in 2012, 3.5% in 2013, and 4% in 2014 (Ministry of Finance, 2011). The European Commission, on the other hand, forecast a GDP growth rate of 1.1% in 2011 and 2% in 2012, while the International Monetary Fund projected growth rates for Croatia of 1% and 1.8% for the same period.

However, the country lacks a consistent macroeconomic vision, and this is hampering industrial restructuring and limiting innovation and the increase of competitiveness. Restructuring the heavily indebted and subsidised shipyards is one of the preconditions for further progress in Croatia's negotiations with the EU. While the tourist industry is weak and progress on privatisation is slow, a great deal is expected from this sector. Large territorial differences in economic performance and prospects are addressed by the Croatian Regional Development Strategy (MRDFWM, 2010).

Gender equality is an issue which still deserves more attention, as can be seen in the 2010 Global Gender Gap Index, which ranks Croatia 53rd out of 134 countries. While Croatian women have gained influence in politics (24% women in parliament and 16% in government positions) and equality of the sexes is good with respect to health and education, the economy and the labour market still lag behind in this area. The little progress that was made in improving female labour force participation came to a halt with the labour market crisis in 2010, and the gender pay gap is widening (**TABLES 1.9** and **1.10**).

1.4 PREPARATION FOR EU STRUCTURAL FUNDS

In the following chapters, each of the first three HRD priority axes and associated measures is assessed from the perspective of the issues and challenges identified.

The Operating Structure was established by the Government of Croatia in 2007 and the Head of the Operating Structure is the State Secretary at the Ministry of Economy, Labour and Entrepreneurship (MELE). By the end of June 2011, approximately EUR 40 million had been contracted through the Operating Structure — a good result that was due to the joint efforts of the ministries and agencies involved in the first phase of the programme implementation. In total, 17 service contracts were extended in the area of HRD, and all the grant schemes were set up. However, this progress highlighted the need for coordination, with emphasis on communication between the different project team leaders. According to the Head of the Operating Structure, the main lessons learned from the initial period of IPA HRD implementation were as follows.

- Impact indicators are essential.
- An adequate number of people to perform and manage the activities is crucial to smooth implementation.

- Quality of assessors and evaluators should be improved.
- Division of tasks and responsibilities must be clear from the beginning.
- Substantial pre-financing (80%) of grant schemes ensured the participation of non-governmental organisations (NGOs).
- IPA project working groups should be more visible.
- Running several grant schemes in parallel can cause confusion and lead to overlaps.

In view of the much larger projected volume of ESF funds, the Operating Structure is aware of the issue of absorption capacity. Proper management of programmes requires administrative capacity, and greater focus on grant schemes and capacity building will be essential if these new funds are to be absorbed. Grant schemes will work only if they can identify and attract motivated applicants.

The counties and municipalities in Croatia have received relatively little funding from IPA HRD, and to date there have been few opportunities for them to receive grants. During field visits to Varazdin and Sisak, those interviewed confirmed the existence of overlapping grant schemes and reported that they received five calls for applications over a two-month period. More comprehensive and better targeted capacity-building activities are needed at local and municipal levels. In the EU funds programming process, there has been little consultation with counties during this initial phase, except on cross-border cooperation. The county consultation meetings organised by the Central Office for Development Strategy and Coordination of EU Funds (CODEF) involved many counties and were too large (500 participants) to allow real consultation. A concerted preparation effort appears to be missing at the regional and local levels.

TABLES

TABLE 1.1 POPULATION (TOTAL POPULATION, POPULATION GROWTH AND DEPENDENCY RATIOS)

		2004	2005	2006	2007	2008	2009
Total population (000s)		4 441.7	4 443.9	4 442.9	4 441.2	4 436.4	4 435.1
Population growth ratio (annual change)		-0.02	0.05	-0.02	-0.04	-0.11	-0.03
Age structure (% of total population)	0-14	16.2	15.9	15.8	15.5	15.4	15.3
	15-24	13.4	13.2	13.1	12.9	12.6	12.4
	25-34	13.3	13.5	13.7	13.8	13.9	14.0
	35-44	14.4	14.2	14.0	13.8	13.7	13.6
	45-54	14.8	14.9	14.9	15.0	14.9	14.8
	55-64	11.1	11.2	11.5	11.6	11.9	12.2
	65+	16.4	16.7	16.9	17.0	17.2	17.2
	15-64	66.9	66.9	67.2	67.0	67.0	67.0
	Unknown	0.4	0.4	0.0	0.4	0.4	0.4
Age dependency ratio		48.7	48.7	48.7	48.5	48.6	48.5
Age dependency ratio, old		24.2	23.8	23.5	23.2	23.0	22.8
Age dependency ratio, young		24.6	24.9	25.2	25.4	25.6	25.7

Source: Eurostat

TABLE 1.2 MIGRATION: IMMIGRANT AND EMIGRANT POPULATION (000s)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Immigrants	24.4	20.4	18.5	18.4	14.2	15.0	14.6	14.5	8.5
Emigrants	7.5	11.8	6.5	6.8	6.0	7.7	9.0	7.5	9.9
Net migration	16.9	8.6	11.9	11.6	8.2	7.3	5.6	7.1	-1.5

Sources: 2001–03: Eurostat; 2004–08: Croatian Bureau of Statistics, 2009

TABLE 1.3 GDP PER CAPITA (PPP), GDP GROWTH AND FDI INFLOWS

	2000	2005	2006	2007	2008	2009	2010	2011
Nominal GDP per capita (000s, PPP) ^a	9.4	12.7	13.5	15.0	15.7			
Real GDP growth rate ^a	3.0	4.2	4.7	5.5	2.4	-5.8	-0.5	2.0
FDI, net inflows (% of GDP) ^b	5.2	4.0	7.0	8.5	6.9			

Sources: (a) Eurostat; (b) World Bank, World Development Indicators

TABLE 1.4 GDP BY SECTOR (%)

	2000	2005	2006	2007	2008
Agriculture, hunting and fishing	8.4	6.5	6.3	6.1	6.4
Industry, including energy	23.4	20.9	20.6	20.4	20.2
Construction	4.9	7.4	7.7	7.7	8.3
Trade, transport and communication services	23.7	26.3	26.1	26.1	25.2
Business activities and financial services	18.3	21.5	22.3	22.9	22.9
Other services	21.2	17.4	17.0	16.8	16.9

Source: Eurostat

TABLE 1.5 IPA COUNTRIES AND EU BENCHMARKS – MACROECONOMIC DATA

	EU-27	EU 2020 objectives	AL	BA	IS	XK	ME	RS	HR	MK	TR
Gross domestic expenditure on research and development, % of GDP (2009) ^a	2.1	3		0.02 (07)	3.1		1.2 (07)	0.3 (07)	0.8	0.2 (07)	0.9
GDP per capita (000 PPP) (2010) ^b	30.4		7.5*	7.8*	36.6		10.7*	10.8*	17.7*	9.7*	15.5*
GDP growth rate (2010) ^c	1.8		3.5	0.8	-3.5	4.0 ^a	1.1	1.8	-1.8	0.7	8.9
Share of agriculture as % of GDP (2009) ^d	1.7 (10)		20.8	8.0	7.1		10.0	12.9	6.7	11.3	9.4 (10)
Share of industry as % of GDP (2009) ^d	24.7 (10)		19.7	28.1	25.3		20.1	27.7	27.2	36.4	26.1 (10)
Share of services as % of GDP (2009) ^d	73.6 (10)		59.5	63.9	67.6		69.9	59.4	66.1	52.3	64.5 (10)

(*) Estimated or unreliable figures

Sources: (a) Gross domestic expenditure on research and development EU-27, IS, HR and TR: Eurostat; BA, ME and RS: World Bank, World Development Indicators Database; MK: Eurostat, 2010; (b) International Monetary Fund; (c) World Bank, World Development Indicators; EU-27: Eurostat; (d) EU-27: Eurostat; AL, BA, ME, RS, HR, MK and TR: World Bank, World Development Indicators; XK: data unreliable

TABLE 1.6 HUMAN DEVELOPMENT INDEX 2010 AND TRENDS

HDI 2010 rank		2000	2005	2009	2010	Average annual growth rates (%) 2000–10
49	Montenegro	–	0.755	0.768	0.769	–
51	Croatia	0.720	0.752	0.765	0.767	0.63
60	Serbia	–	0.719	0.733	0.735	–
64	Albania	0.670	0.700	0.716	0.716	0.70
68	Bosnia and Herzegovina	0.660	0.678	0.697	0.701	0.61
83	Turkey	0.629	0.656	0.674	0.679	0.76

Source: UNDP, 2010

TABLE 1.7 GLOBAL COMPETITIVENESS INDEX 2010 AND COMPARISONS WITH 2009

Country/economy	GCI 2010		GCI 2009	Change 2009–10
	Rank	Score	Rank	
Montenegro	49	4.36	62	13
Turkey	61	4.25	61	0
Croatia	77	4.04	72	-5
Macedonia, fYR	79	4.02	84	5
Albania	88	3.94	96	8
Serbia	96	3.84	93	-3
Bosnia and Herzegovina	102	3.70	109	7

Source: World Economic Forum, 2010a

TABLE 1.8 CORRUPTION PERCEPTIONS INDEX – CROATIA

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Score		3.8	3.7	3.5	3.4	3.4	4.1	4.4	4.1	4.1
Rank	47	51	59	67	70	69	64	62	66	62
Number of countries involved	91	102	133	146	159	163	180	180	180	178

Source: Transparency International

TABLE 1.9 GENDER EMPOWERMENT AND INEQUALITY RANKING

Country	Gender Empowerment Index	Gender Inequality Index
	2007 (out of 182)	2008 (out of 169)
Albania	–	61
Croatia	44	30
Macedonia, fYR	35	–
Montenegro	84	–
Serbia	42	–
Turkey	101	77

Source: UNDP, Human Development Report 2009 and 2010

TABLE 1.10 GENDER GAP INDEX

	2010		2009		2008		2006	
	rank	score	rank	score	rank	score	rank	score
Macedonia, fYR	49	0.6996	53	0.6950	53	0.6914	28	0.6983
Croatia	53	0.6939	54	0.6944	46	0.6967	16	0.7145
Albania	78	0.6726	91	0.6601	87	0.6591	61	0.6607
Turkey	126	0.5876	129	0.5828	123	0.5853	105	0.5850

Source: World Economic Forum, 2010b

TABLE 1.11 INDEX OF ECONOMIC FREEDOM

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Overall score (scale 0–100)	53.6	50.7	51.1	53.3	53.1	51.9	53.6	53.4	54.1	55.1	59.2

Source: The Heritage Foundation

2. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN EDUCATION AND TRAINING IN A LIFELONG LEARNING PERSPECTIVE

2.1 POLICY FRAMEWORK FOR EDUCATION AND TRAINING

The ERP (Government of Croatia, 2010a), currently the most wide ranging of Croatia's overall strategic development plans, has a significant education and training component, while the Strategic Development Framework 2006–13 is currently under revision (Government of Croatia, 2006).

The lack of a comprehensive, stand-alone education development plan for the current decade is a problem for the reform of the education system and for IPA and ESF programming. In the absence of an overall education development strategy beyond 2010, Chapter 8 of the ERP (Education and Science) provides an indication of the government's intentions in this field. In summary, the ERP proposes the following actions:

- monitor labour market demand to assess knowledge and skills needs;
- adapt enrolment quotas, the schools network and education programmes to the needs of the labour market;
- strengthen the role and capacity of sector councils and analyse sectoral needs;
- implement national examinations;
- promote international mobility at all levels of education and science;
- upgrade teacher and school director competences as necessary;
- use ESF projects to connect education to the economy and to promote social inclusion.

However, in the area of education, the ERP does not go much further than to compile a list of known strategic directions in the sector and it does not include any more specific or comprehensive action plan, particularly with respect to the mid-term horizon. Since May 2010, implementation of the ERP has been closely monitored through monthly reports accessible on the Croatian government website².

In parallel with the ERP, the three-year Strategy of Government Programmes for 2011–13 (Government of Croatia, 2010b), in its chapter on education, confirms the focus on a cost-effective and efficient network of schools and an education quality assurance system.

The Education Sector Development Plan (ESDP) 2005–10 stipulates that the system should provide education aimed at benefitting all those who participate in it as well as society as a whole. This collective effort should increase the quality of an education that will take into account the needs of local culture, the economy, a knowledge-based society, and democratic principles; it should also ensure the right to education for all (MSES, 2005). The ESDP has established four priorities for the future of education in Croatia:

- to improve the quality and efficiency of education;
- to support the continuing professional development of teachers and other personnel;
- to develop management strategies for an efficient education system;
- to ensure education for social cohesion as well as economic growth and development.

To date the results of the ESDP 2005–10 have not been evaluated and no new development plan has been put in place. This inactivity may be due to a combination of the following factors:

- lack of ownership: the ESDP was initiated and supported by the World Bank and was not fully owned by the national authorities;
- absence of national debate on the current situation and future of education;
- timing: stagnation occurred during the final months of the government's mandate before elections were held at the end of 2011;
- difficulty of integrating the strategic developments already under way, such as the State Matura, the National Framework Curriculum (NFC) and the CROQF.

According to the Ministry of Science, Education and Sports (MSES), ESDP 2005–10 is now being evaluated, and preparations for a new action plan for education (2011–17) are under way. However, no information has as yet been made public.

The Education in Primary and Secondary Schools Act (Croatian Parliament, 2008a) is the key legislation governing the schools network, education programmes, national curriculum, assessment of pupils' achievement, licensing of schools and teachers, school organisation and management, financing, etc. The legislation governing higher and adult education and vocational education and

training (VET) are referred to in Sections 2.3–2.6 of this report. **FIGURE 2.1** shows the structure of the Croatian education system.

Croatia has been a full participant in both the Lifelong Learning programme and the Youth in Action programme since 2011, when it officially joined the major European programmes promoting mobility in education. This new situation will help to broaden the scope of education and training and facilitate the recognition of qualifications. The MSES has adopted an 'Action plan for removing obstacles and enhancing international learning mobility' for the period 2010–12 (MSES, 2010b). The actions planned include increasing funding, improving legislation, promoting mobility as a priority for institutional development, and enhancing Croatia's credit transfer systems with respect to the European Credit Transfer System and European Credit System for VET.

2.2 INVESTMENT IN HUMAN CAPITAL

The ESDP national target for public investment in education was 4.6% of GDP for 2007 and 4.9% for 2010 (MSES, 2005); the reality in 2007 was a public expenditure of 4.07% of GDP (9.31% of total government spending) plus an additional 0.35% of private expenditure (**TABLES 2.1–2.3**). **TABLE 2.4** shows that public expenditure per student increased by 53% between 2004 and 2008. The increase for International Standard Classification of Education (ISCED) levels 1–4 was 25–30%, and expenditure increased by over 100% for ISCED 5–6 students. In spite of these increases, higher education in Croatia is still underfunded compared to European benchmarks. The share of higher education expenditure as percentage of GDP was below 0.9%, a percentage well below the EU average of 1.3% in 2007 (Government of Croatia, 2010d).

Both the World Bank public finance review (World Bank, 2008) and an IMF working paper (Jafarov and Gunnarsson, 2008) found Croatia's spending on education to be in line with EU-15 countries, although the conclusion of these reports was that resources should be spent more effectively and efficiently. The skills produced by the education system need to be better matched to market demands. Enrolments need to be increased (**TABLE 2.7**), as do teaching hours. Completion rates are low and repetition rates high in tertiary institutions. Unit costs have been rising rapidly, suggesting that little has been done to take advantage of declining age cohorts (see **TABLES 2.9–2.10**). Both the World Bank and the IMF recommend bringing student-teacher ratios (**TABLE 2.18**) into line with international standards³, containing increases in non-teaching personnel and administration costs, and rationalising the schools network taking into account demographic factors and changes in enrolment patterns. As mentioned above, the ERP includes measures intended to improve the efficiency of the Croatian education system.

Primary education accounts for the largest portion (46%) of the education budget. Secondary and higher education account for 25% each, and 0.24% is spent on preschool education. Wages and salaries account for a very large share of spending on primary and secondary education in Croatia (about 90% of recurrent spending compared to 82% in the EU-15 and 73% in the EU-10). **TABLE 2.5** shows the structure of the MSES budget in 2010 and projected figures for 2011 and 2012.

In primary and secondary education, Croatia spends a significantly large share on investments, which leaves little for recurrent non-wage expenditures such as equipment and library books. In addition to capital investments from the European Investment Bank infrastructure loan, a major source of funding for capital investments has come from the ESDP, which is financed by a EUR 67.8 million loan from the World Bank.

The above data should be seen against the backdrop of years of neglect of the country's educational infrastructure and the consequent need for enormous investment to upgrade buildings and equipment as well as curricula, materials and teachers' skills. According to the MSES, only 50% of schools have been upgraded to modern equipment. The problem particularly affects schools on islands and in areas of special state concern (areas affected by the war) and schools offering programmes for rare occupations. According to the parliamentary Education Committee, the most neglected segment is VET, in which 75% of the school infrastructure is outdated and poorly equipped. The National Pedagogical Standards for Pre-primary, Primary and Secondary Education adopted by parliament in 2008 define targets for financial resources, human resources and minimum infrastructure in education for gradual implementation. The Standard for Secondary Education (Croatian Parliament, 2008b) specifies detailed requirements and an implementation schedule structured around five deadlines (2008, 2010, 2012, 2017 and 2022). However, the MSES reports that this standard is not being implemented as planned because of budgetary constraints.

With respect to the financing of primary and secondary schools, the areas for improvement include the weak financial reporting system; the lack of adequate data on the minimum budget required (aggregate financial data by county); and the criteria used by local governments to grant funds to elementary and secondary schools (currently not based on number of students, particularly in secondary schools). The IMF study (Jafarov and Gunnarsson, 2008) suggests moving towards a per-capita performance-based budgeting system while gradually increasing local government control of and responsibility for delivering educational services. Performance-based financing of higher education institutions is to be introduced in the new laws currently under public debate (see Section 2.6).

Some of the plans for education had to be revised owing to the economic crisis. According to the MSES, the revision of priorities has not affected overall goals but it

3 UNESCO Institute for Statistics, pupil-teacher ratios, see: http://stats.uis.unesco.org/unesco/TableViewer/tableView.aspx?ReportId=3336&IF_Language=eng

has obliged them to reduce the number of activities being implemented. This situation has affected the level of investment in refurbishing schools and the national programme for introducing obligatory secondary education (Secondary Education for All), which is no longer being implemented, at least in so far as it relates to three measures with the greatest financial impact on the state budget (free textbooks, public transportation and hostels for students).

2.3 LIFELONG LEARNING STRATEGIES, BROADENING THE EDUCATION AND TRAINING SUPPLY AND RECOGNISING QUALIFICATIONS

Access to education

The education level of the Croatian population is considered to be below the international average in many respects. According to the 2001 census, 2.9% of the population aged over 15 had received no schooling. At that time, 15.7% of the total population had not completed primary schooling, 21.8% had only primary schooling, and 47.1% had some form of secondary education. As mentioned above, the results of the 2011 census will be released in 2012. The most recent labour force survey (LFS) published by Eurostat reports that under 20% of people aged between 25 and 64 years had a higher education in 2010 (**TABLE 2.6**).

Although it has grown since 2000, preschool attendance was still rather low in 2009, when enrolment was reported by the MSES to be 60% and by Unesco to be 57% (**TABLES 2.7** and **2.8**). Gross enrolment rates were 94.9% in primary, 87.8% in secondary and 49.3% in tertiary education in 2008. **TABLES 2.9** and **2.10** show enrolment across all ISCED levels between 2000 and 2010, further illustrating the difference between Unesco and national data.

Croatia's participation in PISA 2006 and 2009 provides evidence of to what degree students acquired the knowledge and skills in reading, mathematics and science considered essential for full participation in society. Croatia obtained the highest score in the Western Balkans, although results are slightly below OECD and EU averages (see **TABLE 2.23**).

In 2004, the Institute of Public Finance found that employees in Croatia lacked the skills, knowledge, and abilities needed to enable Croatian companies to develop globally competitive products and services (Bejakovic and Lowther, 2004). In a more recent report, the World Bank stated that Croatia's skills gap is influenced by the following factors: the limited educational attainments of its labour force; a VET system ill adapted to the needs of

the market; low, although increasing, tertiary education enrolment rates; and an insufficiently developed lifelong learning (World Bank, 2009).

The Unesco Institute for Statistics reported an adult literacy rate of 98.15% for Croatia in 2001, with a perceptible gender difference (99.32% for males versus 97.08% for females). **TABLE 2.19** shows the higher estimates for 2009.

E-learning receives due attention and represents a fast-developing area, with 67% of households having a computer and 58% of persons older than 15 years using the Internet (December 2010 survey by GfK Croatia). MSES initiatives related to information technology in education are aimed at improving the quality of teaching and learning. The ratio of pupils to computers is 15:1 in primary school and 11:1 in secondary school, and web-based technology increasingly connects schools and homes in remote areas such as the country's archipelago of 1 000 islands.

Croatia ranks well in the area of **early school leavers**. According to Eurostat, the rate of early school leavers (people aged 18-24 who have lower secondary education or less and are no longer in education or training) was 3.9% in 2010 – a percentage lower than the EU-27 average. However, these figures have been classified as unreliable (see **TABLES 2.20, 2.21** and **2.25**).

The definition of early school leavers includes young people who have dropped out of school before completing compulsory education, those who have completed compulsory schooling without obtaining an upper secondary qualification, and those who have taken vocational courses that did not lead to a qualification equivalent to upper secondary level. The issue has not been sufficiently linked to other policies addressing the situation of young people in Croatia. The only significant initiative related in any way to the issue of school drop-outs was the Secondary Education for All campaign mentioned in Section 2.2. As in other European countries, the problem in Croatia is strongly linked to social disadvantage and low educational background.

Despite the fact that the school drop-out rate is not a priority issue, there is a need for more comprehensive and better targeted measures in line with the recommendations of the Education and Training 2020 strategic framework, including the introduction of more effective monitoring mechanisms into the Croatian education management information systems (e-Matica and VETIS, see Section 2.4).

General education and key competences

In July 2010, after lengthy debate, the MSES adopted the National Framework Curriculum (NFC) for preschool education and general compulsory education in primary and secondary schools (MSES, 2010a). The NFC stipulates (in terms of knowledge, skills and competence) expected achievements of learners, content fields and

learner assessment. In order to improve the quality of education, the NFC defines broad educational areas interconnected by common learning outcomes and cross-curricular themes. These areas and themes include:

- language and communication
- mathematics and sciences
- technology and informatics
- society, humanities and the arts
- health, safety and the environment
- learning to learn
- entrepreneurship
- active citizenship.

The NFC represents a considerable shift towards a more balanced national curriculum and greater integration of educational content compared to the traditional subject-based and somewhat incoherent curriculum still in use. However, the NFC only charts a course and the current priority is to define the steps needed to make the new national curriculum a reality. The implementation of the NFC should ensure a strong focus on key competences.

As part of the ESDP, the State Matura (*državna Matura*) examination was developed by the National Centre for External Evaluation of Education (NCEEE) with World Bank support and introduced system-wide in 2009/10. The examination is compulsory for all secondary school (*gymnasia*) students and consists of three subjects: Croatian language, a foreign language, and mathematics. Other subjects can be added as electives. The State Matura represents a significant achievement for the increased transparency of this educational assessment milestone and has improved access to higher education by replacing most of the higher education entrance exams. The following comments noted during the fact-finding mission interviews may serve as pointers for further debate.

- The State Matura is overly oriented towards assessing the student's factual knowledge and does not evaluate competence.
- Secondary education should not be dominated by the State Matura.
- There is a considerable gap between levels A and B of the compulsory State Matura exams in terms of the quality and standard required. Several experts advocate abolishing the two-level system in favour of a single exam.
- Intensive preparation courses for the State Matura are available on the market. These are offered by private companies and public adult learning institutions (*ustanove*) and have raised a number of concerns (for example, when teachers employed by the secondary schools are at the same time working for these companies and institutions).
- From the students/teachers' point of view, the State Matura procedure (including school-based preparation) is rather lengthy and represents a relatively high burden for final-year students as well as for teaching and non-teaching staff.

- Rather than functioning as an entrance exam for the tertiary cycle, the State Matura should be aimed at improving the quality of secondary education.
- There is, in effect, no final assessment of the eight-year basic education cycle.
- The NFC and the State Matura do not fully cover the key competences.

VET students can take the State Matura in addition to a school-based examination at the end of fourth grade. The plan is to develop a VET-specific State Matura once VET learning outcomes have been defined by the sector councils (see Section 2.4). According to NCEEE data for 2010, out of the 34 000 students who sat for the exam (12 000 from general education and 22 000 from VET), 88 students from *gymnasia* and 6 000 from VET failed. In total, 26 000 students entered universities in 2010.

Adult learning

The draft National Strategic Reference Framework (NSRF) has concluded that the application of lifelong learning principles in Croatia is still below the EU average (Government of Croatia, 2010d). At 2.2%, the percentage of the adult population aged 25–64 who participated in education or training in 2010 was significantly lower than the EU average of 9.5% (**TABLE 2.22**) (Eurostat, 2010). Overall, the Croatian population has high rates of secondary education but low rates of higher education and the workforce has relatively low skill levels. The draft 2007–11 Operational Programme for HRD highlights the mismatch between the requirements of the labour market and the very low levels of provision of adult education and training. At the same time, more reliable information needs to be gathered on skills availability and needs (Government of Croatia, 2010c).

To incentivise company training schemes, the State Subsidy for Education and Training Act (Croatian Parliament, 2007b) provides for a deduction from the tax base of up to 50% (70% in the case of small and medium-sized enterprises (SMEs)) of the cost of general adult education and training, and 25% (35% for SMEs) of the cost of specific employee education and training (Agency for Adult Education, 2008). However, the annual survey of company training needs (Croatian Chamber of Economy, 2010) shows that the use of state subsidies is low because of a lack of awareness on the part of the business sector and the complexity of the administrative procedures involved. Another reason may be that not all companies declare taxes in a complete and transparent manner.

In addition to their apprenticeship programme (see Section 2.4), the Croatian Chamber of Trades and Crafts administers master craftsman's examinations and vocational competence examinations with around 2 000 successful candidates every year. In 2009, a MELE project entitled 'Further training and retraining in the trade and craft sector' provided HRK 2.5 (EUR 0.35) million in grants to encourage the acquisition of competences through the above examinations and to cover retraining costs for individuals in trade and craft occupations.

Croatia received EUR 1.5 million from the EU CARDS 2004 Adult Learning project, which was administered through the Agency for Adult Education (AAE) and implemented between September 2007 and April 2009. This project provided a major impetus to the development of adult education in Croatia and contributed to improved cooperation among stakeholders (Ramic, 2010). It also reviewed policy, legislation and finance in the area of adult education, proposed quality assurance improvements, and designed teacher and supervisor training. Finally, it helped to develop the AAE adult learning database, which now includes 448 providers (an estimated 80% of the total) offering 6001 programmes (<http://public.aoo.hr/>, last accessed 17 February 2011).

One component of the CARDS project reviewed the curriculum for basic adult education of the MSES literacy project entitled 'For a literate Croatia: the way to a desirable future' (a decade of literacy in Croatia 2003–12). The review recommended that the project should:

- focus on functional literacy;
- improve the voucher system of funding;
- tailor the curriculum to the needs of adults and include a vocational component;
- motivate participants and involve more social partners;
- increase the quality of teaching through special adult education training.

Based on this review, the AAE developed a draft framework curriculum for basic adult education.

Despite considerable advances in recent years, adult education in Croatia still faces a number of challenges (Ramic, 2010):

- regional disparities in economic development and skill levels;
- mismatches between labour demand and supply;
- funding of adult education;
- low educational attainment level and the high percentage of the population who have not completed elementary school;
- low rate of participation in adult education particularly among unskilled people;
- the need to motivate participants.

A study by DVV International concluded that the social partners and other relevant stakeholders in Croatia are still not actively involved in the preparation, approval and implementation of adult education strategies and programmes (Devic-Torbica, 2009). This involvement should include the acceptance of decisions taken on a tripartite basis among the social partners and a clear division of the authority and responsibilities of each stakeholder. Social partners should also explore and promote continuing vocational education and training (CVET) initiatives at sectoral level, the most appropriate level for developing CVET tailored to the needs of the labour market. Bipartite initiatives should be pursued, particularly in the most dynamic sectors and in sectors affected by a shortage of qualified personnel. Joint projects could include cooperation with secondary vocational schools as service providers as well as pooling

of resources to maximise efficiency in joint sectoral and industry training centres.

Pilot-initiatives like those under way in the construction and tourism sectors listed below could be a good starting point.

- Pilot project: Setting up of a bipartite fund and CVET centre for workers in tourism. Tourism and Service Trade Union of Croatia.
- Bilateral initiative: Working together with secondary vocational schools and the Association of Construction Schools, the Construction Employers Association of Croatia, the Construction Trade Union of Croatia and the Independent Construction Trade Union have launched a bilateral initiative to provide vocational training for workers who gained their skills primarily through work experience and lack formal qualifications.

Croatian Qualifications Framework (CROQF)

The CROQF is a major national initiative intended to shape national education reform and to create a bridge between work and learning. It receives much attention and support, including EU funding, and there is a rare consensus across the Croatian political spectrum about its importance. The sophisticated CROQF concept was developed in 2007–09 (Dzelalija et al., 2009), lead bodies and working groups have been established, and the Action Plan for developing CROQF in 2008–12 has been approved (Government of Croatia, 2008). The overarching framework will have eight levels and four sub-levels (**FIGURE 2.2**), and qualifications will be based on learning outcomes and competences of different level, volume, profile and quality. Currently, two parallel IPA projects are supporting the initial development of qualifications (see Section 2.8). To fulfil the European Qualifications Framework referencing criteria, the MSES invited international experts to support its referencing work in 2011.

The issues discussed in this section are based on our analysis of CROQF-related materials, interviewees' opinion, and the ETF's own experience in CROQF development in the period 2007–09.

Understanding CROQF

Strategic documents indicate that Croatian authorities view the framework as the linchpin in the reform of the system of qualifications and the learning pathways (formal, non-formal and informal) leading to their acquisition. The implementation of CROQF is equated with the process of curricular reform and the (re)design of education programmes. However, so far it has not been made sufficiently clear how this is going to happen or what the concrete outcomes and benefits will be for the CROQF end-users: students, young people and adults in the labour market, companies, schools and universities. There is no CROQF implementation strategy, and the framework is not yet fully understood by the key stakeholders.

Pace of development

Key stakeholders, including the social partners, see progress on developing CROQF as too slow and lacking in coherence. In 2010, not one qualification was developed or registered although progress was envisaged by the CROQF Action Plan, which foresaw the completion of all new qualifications by 2012. This schedule is probably not realistic.

Who takes the lead?

Although several organisations and bodies are involved in the process, the CROQF still lacks a home and a lead institution. The MSES and the Agency for Vocational Education and Training and Adult Education (AVETAE) appear to share the role and both of them are beneficiaries of IPA projects, one working with 26 sectoral working groups and the other with 13 sector councils. Who will monitor the system and ensure quality? The expectation is that the law will designate a National Coordination Body, which will function within the ministry, as the body legally responsible for the CROQF's implementation. In other words, the MSES will act as the national qualifications body and, for the time being at least, there will be no separate qualifications authority.

Social partners' involvement

Employers and trade unions are represented in the CROQF bodies, but the initiative has been dominated by the education sector, mainly because social partners have so far shown little interest in shaping the CROQF and becoming equal partners in its implementation. On the other hand, neither have the national education authorities been very eager to seek out the involvement of major social partners. To date, there has been practically no tripartite debate on the CROQF concept or on how it will be developed and put to practice.

Tension between VET and higher education

There are two separate structures for developing CROQF qualifications, each subordinated to a different institution and assisted by one of the two parallel IPA projects. The AVETAE's sector councils work on qualifications at levels 2–4 (VET) while the CROQF sectoral working groups under the MSES cover all levels (general education) with particular focus on levels 6–8 (higher education). If this arrangement continues, it will be very difficult to ensure vertical pathways between the two sectors. Level 5, which connects the two, is not being dealt with at all, effectively hindering the development of post-secondary VET (CROQF level 5.1) and short undergraduate programmes of higher professional education (CROQF level 5.2).

New legislation specifically dealing with CROQF is expected to tackle the issues identified above. According to an announcement made by the MSES, the draft CROQF Act has been the subject of final consultations with key stakeholders during the period August–November 2011. However, at the cut-off date for this review (December 2011), it had not been presented for public consultation.

2.4 SECONDARY AND POST-SECONDARY VOCATIONAL EDUCATION AND TRAINING

Main parameters and legal framework

With 127 000 students (71 % of all upper secondary students) in 505 schools (end of school year 2008/09; Croatian Bureau of Statistics, 2010a), secondary VET is a substantial sector within the Croatian education system; it is governed by the MSES and the AVETAE. The sector includes four-year technical programmes (49% of all upper secondary students) and three-year programmes (22%). The three-year programmes are split between school-based industrial programmes (6%) and a dual system of crafts programmes (16%). The latter takes place under the auspices of the Croatian Chamber of Trades and Crafts in 163 crafts schools and over 8 000 companies licensed to provide training. Over 30 000 apprenticeship places were on offer in the system at the end of 2010.

TABLES 2.9–2.12 provide more details on enrolment in VET.

Croatia's VET reform process is guided by the VET Development Strategy 2008–13 (Government of Croatia and Ministry of Science, Education and Sports, 2008), which establishes the following key objectives:

- to develop qualifications based on competences and learning outcomes;
- to bring education into line with labour market needs;
- to create a VET system that promotes lifelong learning and mobility;
- to define the role of teachers in a system oriented towards learning outcomes;
- to establish a quality assurance system.

The Vocational Education and Training Act (Croatian Parliament, 2009) defines the objectives and principles of VET, acquisition of qualifications, VET quality assurance, stakeholder cooperation through joint advisory and expert bodies, and conditions for organising student practice in companies. The Act also sets the time frame for introducing new standards for occupations and vocational qualifications by the end of 2012, and for new vocational curricula by the end of 2013.

AVETAE operates the VET Information System (VETIS). VETIS compiles and enables processing of all relevant data regarding schools, students, teachers and other employees. This data is used for analysis purposes as well as in the planning and management of VET. The system complements e-Matica, the overall MSES database of primary and secondary educational institutions. A brief assessment of these information systems is included below.

As can be seen from the following summary of the principal donor interventions, VET has received significant EU support, mostly for the development of policy and

institutions, but also assistance in formulating the strategic and legal framework.

- CARDS 2001 Vocational Education and Training (2003–04) developed a new VET policy framework, including curriculum development, quality assurance and teacher training (EUR 0.6 million).
- CARDS 2002 Vocational Education and Training — Modernisation and Institution Building (2005–06) assisted in drafting the VET legislation and designing a new qualifications system. The project also defined new sectors and created sector councils, carried out a labour market VET study and developed the concept of VETIS (EUR 1.2 million).
- CARDS 2003 Upgrading VET Schools — Establishing Centres of Excellence (2006–07) helped to design a modern VET teacher-trainer system, supported interim sector councils, developed examples of occupational standards and qualifications, prepared a handbook on the methodology used, and implemented 13 school development projects (EUR 1.25 million and EUR 3 million in school grants).

For an overview of the large ongoing IPA VET projects please see Section 2.8.

Besides the above EU-funded projects, other significant bilateral donor interventions are the following:

- Dutch MATRA support to the sector councils and Agency for VET (2007);
- British Council's Skills@Work regional project focusing on tourism in Croatia (2008–09);
- German GTZ cooperation with MELE and the Croatian Chamber of Trades and Crafts on training for three new craft occupations (2006–09).

Quality of VET

The world of VET in Croatia is not closely linked to the world of work. A gap between the supply and demand of knowledge, skills and competences has been documented by several Croatian and international studies (Bejakovic and Lowther, 2004; National Competitiveness Council, 2004 and 2009; Skjolstrup, 2008; World Bank, 2009). A recent ETF study found that students graduating from four-year vocational schools have had inadequate practical training, which limits their employability. Three-year vocational schools provide a better preparation for the labour market, but there is an overproduction of graduates in certain craft occupations and no development of the new qualifications required by the labour market (Crnkovic-Pozajic, 2009). Some of the VET programmes with the highest enrolment rates prepare students for occupations with the highest number of unemployed persons (Government of Croatia, 2010d).

According to the Croatian Employers' Association (CEA), education programmes and schools need to be restructured to meet the new skills requirements, but the educational establishment is conservative and difficult to change. In the latest CES employer survey (CES, 2010d), 24.8% of employers surveyed reported difficulties in

hiring staff owing to the lack of skilled workers, and 22.7% reported the need to provide additional training for their employees in technical competences, information technology, team work, communication, foreign languages, and customer relations. The annual CES survey is an excellent initiative, but suffers from a lack of clear policy on the issue of broader skills needs assessment and forecasting, despite the recognised importance of such information. A comprehensive, integrated approach combining a variety of levels and tools is lacking.

A number of indicators — in particular youth unemployment, with levels significantly higher than the EU average — indicate that the graduates produced by the VET system in Croatia do not satisfy the needs of the labour market. Another important cause of the underperformance of the Croatian VET system is the mismatch between the skills acquired and those in demand on the labour market. Apart from the insufficient supply of highly skilled people compared with demand, there also appear to be serious discrepancies between supply and demand for specific educational and skills profiles in many sectors.

There is obviously a need for the VET system to achieve higher levels of quality, flexibility, mobility and responsiveness to changes in the labour market and the economy.

To tackle these issues in a more comprehensive and strategic fashion, the AVETAE, with the support of the EU-funded project 'Strengthening the institutional framework for the development of VET occupational standards, qualifications and curricula', developed relevant methodology based on the deployment of an analytical tool for developing sector profiles. Sector profiles should be seen as the analytical basis for harmonising labour-market needs and VET provision. This innovative tool combines macroeconomic indicators and data from the survey on employers' needs for competences to enable more informed and relevant planning of VET provision by key stakeholders.

The Comparative Study of the Labour Market and the VET System in Croatia (EU CARDS, 2006) arrived at a number of valid conclusions.

- Vocational schools should cooperate with key stakeholders at the local and regional levels. A common methodology developed by the central administration could help schools to compile information on the eventual fate of VET graduates in the labour market and enable schools to tailor their offer accordingly.
- The short one to three-year VET profiles should be better integrated into the education system as a whole. Bridges facilitating horizontal and vertical mobility need to be created in accordance with the national qualifications framework, and a small-scale pilot experiment should be initiated.
- Options should be incorporated into the four-year VET profiles to facilitate direct transition to the labour market at the end of secondary education or after a

very practical post-secondary course. A clearer distinction between broad VET profiles that lead mainly to higher education and VET profiles that more directly target a specific occupation needs to be considered.

- The large vocational schools network should be rationalised.

Analysis of the four-year programmes shows that while these are modern in the sense that they provide a dual qualification (higher education plus labour market access), they are mostly used to access higher education. It might be advisable to upgrade their academic parts and turn them into the new technical and commercial *gymnasias*, while maintaining some labour market relevance. This solution would be cost-effective, responsive to emerging labour market needs, and would also free up resources to develop the three-year programmes.

At this time, new programmes relevant to the labour market still have to be based on the old VET programmes. The process of redesigning VET programmes and profiles in parallel with developing CROQF qualifications has stalled, and the IPA VET project — working with the VET sector councils — only recently re-launched the process with a plan to develop and disseminate 26 pilot VET qualifications and curricula using the revised methodology for developing new occupational standards, qualification standards, and curricula for VET.

However, coordination with the relevant line institutions responsible for general education, and in particular with the Education and Teacher Training Agency (ETTA) needs to be strengthened. These agencies require input on general education arising from the new NFC (see Section 2.3). The 2008–13 VET Development Strategy does not provide a road map for redesigning VET curricula. The AVETAE develops annual action plans for implementing the strategy, which the government has to approve, but the 2010 action plan provided by this agency is rather general, lacks indicators and refers mainly to the IPA VET projects.

In the context of the application of CROQF, one of the major concerns continues to be the relatively large number of narrow VET qualifications in the Croatian system. As a general principle, a qualification supported by public funding should be sufficiently broad to allow qualified people to work in different companies and related occupations and to sustain flexibility throughout their career. In this way, initial VET could provide a basis for lifelong learning and career development as well as immediate transition into the labour market.

At the same time, many innovations in terms of content, teaching methodology and equipment have been introduced at the school level (in part thanks to the grant schemes under EU CARDS and IPA phase 1 programmes). External assistance also supported retraining of teachers, modernising VET curricula in certain schools, organising seminars, and revisiting teaching materials. These achievements could be mainstreamed and used to complement (central) VET innovation capacities.

The VET Act is limited to secondary VET, leaving a gap at levels above ISCED 3. According to many of those interviewed, including representatives from the MSES, post-secondary VET is a missing link in the system (see CROQF in Section 2.3). At the same time, there are advanced vocational schools, for example the School of Electromechanical Engineering in Varazdin, that aspire to and are capable of developing and providing higher-level programmes.

It would appear that the e-Matica and VETIS information systems are not sufficiently integrated. According to users in vocational schools, the systems generate duplicate requests for information on the same subject from the schools, and these are sometimes further duplicated by a third system (the National Information System for Application to Higher Education Institutions — see Section 2.6). Both e-Matica and VETIS are primarily concerned with educational inputs and will require further improvement if they are also to cover educational processes and outputs, a change that would in addition develop the evidence base for future policy formulation. The IPA VET Quality Assurance project supports a move in that direction. Other evidence collected underscores the need for better qualitative analysis of the data in both systems and adequate dissemination of the results; a large portion of the information collected appears to be untapped.

School/business cooperation and entrepreneurship

The interviews in two counties confirmed that vocational schools have modernised faster than general education institutions and responded more effectively to short-term local labour market needs. The School of Electromechanical Engineering in Varazdin and the Technical School in Sisak are good examples of innovative vocational schools that have established effective links with companies, provide adult education, seek additional funding, engage in EU-funded projects and are becoming more self-sufficient with respect to in-service teacher training. The School of Electro-technics in Zagreb, which was featured in a recent ETF publication (Oldroyd and Nielsen, 2010), set up the local CISCO and Microsoft Academies and regularly send teachers for training to industrial institutes in Croatia and Germany.

In recent years, progress has been made in education and training for entrepreneurship. A good example of an institutional partnership for lifelong entrepreneurial learning is Education for Entrepreneurship (E4E), an initiative providing an institutional and policy framework for entrepreneurship education involving the Croatian national authorities responsible for the economy, labour and education. Another initiative is the South East European Centre for Entrepreneurial Learning (SEECLE) co-founded by the Croatian government and supported by EU funds. The 2009 European Charter for Small Enterprises (Western Balkans) assessment indicated that promotion of entrepreneurship has been very good in Croatia (OECD et al., 2009). However, there is still little awareness in the business community of the good

returns that can be obtained from developing a closer relationship with the education sector and investing in human resources development.

The national Strategy of Entrepreneurial Learning 2010–14 adopted in July 2010 and the NFC (see Section 2.3) both aim to introduce entrepreneurship as a key competence in all forms, types and levels of education. The challenge now is to implement this strategy. Schools report that the importance of entrepreneurial learning is now widely recognised by both teachers and students but not really covered in the curriculum; there is no space to introduce new topics because of the current workload. Other issues are the lack of training on the part of teachers, particularly in the soft skills of entrepreneurship education, the low engagement of higher education, and the insufficient involvement of the business community in education and training.

2.5 TEACHER TRAINING AND LEARNING IN SCHOOLS

Teaching methods have not yet been updated to respond to the challenges of a changing society. Teachers still rely on the traditional model of frontal teaching, in which the teacher primarily transmits factual knowledge while inquiry and initiative on the part of students are discouraged. The Institute of Public Finance analysis concluded that 'Croatian education at all levels is too subject-specific, learning is too passive and teacher-dominated, and teachers are not properly trained' (Bejakovic and Lowther, 2004). VET teachers have limited pre-service pedagogical training, and school-based VET teaching and learning is mostly theoretical because links with enterprises and employers are weak.

A high-quality teaching workforce and competent school principals with relevant professional capacities are crucial to the performance of VET systems that must provide a basis for future global competitiveness. The PISA results are evidence of the lack of standards relating to the quality of the teaching process and to the teachers themselves. The issue of education and training that would meet the current needs of teachers has not been high on the reform agenda. While the training of teachers and school principals and the quality of learning have been addressed since 2003 in the context of CARDS and ESDP support, these efforts need to be taken forward to the systemic level.

Initial steps have been taken to create the necessary institutional and legal framework. As a quality assurance mechanism, starting from the 2011/12 academic year, all schools are obliged to carry out a self-assessment. The external assessment of teaching and learning quality and the licensing of teachers and principals (who are now required to renew their licence every five years) is the responsibility of the NCEEE (Croatian Parliament, 2008a, 2009). An overall reform strategy is needed to enable vocational schools to open up to enterprises and to allow and encourage VET teachers to build bridges and establish local partnerships. This strategy would have to combine

further decentralisation of the education system and introduce incentives for teachers and enterprises to engage in horizontal networking at the local level.

An action plan to modernise the teacher education programmes offered by universities is, according to the MSES, under development and the content of these programmes in relation to the European Credit Transfer System have still to be defined. Croatian VET teachers have good speciality knowledge, but their pedagogical skills and knowledge of methodology are weak and in most cases have been learned on the job. National standards for teacher competences are needed to guide the development of competence-based teacher education curricula. The focus should be on the development of a culture of quality in teacher education institutions that will build capacities for high-quality teaching, reflective practice and teacher self-evaluation skills (Domovic and Vizek-Vidovic, 2010).

In-service training for teachers of general subjects is carried out by the Education and Teacher Training Agency (ETTA), while for VET teachers it is organised by the Agency for VET and Adult Education. Both of these agencies offer a number of courses, but the overall quality is doubtful because of inadequacies in the scope and duration of courses and the teaching methodology used (with training often involving large groups). There is no systematic in-service training programme development for VET teachers and no training in close cooperation with enterprises. The ETTA has developed and launched a new concept of in-service teacher training aimed at enabling a more targeted approach to the development of all education professionals. Teachers, on the other hand, complain that training events do not meet their needs and are too theoretical, because of the rather limited focus on working with children with special needs, classroom management, communication skills, and the use of new technologies. Both agencies have reduced their training programmes owing to recent budget cuts (in 2010 the funds for in-service teacher training were cut by 60%). However, excellent seminars involving teachers from different schools are organised by NGOs to facilitate peer learning activities. Several projects supporting in-service VET teacher training are being implemented under the IPA phases 1 and 2 (see Section 2.8).

Given the scarcity of resources for in-service training at both national and school levels, the Thematic Expert Councils (school masters/teachers organised by sector and subject who function as agents of change at the county level) are seen as an effective conduit for transferring new knowledge and introducing it into daily educational practice. However, these councils have not yet been fully recognised as crucial interlocutors and effective agents for reform in schools and local communities.

The councils are an example of the horizontal learning model applied with ETF support through the multi-country LEARN project in which more than 1 500 Croatian teachers of both VET and general subjects took part. The network brings together schools and councils in the same vocational field but there is also the possibility to connect

the various professional fields at regional, national and international levels. Council leaders and trainers selected from among the teachers act as learning facilitators. This low-cost approach provides opportunities to share good practice that is of direct relevance to classroom teaching and brings improvements in the work of schools, the quality of teaching, and teaching resources and tools (Knudsen, Jukic and Nielsen, 2011).

Teachers, trainers and craftspeople working in apprenticeship programmes need to receive more and better training. Teachers working in schools need to become familiar with new technologies, an outcome that should be achieved through cooperation between schools and employers. Examples of good practice exist: the School of Electro-technics in Zagreb mentioned above (Oldroyd and Nielsen, 2010) has implemented several EU-funded projects (CARDS, IPA, and Leonardo da Vinci) that have improved VET curricula, VET-related extracurricular activities, teaching methods, e-learning methods and peer-VET teaching.

Improvements are also needed in the training of school principals. While the training agencies and the Association of Croatian Secondary School Principals organise some seminars and capacity-building events for school principals, attendance is optional and principals have no deputies, making it is rather difficult for them to take part in these sessions. Currently, 40% of secondary school principals are newly appointed and have had no induction training or other support.

2.6 HIGHER EDUCATION

New legislation and implementation of Bologna

According to the Agency for Science and Higher Education (ASHE), there are 122 higher education institutions in Croatia: 10 universities (*sveučilišta*), 15 polytechnics (*veleučilišta*) and 30 schools or colleges of higher professional education (*visoke škole*). In addition, there are 67 faculties and academies that form part of a university but are recognised as separate and independent legal entities. Most higher education institutions are publicly owned, but 3 universities, 2 polytechnics and 27 schools of higher professional education are private.

Croatian higher education is in the midst of an important reform process driven mainly by the newly drafted Universities Act, Higher Education Act and Science Activity Act. The aim of this new legislation is to shift the governance of higher education towards more integrated internal structures and to ensure accountability for public funds through better financial management of higher education institutions connected to strategic planning. The reform will focus on internationalising higher education by preparing institutions to offer competitive programmes and host foreign students. Over the last nine or ten months, many members of the academic and scientific communities in Croatia have criticised the proposed legislation. In spite of the controversy, the government

adopted the laws on first reading in June 2011 and forwarded them to parliament. However, no plenary discussion on the draft laws had been held in parliament by December 2011, the cut-off date for this review.

In the Bologna process, significant progress has been made in reforming the structure of higher education in Croatia, including strengthening links between scientific and educational activities and making initial improvements in staff and equipment. However, the divided opinions of the academic community highlight a number of issues.

- Newly introduced degrees often do not lead after the first cycle to a final qualification that is useful in the labour market (Kurelic, 2009). Job vacancies are scarce and graduate applicants are often rejected on the grounds of insufficient qualifications. For example, a bachelor's degree in English does not qualify the holder for a teaching position, even in a kindergarten.
- Large numbers of students are therefore expected to continue on to the master level, even candidates with a very low grade-point average.
- Last but not least, the master's programmes, rather than moving in the direction of diversity and multidisciplinary, in general, are still monodisciplinary and substantively similar to the first Bologna cycle (Rodin, 2009a; Kurelic, 2009).

A clear vision and strategies for higher education with well-defined priorities and perspectives appear to be still missing. The balance between more academic and more professional education in the allocation of public resources also needs to be clarified. Another issue, according to the Institute for Developing Education, is the need to balance the autonomy of universities and their accountability for the provision of data that could, for example, contribute to an analysis of how social factors influence students' success in completing their studies and finding a job.

Access to higher education

The new legislation intends to abolish tuition fees to ensure that higher education is equally accessible to everyone. The newly introduced enrolment fee is expected to be covered from the state budget for successful full-time students; for other students there will be an upper limit set at 60% of the average monthly salary (currently this would represent a maximum of HRK 3 200).

There are different opinions about the question of equitable access to higher education for three-year (and shorter) VET graduates. A better vertical progression to State Matura and higher education needs to be ensured for people who complete such programmes.

The gross tertiary enrolment rate went from 30.8 in 2000 to 49.3 in 2008 (**TABLE 2.7**). According to the Croatian Bureau of Statistics, over 180 000 students enrolled in higher education institutions in 2009/10. The completion rate has risen in the past decade although, with about 50% of students failing to graduate, Croatia still lags behind EU and OECD countries in regard to both the

proportion of the cohort that graduates and the number of students who drop out of higher education (Government of Croatia, 2010c). Drop-out figures are not being systematically collected, but the number of students who graduated in 2009 rose by 18% compared to 2008, and in 2008 by 22% compared to 2007. Additional data on enrolment and completion rates can be found in **TABLES 2.13–2.17**.

Education supply and labour market demand

The shortage of skilled workers, especially those with a second- or third-level technical education, is linked to a discrepancy between the education supply and the demands of the labour market (Government of Croatia, 2010d). One negative trend is the declining proportion of young people taking up technical and scientific subjects, as these are precisely the areas in which graduates are needed to build up the technological capacity of Croatian companies and industry. The number of students in social science remains high (around 40%), and the share of engineering has not significantly changed in the last seven years. The proportion of students who obtain a doctorate is very small (there are 0.03% PhD holders in the population aged 24–50⁴). Student enrolments are increasing in economics and business, the social sciences and the humanities. In other areas, the number of admissions has remained relatively modest (see **TABLES 2.15 to 2.17**).

Cooperation between higher education institutions, research and technological centres and enterprises is neither analysed nor regulated at national level. Many universities still lack entrepreneurial spirit and are too academically oriented. Both the 2006–10 Science and Technology Policy and the Action Plan to Encourage Investment in Science and Research recognise the importance of improvement in this area. Two measures that would represent a shift towards greater cooperation would be the introduction of internships in industry and of entrepreneurship education as a cross-curricular principle. There is also a need for greater involvement of the private sector in education to increase the opportunities for student internships in companies. An issue raised by one higher education institution was the relationship between faculties and local authorities. ‘They should use us more. Universities need to be more influential and less obedient.’

ASHE is the competent body for external quality assurance procedures in science and higher education. Although in its first five years the agency has mainly been focused on initial Bologna-related accreditation, there is

now an expectation that it will begin to focus on other activities aimed at improving quality in existing higher educational and scientific organisations, and in particular on re-accreditation. ASHE was admitted to full membership of the European Association for Quality Assurance in Higher Education in 2011. Full membership of this institution representing all the main quality assurance organisations in the European Higher Education Area represents an important step in international recognition and a confirmation of the reliability of the Croatian agency’s work.

CARDS 2003 Quality assurance for Croatian higher education project (2006–08, EUR 0.6 million) assisted the processes of developing accreditation and quality assurance standards. It also promoted staff and student mobility through support to ASHE and the National Council for Higher Education.

Tempus

Croatia has participated in the EU Tempus programme since 2000, with a total of 104 projects (more than EUR 30 million). Although all state universities have participated in Tempus, almost no projects have targeted institutions of higher professional education.

The main focus in higher education has been the development of curricula and European Credit Transfer System credits and the improvement of teaching methodologies and quality assurance. Stronger links between the academic and the business communities have been also supported through the following recent projects:

- Fostering entrepreneurship in higher education;
- Virtual manufacturing network – fostering an integration of the knowledge triangle;
- Opening university towards society – linking education-research-innovation.

Tempus has also had considerable impact on the internationalisation of faculties, with many projects developing into partnership agreements. Moreover, significant numbers of students benefit from the introduction of new curricula and collaboration with foreign partners.

Finally, it is worth mentioning another Tempus project — ‘Towards equitable and transparent access to higher education in Croatia’ 2010–13 (ACCESS) — which will provide a national policy framework for a new higher education funding and student support system in Croatia.

2.7 INSTITUTIONAL STRUCTURE IN EDUCATION AND TRAINING

Governance and support capacities

At the national level, the MSES is the policy-making and governing body that coordinates the following executive agencies (number of staff):

- AVETAE: Agency for VET and Adult Education (83);
- ETTA: Education and Teacher Training Agency (110);
- ASHE: Agency for Science and Higher Education (64);
- AMEUP: Agency for Mobility and EU Programmes (35);
- NCEEE: National Centre for External Evaluation of Education (47).

The ministry itself has approximately 340 staff, while the directorate in charge of preschool and primary education has 16, that of secondary education 28, higher education 18, and national curriculum 5. The international and EU department has a staff of 25 (source: MSES).

The ministry has achieved a great deal in terms of proposing new or amended legislation, developing new institutions and building the educational component of the IPA and ESF Operating Structure. However, the large amount of work and the complexity of the tasks now requiring attention represent considerable challenges for the ministry, including the broad agenda requiring attention at a time of budgetary restriction, the huge task of implementing reform across all sectors of education, responsibility for administering the increasing inflow of EU funds, and the need to manage relations with the executive agencies and coordinate the relationships between these bodies. Coordination is often mentioned as an area needing improvement. Others are policy development, consultation with and greater involvement of social partners, and the system for monitoring the implementation of changes in education and evaluating outcomes. The policy-making functions appear to be in conflict with a tendency observed in the MSES towards retaining administrative tasks that could be further devolved to the executive agencies or to regional and local governance instead of burdening the ministry's capacity. With restricted staffing levels, human resources become an issue when it comes to managing projects.

As regards the policy debate, the Education, Science and Culture Committee of the Croatian parliament would appear to be a good platform for promoting discussion across the political spectrum and for reaching consensus on long-term changes in the education system. The role of this committee could be strengthened to help ensure that a change of government will not necessarily imply complete reversal of policy. However, the executive seems to have ignored this opportunity and the committee was not included in consultations on the

ESDP, has not been involved in IPA and ESF programming, and does not receive any official information concerning CROQF.

AVETAE has the potential to be the key national executive body for improving employability through education and training. Merging the two agencies into a single body in February 2010 opened the way to greater synergy between VET and adult education, and the process of ensuring the full integration of the two areas has been improved by the approval of an internal bylaw defining AVETAE's organisational structure (April 2011) and the creation of a joint website providing links to the database of adult education training providers (*Andragoski zajednicki upisnik podataka – AZUP*). The interim arrangement of the ongoing IPA project targeted specifically at comprehensive strengthening of AVETAE has apparently been overcome. However, it is still rather difficult to assess how effective the technical assistance envisaged under that IPA project will be. There are still clear differences between the two branches of agency, such as the well-supported and dynamic Council for Adult Education (see Section 2.3) and the inactive Council for VET, or the full accessibility of the EU CARDS Adult Learning project outputs on the former AAE website.

Apart from the issues arising from the merger process, the challenge AVETAE now faces is to coordinate work with the sector councils on developing the new qualification standards and curricula, and to train VET teachers accordingly. The agency's capacities are too limited for these demanding tasks (for example, there are only 13 advisors for more than 15 000 VET teachers). A shortfall in MSES and AVETAE capacity is also felt in the area of VET quality assurance (for example, supporting vocational schools in their self-evaluation) and in data gathering (there is no solid base of VET data to inform policy making). Moreover, the interface between AVETAE and NCEEE appears to be sensitive and the division of tasks not fully clear, for instance in the planning of the VET State Matura.

The functions of the other agencies (ETTA, ASHE and NCEEE) are discussed in Sections 2.1–2.6.

Social partners and other stakeholders

Social partnership in education and training is often little more than a formality (a 'mask', as one trade union representative put it). While employers and trade unions are represented on councils and in working groups, their role remains quite limited because they have a relatively low number of 'votes' and because the MSES usually has the authority to appoint members. There is a need to strengthen social partners' capacity building. The social partners argue, albeit not strongly enough, that because the agencies have limited capacity, employer and employee representatives should share the responsibility for innovative developments and programmes. This would also have the advantage of making better use of the institutional networks and capacities of these organisations, which often reach from national down to regional and local level.

Under the VET Act (Croatian Parliament, 2009), employers and unions belong to the group of VET stakeholders whose role is to 'encourage and give direction to VET'. The Act establishes the VET Council and makes it responsible for, among other things, coordinating the activities of all VET stakeholders and proposing strategies for VET development. The Council is appointed by the MSES, chaired by a faculty professor, and 11 of its 17 members are from the education sector or ministries. Except for one meeting shortly after it was established in July 2009, the Council has not been very active.

The key social partners and other stakeholders are listed below.

Croatian Employers' Association: This was established in 1993 and is the largest voluntary employer association, with 25 branch associations, representing around 5 000 employers who employ some 400 000 workers. The association set up the National Competitiveness Council in 2002.

Croatian Chamber of Economy: The chamber was founded in 1852 and membership is mandatory. It is actively working to forge links between companies, formal education and the ministries through SME training needs analyses and the Education for Entrepreneurship project.

Croatian Chamber of Trades and Crafts: This organisation was re-established in 1994 and membership is mandatory for anyone working in a trade or craft in Croatia.

Union of Autonomous Trade Unions of Croatia: This union was founded in 1990 and represents two-thirds of organised workers in the country. It has 24 affiliates in different industrial sectors. Union representatives interviewed referred to difficulties in cooperation with AVETAE and criticised the CROQF for involving only the teachers' trade union in the working groups developing qualifications.

Trade Union of Workers in Secondary Education: This union has a membership of 12 500 teachers. In the opinion of this organisation, teachers must be seen as active actors in the education reform. To increase their motivation, the political parties should agree on the direction of long-term developments in education. Owing to the low salaries offered, jobs in education are unattractive and the quality of teaching suffers from the negative effects this situation has on the selection of new entrants.

Civil society in Croatia has grown in the last 15 years and there are now more than 35 000 registered NGOs. However, the impact on policies of the third sector is still weak and civil society has not been recognised as an equal partner in the policy-making cycle. The National Foundation for Civil Society Development is the largest source of funding for NGOs in Croatia. The foundation offers financial and expert support to projects that encourage the sustainability of the not-for-profit sector, inter-sector cooperation, civil initiatives, philanthropy, voluntary work and the improvement of democratic

institutions. There is, however, a lack of transparency concerning the sectoral funding of NGOs. This issue also affects NGOs working in the field of education, in which the procedures and the institutional framework are complicated and fragmented (each line ministry has its own grant scheme for funding NGOs). Not many NGOs work in education, and their capacity to work on sustainable projects is, in general, inadequate. On the other hand, there are a number of NGOs with diverse adult learning and capacity-building programmes (non-formal education) aimed at developing soft skills and generic competences. Although they play an important role in lifelong learning (see Section 2.3), the law on adult education does not specify NGOs as providers.

There would appear to be a discrepancy in the way Croatia has configured the interface between policy and operations in HRD. Analysis of the numerous authorities set up to serve ministries (policy) reveals too many new institutions and too many councils (operations) and it often seems that this can actually lead to both policy gaps and, at the same time, considerable overlaps. The HRD systems are clearly not functioning properly when the social partners complain about their lack of involvement in spite of having representation on so many advisory councils.

2.8 IPA IV PROGRAMMING

This section is based on the draft National Strategic Reference Framework 2012–13 (Government of Croatia, 2010d), the draft IPA and HRD operational programmes (Government of Croatia, 2010c; MELE, 2010a), and the lists and descriptions of current and planned IPA projects made available by the Croatian Operating Structure and the EU Delegation.

In education and training the main focus of EU (co)funded interventions in Croatia under priority axis 3 of the HRD operational programmes for IPA has been VET, adult, and higher education. IPA 2007–09 (IPA phase 1) projects and grant schemes fall in the period 2010–11, while 2012–13 will see the IPA 2010–11 (IPA phase 2) projects and grant schemes. **TABLE 2.26** shows the total amounts (85% EU + 15% Croatia) for priority axis 3 of IPA IV.

TABLE 2.27 presents the IPA IV programming at the level of measures and operations and indicates the contracted or allocated values.

IPA phase 1 is currently being implemented through the cluster of projects and grant schemes for VET and adult education listed in **TABLE 2.27**, which are running in parallel with an important CROQF development project that also includes higher education. These projects broadly address the main priorities reviewed in Sections 2.1–2.7 and combine top-down and bottom-up interventions aimed at innovating the VET curriculum, defining qualifications at all levels, improving quality assurance, providing legal, institutional and methodological support for CROQF, developing adult education programmes, and strengthening the capacity of AVETAE.

The two ongoing qualifications development projects are particularly challenging in terms of coordination, but they also represent an opportunity for synergy. Each one has a different beneficiary as follows: 'Further development of CROQF' (MSES, Jan 2010–Jul 2011), and 'Strengthening the institutional framework for the development of VET curricula' (AVETAE, Jan 2010–Jan 2012). The combined outcomes of these two projects will lay the groundwork for further development of CROQF, a task that will receive substantial support from IPA phase 2 and ESF. Although the two projects communicate well with each other, overall coordination, which is the responsibility of the MSES, needs to be improved. Better coordination will also help to minimise the risk of a methodological and institutional division between VET and higher education qualifications (see also Section 2.3). In this regard, decisions are urgently needed on the designation of a body or institution (executive directorate) to lead the CROQF, and on an organised merger of overlapping CROQF working groups and AVETAE's sector councils.

In the planned **IPA phase 2** the CROQF is once again the largest grant scheme, along with VET curricula development, adult education institutional capacity build-up, in-service teacher training, and quality assurance in education. For higher education, the focus is on the reform of financial governance in universities and on developing an information system.

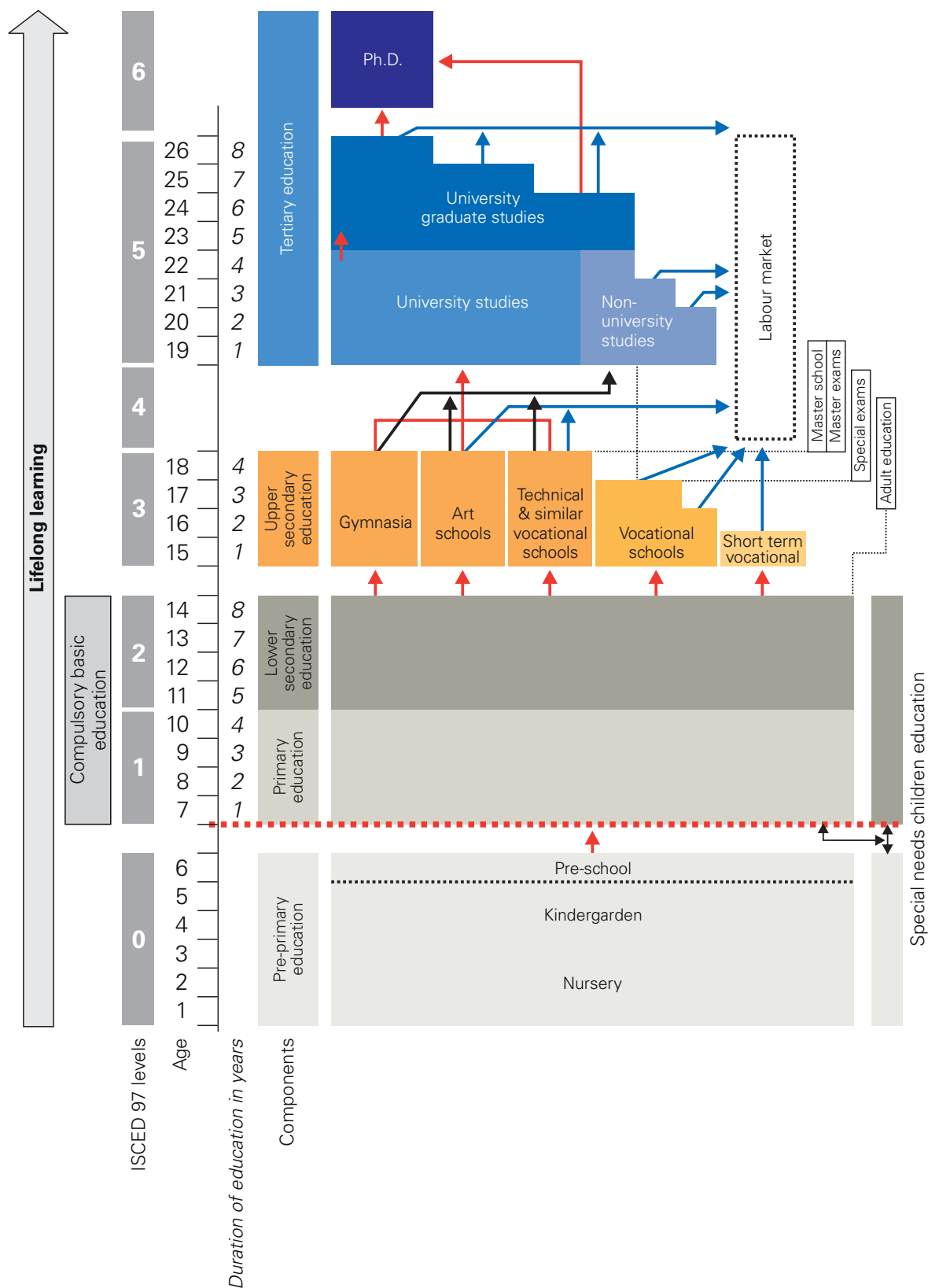
According to the available information on IPA phase 2 operations (operation identification sheets from 2010), the CROQF grant scheme will focus on developing curricula and programmes for both general and higher education, while the grant scheme in the field of VET is defined broadly as the introduction of innovative features into vocational school provision (3.1.6 and 3.1.7 in **TABLE 2.27**). This raises the following two questions.

- Is it possible to develop national curricula for general primary and secondary education through a grant scheme?
- Is it assumed that by the time the IPA 2 grant schemes start in 2012 all new CROQF qualifications and national curricula for VET will be available?

Synergy between IPA and the EU Lifelong Learning and Youth in Action programmes will be important — Croatia has been a full participant in the Lifelong Learning and Youth in Action programmes since 2011. These EU programmes have the advantage of being easier to manage (e.g. grant applications can be made in Croatian) than the IPA governed by the complicated Practical Guide to Contract Procedures for EU external Actions.

TABLES AND FIGURES

FIGURE 2.1 CROATIAN EDUCATION SYSTEM



Source: Lui, 2007

TABLE 2.1 PUBLIC EXPENDITURE ON EDUCATION (MILLION EUR, PPS)

	2002	2003	2004	2005	2006	2007	2008
Total	1 769.9	1 977.6	2 092.7	2 273.1	2 457.0	2 710.4	2 973.8
ISCED 1	863.5	907.4	969.3	1 046.8	1 040.4	1 220.8	1 273.7
ISCED 2–4	418.3	457.5	478.1	518.3	544.5	579.0	636.2
ISCED 5–6	280.0	366.8	379.0	427.0	525.1	536.7	653.9

Source: Eurostat

TABLE 2.2 EXPENDITURE ON EDUCATION FROM PUBLIC AND PRIVATE SOURCES AS % OF GDP

	2002	2003	2004	2005	2006	2007	2008
Public	3.72	3.96	3.90	4.02	4.11	4.07	4.33
Private	0.13			0.28	0.38	0.35	0.36

Source: Eurostat

TABLE 2.3 PUBLIC EXPENDITURE ON EDUCATION AS % OF GDP AND TOTAL GOVERNMENT EXPENDITURE

	2000	2004	2005	2006	2007	2008
% of GDP ^a		3.90	4.02	4.11	4.07	4.33
% of government expenditure ^b	8.35	9.71	10.07	10.09	9.31	m.d.

(m.d.) Missing data

Sources: (a) Eurostat; (b) Croatian Bureau of Statistics

TABLE 2.4 PUBLIC EXPENDITURE ON PUBLIC INSTITUTIONS PER PUPIL BY EDUCATION LEVEL (EUR, PPP)

	2004	2005	2006	2007	2008
Total	2 700.20	3 148.10	3 475.30	3 843.90	4 143.80
ISCED 1	2 425.50	2 627.70	2 651.80	3 153.70	3 355.80
ISCED 2–4	2 491.70	2 731.00	3 021.60	3 230.20	3 561.00
ISCED 5–6	3 468.80	5 280.20	6 250.20	6 378.40	7 182.80

Source: Eurostat

FIGURE 2.2 CROATIAN QUALIFICATIONS FRAMEWORK

Levels	Types of educational programmes		Duration	ECTS credit points
	University programme	Professional programme		
8	8.2	PhD programme	3 or more years	
	8.1	'Old' Master of Science programme	2 years	
7	7.2	Post graduate specialist programme	1–2 years	60–120
	7.1	Graduate programme	Specialist graduate professional programme 1–2 years	60–120
6	Undergraduate programme	Professional undergraduate programme	3–4 years	180–240
5	5.2	Professional undergraduate programme	2–3 years	120–179
	5.1	Post high school educational programmes	up to 1 year	
4	4.2	4-year high school programme and state matura exam	4 years	
	4.1	3-year VET programmes	3 years	
3	Low qualified worker programmes		1–2 years	
2	Primary school + additional education for basic skills		1–6 months	
1	Primary school		8 years	

Source: Country brief for the ETF Mutual Learning Project, 2010

TABLE 2.5 MSES BUDGET FOR 2010 WITH PROJECTIONS FOR 2011 AND 2012

Budget line	2010		2011	2012
	(million EUR)	Share (%)	(million EUR)	(million EUR)
Pre-school education	3.281	0.24	3.953	2.361
Basic education	631.331	46.35	653.544	678.594
Secondary education	339.742	24.94	351.867	365.637
Tertiary education	338.580	24.86	347.072	358.264
Ministry	13.550	0.99	13.939	14.253
Education agencies	35.191	2.58	37.245	38.332
Total education	1 361.675	100.00	1 407.620	1 457.441
Total science, education and sports	1 575.111		1 645.681	1 696.426

Note: Percentages and conversion to EUR calculated by the ETF, based on a rounded-up rate of HRK 100 = EUR 13.5 (Feb. 2011)
Source: Croatian Parliament, 2009

TABLE 2.6 LABOUR FORCE BY AGE, EDUCATION LEVEL AND GENDER

	2006			2007			2008			2009			2010		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
15-24															
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
ISCED 0-2	38.3	38.7	37.8	37.8	38.1	37.4	37.6	37.0	38.2	37.4	36.4	38.7	36.0	35.2	37.1
ISCED 3-4	59.3	59.9	58.7	59.6	60.2	59.0	60.2	61.2	59.0	60.2	62.3	57.9	60.6	62.7	58.9
ISCED 5-6	2.4	1.4	3.5	2.6	1.7	3.6	2.2	1.8	2.7	2.3	1.3	3.5	3.0	2.0	4.0
25-49															
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
ISCED 0-2	18.6	16.5	20.6	18.7	16.5	20.8	17.5	16.2	18.9	16.6	15.3	17.9	16.9	14.5	19.2
ISCED 3-4	65.3	69.8	60.8	64.7	68.4	61.1	64.7	68.2	61.2	64.6	69.2	60.2	62.8	68.2	57.7
ISCED 5-6	16.2	13.7	18.5	16.6	15.1	18.2	17.8	15.7	19.9	18.8	15.5	21.8	20.2	17.2	23.1
50-64															
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
ISCED 0-2	36.8	25.9	46.6	33.3	23.3	42.6	33.0	23.9	41.5	31.5	23.1	39.1	30.5	22.7	37.5
ISCED 3-4	46.8	56.2	38.4	51.2	59.3	43.6	52.0	60.1	44.4	52.1	59.7	45.3	53.1	59.9	47.0
ISCED 5-6	16.3	17.8	15.0	15.5	17.4	13.8	15.0	16.0	14.1	16.4	17.2	15.6	16.3	17.4	15.4
15-64															
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
ISCED 0-2	28.3	23.9	32.5	27.2	23.1	31.3	26.6	22.9	30.3	25.9	22.3	29.4	25.7	21.7	29.5
ISCED 3-4	58.2	63.6	52.9	59.2	63.8	54.7	59.5	64.1	54.9	59.3	64.5	54.3	58.7	64.1	53.6
ISCED 5-6	13.6	12.5	14.6	13.6	13.2	14.0	13.9	13.0	14.7	14.8	13.2	16.3	15.5	14.2	16.7

Source: Eurostat, LFS

TABLE 2.7 GROSS ENROLMENT RATES BY EDUCATION LEVEL AND GENDER

		2000	2005	2006	2007	2008	2009
Pre-primary (ISCED 0)	Total	42.4	47.8	49.1	51.1	54.1	57.1
	Female	41.8	47.4	48.6	50.2	53.0	56.0
	Male	43.0	48.2	49.5	52.0	55.1	58.2
Primary (ISCED 1)	Total	93.2	97.9	98.6	98.6	96.8	95.3
	Female	92.6	97.8	98.3	98.5	96.8	95.2
	Male	93.8	98.0	98.8	98.7	96.8	95.5
Lower secondary (ISCED 2)	Total	93.0	99.3	99.5	99.8	101.9	103.8
	Female	92.5	100.1	100.5	101.2	103.4	105.6
	Male	93.6	98.6	98.5	98.6	100.4	102.1
Upper secondary (ISCED 3)	Total	78.2	86.1	86.9	87.6	87.1	87.1
	Female	80.4	88.0	88.7	89.2	88.6	88.6
	Male	76.1	84.2	85.1	86.1	85.6	85.3
Tertiary (ISCED 5–6)	Total	30.8	43.9	45.1	47.0	49.3	48.9
	Female	33.1	48.2	49.8	51.8	54.8	54.9
	Male	28.6	39.7	40.6	42.4	43.9	43.2

Source: UNESCO

TABLE 2.8 GROSS ENROLMENT RATES

	2004	2005	2006	2007	2008	2009
Pre-school (ISCED 0)	49.0	51.5	54.3	57.1	58.0	60.0
Basic (ISCED 1–2)	95.7	95.5	95.4	94.6	94.9	94.9
Secondary (ISCED 3)	87.2	87.3	87.2	87.9	87.8	88.4

Source: Ministry of Science, Education and Sports

TABLE 2.9 TOTAL ENROLMENT BY EDUCATION LEVEL, PROGRAMME AND GENDER (000s)

	2000			2005			2006			2007			2008			2009		
	Total	Female	Total	Total	Female	Total	Total	Female	Total	Total	Female	Total	Total	Female	Total	Total	Female	Total
Pre-primary (ISCED 0)	84.53	40.57	88.93	42.87	89.57	43.19	90.95	43.47	93.27	44.48	95.52	45.55						
Primary (ISCED 1)	199.08	96.65	196.25	95.61	194.75	94.73	190.69	92.85	182.30	88.84	174.19	84.74						
Lower secondary (ISCED 2)	214.38	104.28	208.05	102.61	206.18	101.82	204.98	101.51	207.45	102.83	209.56	103.97						
General programmes	214.38	104.28	195.49	94.79	193.20	93.88	191.75	93.26	193.80	94.39	195.51	95.25						
Technical/vocational programmes	m.d.	m.d.	12.56	7.82	12.97	7.94	13.23	8.25	13.65	8.45	14.05	8.72						
Upper secondary (ISCED 3)	196.02	98.50	192.08	96.28	189.66	94.97	187.98	93.86	184.18	91.88	181.88	90.77						
General programmes	49.62	31.19	50.37	31.58	51.18	32.14	51.34	32.34	50.88	31.99	51.06	32.08						
Technical/vocational programmes	146.40	67.32	141.71	64.71	138.49	62.83	136.64	61.52	133.30	59.88	130.82	58.70						
Tertiary (ISCED 5–6)	96.80	51.02	134.66	72.51	136.65	73.97	140.00	75.68	143.41	78.30	139.07	76.52						
ISCED 5A	70.70	39.09	85.97	47.73	90.25	50.07	95.97	54.10	97.18	55.29	92.23	52.69						
ISCED 5B	26.10	11.94	47.74	24.32	45.08	23.28	42.26	20.78	43.18	21.47	43.74	22.21						
ISCED 6	m.d.	m.d.	0.95	0.46	1.32	0.62	1.77	0.80	3.05	1.55	3.10	1.62						

(m.d.) Missing data
Source: UNESCO

TABLE 2.10 TOTAL ENROLMENT BY EDUCATION LEVEL, PROGRAMME AND GENDER (000s, BEGINNING OF THE YEAR)

		Pre-primary (ISCED 0)	Basic school (ISCED 1–2)*	Upper secondary (ISCED 3)				
				Total	Grammar school	Technical	Art	Industrial and crafts
2005/06	Total	106.1	385.9	188.0	51.2	84.5	4.7	47.6
	Male	55.1	198.1	93.7	19.0	42.8	1.4	30.5
	Female	51.0	187.8	94.3	32.1	41.7	3.3	17.1
2006/07	Total	109.5	380.3	186.4	51.3	84.8	4.8	45.5
	Male	57.2	195.0	93.2	19.0	43.4	1.4	29.3
	Female	52.3	185.3	93.2	32.3	41.4	3.4	16.1
2007/08	Total	113.6	374.0	182.6	50.9	83.8	4.8	43.2
	Male	59.1	191.6	91.4	18.9	43.1	1.4	28.0
	Female	54.2	182.4	91.3	32.0	40.7	3.4	15.1
2008/09	Total	116.4	367.7	180.4	51.1	83.3	4.9	41.1
	Male	60.9	188.5	90.2	19.0	43.0	1.5	26.7
	Female	55.5	179.2	90.2	32.1	40.3	3.5	14.4
2009/10	Total	121.4	359.1	179.2	51.4	82.7	5.2	39.9
	Male	62.9	184.3	89.4	19.3	42.5	1.6	26.0
	Female	58.5	174.8	89.7	32.1	40.2	3.6	13.9
2010/11	Total	120.0	370.6	180.1	52.2	82.8	5.2	40.0
	Male	–	–	89.7	9.7	41.9	1.6	26.4
	Female	–	–	90.4	42.4	40.8	3.6	13.6

(*) Including students repeating for a second time

Sources: Croatian Bureau of Statistics, Statistical reports on education; 2010/11: Ministry of Science, Education and Sports

TABLE 2.11 PERCENTAGE OF SECONDARY VET STUDENTS COMPARED TO GENERAL EDUCATION

	2000		2005		2006		2007		2008		2009	
	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female
Lower secondary (ISCED 2)			100	100	100	100	100	100	100	100	100	100
General programmes			94.0	92.4	93.7	92.2	93.5	91.9	93.4	91.8	93.3	91.6
Technical/vocational programmes			6.0	7.6	6.3	7.8	6.5	8.1	6.6	8.2	6.7	8.4
Upper secondary (ISCED 3)	100	100	100	100	100	100	100	100	100	100	100	100
General programmes	25.3	31.7	26.2	32.8	27.0	33.8	27.3	34.5	27.6	34.8	28.1	35.3
Technical/vocational programmes	74.7	68.3	73.8	67.2	73.0	66.2	72.7	65.5	72.4	65.2	71.9	64.7

Source: UNESCO

TABLE 2.12 SHARE OF SECONDARY VET STUDENTS COMPARED TO GENERAL EDUCATION

		Upper secondary (ISCED 3)				
		Total	Grammar school	Technical	Art	Industrial and crafts
2005/06	Total	100	27.2	44.9	2.5	25.3
	Male	100	20.3	45.6	1.5	32.5
	Female	100	34.1	44.2	3.5	18.1
2006/07	Total	100	27.5	45.5	2.6	24.4
	Male	100	20.4	46.6	1.5	31.5
	Female	100	34.7	44.4	3.6	17.3
2007/08	Total	100	27.9	45.9	2.6	23.6
	Male	100	20.7	47.1	1.5	30.7
	Female	100	35.1	44.6	3.7	16.6
2008/09	Total	100	28.3	46.2	2.7	22.8
	Male	100	21.0	47.7	1.6	29.6
	Female	100	35.6	44.7	3.8	15.9
2009/10	Total	100	28.7	46.2	2.9	22.2
	Male	100	21.6	47.5	1.8	29.1
	Female	100	35.7	44.8	4.0	15.4
2010/11	Total	100	29.0	46.0	2.9	22.2
	Male	100	10.9	46.8	1.7	29.5
	Female	100	46.9	45.1	4.0	15.0

Sources: Croatian Bureau of Statistics, Statistical reports on education; 2010/11: Ministry of Science, Education and Sports

TABLE 2.13 ENROLMENT IN TERTIARY BY FIELD OF STUDY AND GENDER (000s & %)

	2005		2006		2007		2008		2009	
	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%
Total population										
Education	6.5	4.8	5.9	4.3	5.7	4.1	6.3	4.4	5.9	4.2
Humanities and arts	12.6	9.3	13.6	9.9	13.6	9.7	13.7	9.5	12.5	9.0
Social science, business and law	50.4	37.4	55.3	40.5	58.4	41.7	60.0	41.9	59.7	43.0
Science	10.3	7.6	10.1	7.4	10.8	7.7	11.4	7.9	11.1	8.0
Engineering, manufacturing and construction	21.9	16.3	22.3	16.3	22.0	15.7	22.1	15.4	22.1	15.9
Agriculture	4.9	3.6	5.2	3.8	5.3	3.8	5.5	3.8	5.3	3.8
Health and welfare	10.0	7.5	10.3	7.5	9.8	7.0	10.3	7.1	10.1	7.3
Services	18.1	13.5	13.9	10.2	14.2	10.2	14.2	9.9	12.3	8.8
Total	134.7	100.0	136.6	100.0	140.0	100.0	143.4	100.0	139.1	100.0
Female										
Education	6.0	8.2	5.4	7.3	5.2	6.9	5.8	7.4	5.5	7.1
Humanities and arts	8.8	12.2	9.6	13.0	9.5	12.6	9.3	11.9	8.6	11.2
Social science, business and law	32.5	44.8	35.6	48.1	37.4	49.4	38.5	49.1	38.8	50.7
Science	4.3	5.9	4.3	5.8	4.5	6.0	4.7	6.0	4.3	5.6
Engineering, manufacturing and construction	5.4	7.4	5.7	7.6	5.8	7.7	6.0	7.6	5.9	7.7
Agriculture	2.2	3.1	2.3	3.2	2.4	3.2	2.6	3.4	2.6	3.4
Health and welfare	7.4	10.2	7.6	10.3	7.2	9.5	7.6	9.7	7.5	9.7
Services	5.9	8.2	3.5	4.8	3.6	4.8	3.8	4.9	3.4	4.4
Total	72.5	100.0	74.0	100.0	75.7	100.0	78.3	100.0	76.5	100.0

Source: UNESCO

TABLE 2.14 GROSS COMPLETION RATE FOR FIRST DEGREE (ISCED 5A)

	2000	2005	2006	2007	2008	2009
Total	14.2	15.5	17.2	18.2	26.0	35.1
Male	m.d.	12.3	13.4	14.6	20.5	27.5
Female	m.d.	19.0	21.3	22.0	31.8	43.0

(m.d.) Missing data
Source: UNESCO

TABLE 2.15 GRADUATES IN TERTIARY BY FIELD OF STUDY AND GENDER (000s & %)

	2005		2006		2007		2008		2009	
	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%
Total population										
Education	1.6	8.4	1.5	7.3	1.7	7.5	1.8	6.5	1.4	4.5
Humanities and arts	1.8	9.0	1.9	9.4	1.8	8.1	2.7	10.1	3.5	11.1
Social science, business and law	7.5	38.2	8.2	39.4	8.4	37.7	10.2	38.0	12.7	40.0
Science	1.2	6.0	1.3	6.3	1.5	7.0	2.5	9.2	3.0	9.3
Engineering, manufacturing and construction	2.3	11.9	2.4	11.5	2.6	11.7	3.7	13.7	4.8	15.0
Agriculture	0.6	3.0	0.8	3.6	0.7	3.1	0.9	3.4	0.9	2.8
Health and welfare	2.0	10.3	1.9	8.9	2.1	9.5	2.2	8.0	2.2	6.8
Services	2.6	13.2	2.8	13.5	3.5	15.6	3.0	11.0	3.3	10.4
Total	19.5	100.0	20.7	100.0	22.2	100.0	26.9	100.0	31.7	100.0
Female										
Education	1.5	13.2	1.4	11.5	1.6	12.1	1.6	10.2	1.3	7.2
Humanities and arts	1.3	11.0	1.4	11.9	1.3	10.1	2.0	12.9	2.7	14.3
Social science, business and law	5.1	44.2	5.6	45.8	5.6	43.9	7.0	44.3	8.8	47.4
Science	0.6	5.0	0.7	5.6	0.7	5.7	1.1	7.1	1.4	7.4
Engineering, manufacturing and construction	0.6	4.9	0.6	5.1	0.7	5.6	0.9	5.9	1.3	6.8
Agriculture	0.3	2.4	0.4	3.0	0.3	2.6	0.5	2.9	0.5	2.5
Health and welfare	1.5	13.4	1.4	11.2	1.6	12.4	1.6	10.4	1.6	8.7
Services	0.7	5.9	0.7	5.8	1.0	7.7	1.0	6.2	1.0	5.6
Total	11.5	100.0	12.1	100.0	12.8	100.0	15.7	100.0	18.5	100.0

Source: UNESCO

TABLE 2.16 GRADUATES, MASTERS AND DOCTORS

	2005	2006	2007	2008	2009
Graduates	18 190	19 566	20 969	25 573	30 156
Of which female (%)	60	59	58	59	59
Professional education	4 876	5 048	4 473	4 818	5 163
Of which female (%)	60	56	45	47	45
Polytechnics (ISCED 5B)	1 528	2 231	3 215	3 447	3 226
Schools of professional higher education (ISCED 5B)	3 348	2 817	1 258	1 371	1 937
Faculties	13 081	14 253	16 208	20 389	24 527
Of which female (%)	59	60	62	61	61
Professional study (ISCED 5B)	3 582	3 871	5 456	5 429	4 742
University study (ISCED 5A)	9 499	10 382	10 752	14 960	19 785
Art academies (ISCED 5A)	233	265	288	366	466
Of which female (%)	60	57	39	61	65
Masters and university specialists (5A)	973	682	793	871	965
Of which female (%)	49	48	52	55	58
Doctors of science	385	439	466	494	572
Of which female (%)	45	49	52	50	47

Source: Croatian Bureau of Statistics, Statistical reports on education

TABLE 2.17 GRADUATES BY AGE, 2009

	Total	≤ 21	21–23	27–29	30–32	36–38	≥ 39
Total	30 156	1 322	13 416	2 848	1 303	648	1 351
Female	17 681	871	8 396	1 507	692	321	615
Professional education	5 163	139	1 732	590	384	273	692
Female	3 527	90	1 144	396	280	212	549
Polytechnics (ISCED 5B)	3 226	116	1 253	353	210	127	283
Female	1 590	67	665	159	106	66	140
Schools of professional higher education (ISCED 5B)	1 937	23	479	237	174	146	409
Female	735	15	245	93	54	40	110
Faculties	24 527	1 175	11 460	2 215	902	371	648
Female	15 054	784	7 335	1 231	522	212	361
Professional study (ISCED 5B)	4 742	227	1 848	502	288	187	339
Female	3 169	171	1 340	275	188	112	212
University study (ISCED 5A)	19 785	948	9 612	1 713	614	184	309
Female	11 885	613	5 995	956	334	100	149
Art academies (ISCED 5A)	466	8	224	43	17	4	11
Female	302	5	151	24	10	3	4
	18–50	18–21	21–23	27–29	30–32	36–38	39–50
% of graduates in population by age and sex – Total	1.46	0.61	7.85	1.50	0.70	0.37	0.18
Female	1.72	0.82	10.02	1.61	0.75	0.37	0.16

Source: Croatian Bureau of Statistics, Graduates on professional and university study in 2009, Population estimate of Republic of Croatia, 2009

TABLE 2.18 STUDENT-TEACHER RATIOS BY EDUCATION LEVEL

	2000	2005	2006	2007	2008	2009
Pre-primary (ISCED 0)	13.3	14.6	14.1	14.2	13.7	13.4
Primary (ISCED 1)	18.8	17.5	17.1	16.7	16.0	14.8
Lower secondary (ISCED 2)	13.2	11.9	11.5	11.3	11.1	9.7
Upper secondary (ISCED 3)	10.6	8.8	8.1	7.8	7.5	7.1
General programmes	11.8	10.7	10.7	10.3	9.9	9.7
Technical/vocational programmes	10.3	8.2	7.4	7.2	6.9	6.5
Tertiary (ISCED 5–6)				10.7	10.3	9.3

Source: UNESCO

TABLE 2.19 LITERACY RATES BY GENDER

	2001	2009*
Total	98.15	98.11
Male	99.32	99.48
Female	97.08	98.76

(*) Estimated figures
Source: UNESCO

TABLE 2.20 EARLY SCHOOL LEAVERS (% OF 18–24-YEAR-OLDS WHO DID NOT COMPLETE SECONDARY EDUCATION)

	2004	2005	2006	2007	2008	2009	2010
Total	5.4	5.1	4.7	3.9	3.7	3.9	3.9
Male	4.6	4.2	4.1	2.6	3.3	4.2	4.9
Female	6.2	6.0	5.3	5.1	4.1	3.7	2.8

Note: Eurostat classified these figures as unreliable.
Source: Eurostat

TABLE 2.21 PRIMARY-SCHOOL-AGE CHILDREN NOT ATTENDING SCHOOL (%)

	2000	2005	2006	2007	2008
Total	7.88	0.98	1.08	6.83	8.56
Male	7.56	1.83	1.95	6.77	8.74
Female	8.23	–	–	6.90	8.38

Source: UNESCO

TABLE 2.22 PARTICIPATION IN LIFELONG LEARNING (25–64) BY GENDER (%)

	2004	2005	2006	2007	2008	2009	2010
Total	1.9	2.1	2.9	2.4	2.2	2.3	2.2
Male	1.8	2.0	3.1	2.2	2.1	2.4	2.5
Female	2.0	2.1	2.8	2.6	2.3	2.1	2.0

Source: Eurostat

TABLE 2.23 PISA 2009 RESULTS: MEAN PERFORMANCE ON READING, MATHEMATICS AND SCIENCE SCALES

	Reading scale			Mathematics scale			Science scale		
	Total	Female	Male	Total	Female	Male	Total	Female	Male
Albania	385	417	355	377	383	372	391	406	377
Croatia	476	503	452	460	454	465	486	491	482
Montenegro	408	434	382	403	396	408	401	408	395
Serbia	442	462	422	442	437	448	443	443	442
Turkey	464	486	443	445	440	451	454	460	448
Western Balkans & Turkey ^a average	435	460	411	426	422	429	435	442	429
EU-24 ^b average	485	507	464	491	486	496	497	498	496
OECD average	493	513	474	496	490	501	501	501	501

Note: Averages correspond to the arithmetic mean of the country values.

(a) Refers to Albania, Croatia, Montenegro, Serbia and Turkey. (b) Refers to EU-27 excluding Cyprus, Ireland and Malta.

Source: OECD, 2010b

TABLE 2.24 PERCEPTION OF EDUCATION QUALITY, 2009–10**QUALITY OF THE EDUCATION SYSTEM**

How well does the education system in your country meet the needs of a competitive economy?

1 = not well at all; 7 = very well

Rank	Country	Score
Best performer		
1	Singapore	6.1
Western Balkans and Turkey		
37	Montenegro	4.4
54	Albania	3.9
59	Former Yugoslav Republic of Macedonia	3.9
86	Serbia	3.3
89	Croatia	3.3
95	Turkey	3.2
102	Bosnia and Herzegovina	3.1
Worst performer		
139	Angola	2.0

QUALITY OF MATH AND SCIENCE EDUCATION

How would you assess the quality of math and science education in your country's schools?

1 = poor; **7** = excellent

Rank	Country	Score
Best performer		
1	Singapore	6.5
Western Balkans and Turkey		
22	Croatia	4.9
35	Montenegro	4.7
36	Bosnia and Herzegovina	4.7
48	Serbia	4.5
61	Former Yugoslav Republic of Macedonia	4.2
62	Albania	4.2
99	Turkey	3.4
Worst performer		
139	Angola	1.6

EXTENT OF STAFF TRAINING

To what extent do companies in your country invest in training and employee development?

1 = hardly at all; **7** = to a great extent

Rank	Country	Score
Best performer		
1	Sweden	5.7
Western Balkans and Turkey		
55	Albania	4.2
69	Montenegro	4.0
85	Turkey	3.7
119	Former Yugoslav Republic of Macedonia	3.3
128	Croatia	3.1
130	Serbia	3.0
136	Bosnia and Herzegovina	2.7
Worst performer		
139	Syria	2.5

Source: World Economic Forum, 2010a (indicators derived from the World Economic Forum's Executive Opinion Survey)

TABLE 2.25 IPA COUNTRIES AND EU BENCHMARKS – EDUCATION

	EU-27	EU 2020 objectives	AL	BA	IS	ME	RS	HR	MK	TR
Early school leavers (2010)^a % of 18–24 with at most lower secondary education and not in further education or training	14.1	10	39 (08)	65.1 (07)	22.6	15.5 (m) 9.2 (f)	10.7 (07)	3.9 (u)	15.5	43.1
Tertiary educational attainment (2010)^b % of 30–34 who have successfully completed university or university-like education	33.6	40	17.2 (08)		40.9			22.6	17.1	15.5
Lifelong learning (2010)^c % of 25–64 participating in education and training	9.1	15	2.0 (08)		25.2			2.0	3.2	2.5
Four-year-olds in education (2009)^d participation rate (%)	90.5	≥95	54.9		95.5	29.7	50.9	54.9	22.9	14.3
Low performance in reading (2009)^e % of pupils with low performance in the reading scale (level 1 or below)	19.6*	>15	56.6		16.8	49.5	32.9	22.5		24.5

(m) Male; (f) Female; (u) Unreliable figure; (*) EU-25

Sources: (a) EU-27, IS, HR, MK and TR: Eurostat; AL: LFS (received from the country); BA: UNDP, National Human Development Report 2007; RS: Eurostat, 2010; ME: UNDP, National Human Development Report 2009; (b) EU-27, IS, HR, MK and TR: Eurostat; AL: LFS (received from the country); (c) EU-27, IS, HR, MK and TR: Eurostat; AL, ME and RS: UNESCO; (e) OECD PISA 2009 results – European Commission, Progress towards the common European objectives in education and training: Indicators and benchmarks, 2010/11

TABLE 2.26 IPA IV INVESTMENT IN PRIORITY AXIS 3

	IPA phase 1 2007–09	IPA phase 2 2010–11	IPA phase 1+2 2007–11
Total funds (million EUR)	16.00	15.74	31.74
Implementation period (approx.)	2010–11	2012–13	2010–13

Sources: Ministry of Economy, Labour and Entrepreneurship and EU Delegation to Croatia; ETF calculation (2010)

TABLE 2.27 IPA IV PROJECT PIPELINE, PRIORITY AXIS 3 – ENHANCING HUMAN CAPITAL AND EMPLOYABILITY

Project	Type of contract	Phase 1 2007–09 Total budget (EUR million)	Phase 2 2010–11 Total budget (EUR million)
Measure 3.1 Further development of the Croatian Qualifications Framework (CROQF)			
3.1.1 Further development of CROQF	Technical assistance	1.47	
3.1.2 Strengthening the institutional framework for the development of VET occupational standards, qualifications and curricula	Technical assistance	1.80	
3.1.3a Implementation of new curricula	Technical assistance	1.06	
3.1.3b Implementation of new curricula	Grant scheme	3.90	
3.1.4 VET quality assurance development	Technical assistance	1.64	
3.1.5 Strengthening the institutional framework for in-service VET teacher training	Technical assistance		1.25
3.1.6 Further development and implementation of CROQF	Grant scheme		4.40
3.1.7 Modernisation of school curricula in VET schools in line with the changing needs of the labour market and the economy	Grant scheme		2.60
3.1.8 Labour market research	Technical assistance		0.20
<i>Subtotal</i>			<i>18.32</i>
Measure 3.2 Strengthening the provision of adult learning			
3.2.1a Regional network of local learning institutions	Technical assistance	1.47	
3.2.1b Regional network of local learning institutions	Grant scheme	3.50	
3.2.2 Capacity building for adult education institutions	Grant scheme		2.02
<i>Subtotal</i>			<i>6.99</i>
Measure 3.3 Supporting the quality and effectiveness of institutions responsible for policy design and the provision of education and training			
3.3.1 Comprehensive strengthening of the capacities of the Agency for VET	Technical assistance	1.17	
3.3.3 Improving the quality of the in-service teacher training system	Technical assistance		1.20
3.3.4 Reforming financial governance in Croatian universities	Twinning		1.00
3.3.5 Capacity building for quality assurance in education	Twinning		1.00
3.3.6 Development of national information system for science and higher education	Technical assistance		1.88
3.3.7 Development of data analysis methods for the adult education system	Technical assistance		0.18
<i>Subtotal</i>			<i>6.43</i>
Total			31.74

Source: Ministry of Economy, Labour and Entrepreneurship, EU Delegation to Croatia

3. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN EMPLOYMENT

The Croatian employment rate, although relatively high compared to those in other pre-accession and accession countries, is still far below the EU average (see **TABLE 3.27**). Another cause for concern is youth unemployment, which rose in 2010, with one out of three young people unemployed (see **TABLE 3.8**). Regional imbalances and the large share of long-term unemployment indicate structural unemployment. Regional unemployment rates range from 7.7% in the City of Zagreb to 30.4% in Brod-Posavina county (administrative unemployment rate 2010, CES, 2011).

Recent labour market figures indicate that unemployment is still rising, although at a slower pace. In December 2010, the number of registered unemployed reached 319 845 (a 9.7% increase year on year, at the end of the month), the highest figure since April 2005, when 320 283 people were registered as jobless (CES, 2011). Redundancies in manufacturing industries contributed to the rise in unemployment. By education levels, the highest increase was among VET graduates (an increase of approximately 30% (CES, 2011)). The inflow of newly registered unemployed in 2010 was the highest in many years. During the same period, even though the number of notified vacancies almost stagnated, the number of registered unemployed who found work increased by almost 20%, following a decrease in the period from 2007 to 2009 (CES 2011). There were not, however, enough vacancies to prevent a rise in unemployment. Overall, the data indicate that CES placement results have improved despite rising unemployment and unfavourable economic conditions.

With low levels of job creation in the formal economy, activating the unemployed to actively search for work remains a big challenge. Although active labour market policy (ALMP) investment doubled in 2010, the activation rate is still too low to have a perceptible impact. From a very low 2.3% of the registered unemployed participating in active labour market measures (ALMMs) in 2009, the rate increased to 4.3% in 2010 (see **TABLE 3.18**). Higher investment in ALMP and a better targeted and more effective portfolio of measures are needed.

3.1 CHARACTERISTICS OF THE LABOUR MARKET

The positive labour market trends of the period 2001–08 have vanished with the crisis. After a period of moderate and steady growth that ended in 2009 (average annual increase of 1.3% since 2006), employment shrank by 7% between 2009 and 2010 (labour force survey (LFS)), and the downward trend continued in 2011 (comparing Q2/2010 and Q2/2011).

The activity rate of the 15–64 age group, which had risen moderately in recent years, dropped back below the 2006 figure and was 61.5% in 2010 (67.2% for men and 55.9% for women). The employment rate followed a similar trend, falling to 54.1% (59.5% for men and 48.8% for women) in 2010 after peaking in 2008 with 57.8%. Owing to job losses in the manufacturing sector, the decline was greater for men than for women. **TABLES 3.4 and 3.6** provide more detailed data.

Low activity rates are also connected with early retirement. The ratio of active contributors per pensioner is 1.28, one of the lowest ratios in Europe (Bejakovic, 2010). Some of the aims of the new Retirement Insurance Act of October 2010 are to prolong working life, introduce penalties for early retirement, gradually harmonise the retirement age for men and women, and reduce privileged pensions.

Overall and female employment rates in Croatia are lower than the EU-27 average. The overall employment rate for the 20–64 age group was 58.7% in 2009, compared to the EU 2020 goal of 75% (see **TABLE 3.27**). Youth unemployment rose sharply, reaching 32.7% in 2010.

Structure of employment

LFS data shows little change in the relative shares of waged employees (77.4%), the self-employed (19.9%) and unpaid family workers (2.7%) since 2006 (LFS 2010).

Likewise, there has been little change in the sectoral structure of employment, the only remarkable one being the decline in jobs in the manufacturing sector.

Employment in agriculture rose slightly in recent years with the crisis, while industrial employment contracted. The distribution of employment by sector in 2010 was as follows: 14.9% in agriculture, 27.3% in industry (including construction), and 57.2% in services (LFS 2010). The share of private sector employment was around 70% (DG ECFIN, 2010).

While a relatively low percentage of employees have temporary work contracts (11.6%), this form of precarious work is more common in the young population; 33% of all employees in the 15–24 year bracket had fixed-term contracts and 39.7% of women in this age group (LFS Q4/2009). Recent data confirm the trend towards a more segregated labour market. A high percentage of the registered unemployed who found work were employed on temporary work contracts (87.2% in December 2010 according to CES data). The percentage who work part time is relatively low and has been almost constant since 2004 (9% of the total and 11% of women work part time (LFS Q4/2009)).

Unemployment

The number of unemployed persons has increased since 2009. Owing to mass layoffs in industry and construction, men have been more affected by job losses than women, but unemployment remains higher among women (LFS 2008, 2009 and 2010).

Unemployment reached a low in 2008 (8.4%) and then climbed to 11.8% in 2010 (slightly higher for women, 12.2%, see **TABLE 3.8**). At the same time, the total registered unemployment rate was 17.4% (20.1% for women) (LFS, age group 15+).

Youth unemployment

Even more alarming is the sharp increase in youth unemployment (15–24), which rose from 22% in 2008 to 25.1% in 2009 and 32.7% in 2010 (LFS). While the unemployment rate for young women is still higher at 35.1%, the sharpest increase was observed in the rate for young men, which went from 18.5% in 2008 to 31.2% in 2010. Unemployed youth between 15 and 29 years of age represent a relatively constant share (30%) of all persons who register as unemployed with the CES. Measures specifically targeting youth are currently being implemented. These include the promotion and provision of incentives for internships and work-related training, which were first implemented in the framework of the ERP. The IPA ‘Youth in the labour market’ project will provide analysis and capacity building for CES staff. A more coherent approach, combining a mix of measures as proposed in the European Commission’s ‘Youth on the move’ flagship initiative has not yet been applied in Croatia. That initiative proposes the following measures: (i) helping young people to get a first job; (ii) support for youth at risk; (iii) provision of adequate safety nets for the young; and (iv) support for young business starters and entrepreneurs.

The moderate increase in unemployment in the older workforce (50–64), from 6.3% in 2008 to 7.1% in 2010, on the one hand, and the growing youth unemployment on the other may be partly attributable to the rigidity of the labour market, which tends to create many obstacles for new entrants.

Long-term unemployment

The share of the group defined as the long-term unemployed (people out of work and not in labour market training for over a year) is persistently high (55.3% according to LFS and 45.8% according to CES data in 2010 (see **TABLE 3.13**). The temporary decline between 2008 and 2009 has now been reversed by even higher inactivity rates, particularly for women. Among the very long-term unemployed (more than three years out of work), people with a very low educational attainment and women constitute the largest groups.

Education level of the unemployed

Unemployment rates are highest among unskilled and low-skilled workers (ISCED levels 0–2), with 10.6% in

2009, when the figure had fallen from more than 15% in the period 2002–04 (LFS 2009). People with higher education (ISCED levels 5–6) are less likely to be unemployed (5.3% in 2009). The unemployment of unskilled and low-skilled people is not surprising, but the 10.3% unemployment rate in 2009 among skilled (ISCED 3–4) workers is high and indicates that there is a skills mismatch problem (see **TABLE 3.7**).

LFS data and registered unemployment

Despite the recent separation of the general health insurance system from registration with the public employment service, registered unemployment still remains considerably higher than the rate reflected by LFS data (17.4% compared to 11.8% in 2010). This can be partly explained by the access to other social benefits contingent on registration at the labour office. The share of women among the registered unemployed is high (54.8% in 2010), but has decreased, indicating labour market withdrawal. It is also remarkable that 42% of the registered unemployed are not unemployed according to the ILO definition applied in the LFS. Conversely, not all those classified as unemployed by the LFS register with the CES (see **FIGURE 3.2**).

The territorial dimension of unemployment

The complex outline and geography of the country together with regional differences in population density and economic activities have a marked impact on local labour markets. Unemployment rates differ significantly, ranging from the lowest in the City of Zagreb (7.7%) and Istria (8.5%) to rates four times higher in Brod-Posavina (30.4%), Sisak-Moslavina (30.3%) and Vukovar-Srijem (30.1%) (administrative unemployment rate 2010, CES 2011).

Decentralisation of labour market management has been fostered through the creation of a series of local partnerships to boost employment, initially developed within the CARDS 2002 and 2004 programmes. The aim of these local employment initiatives was to strengthen cooperation between local labour market actors and create more formal partnerships, which are called Local Partnerships for Employment (LPEs). LPEs were established in 8 of Croatia’s 21 counties (Sisak-Moslavina, Šibenik-Knin, Vukovar-Srijem, Zadar, Brod-Posavina, Karlovac, Lika-Senj and Požega-Slavonia). With the IPA LPE phase 3 project, which started in 2010, a modified and improved LPE concept is being implemented for the remaining counties. The need to improve the concept confirms the challenge of combining national, regional and local strategies and resources within the framework of a coherent horizontal and vertical planning and implementation architecture.

Informal economy and informal employment

The informal economy is often linked to the formal economy. When the business environment becomes difficult, as is the case in times of economic crisis, a

segment of the formal sector sinks into informality. Businesses are usually active in both sectors at the same time. In the legitimate sector all taxes are paid, but some practices are informal at the same time (Crnkovic-Pozaić and Feiler, 2011). Semi-formal employment with under-declared wages is also common. According to labour inspection results (Government of Croatia, 2010e), undeclared and under-declared employment is relatively widespread, particularly in catering, commerce, construction, shipbuilding, tourism, agriculture, forestry and the media. Informal employment is difficult to measure, but the difference between unemployment according to the LFS and registered unemployment gives some indication of its magnitude. The informal economy has been estimated to represent at least 25% of the total GDP (ILO and Council of Europe, 2006). In practice, undeclared labour contributes to labour market flexibility, but also creates unfair competition.

As many as 70 000 employees (5.8% of waged employees) are affected by wage arrears (non-payment or late payment of their wages). Another irregular practice is non-payment of social security contributions by the employer. The issue of wage arrears was put on the agenda of the Social and Economic Council in March 2011, and the Croatian Employers' Association (CEA) threatened to expel members who were not paying due wages (Union of Autonomous Trade Unions of Croatia). People affected by irregular work practices or receiving very low wages often prefer to be self-employed or work with family members. They feel that they can reduce the insecurity of the situation by depending on family or safe networks of friends (Crnkovic-Pozaić and Feiler, 2011).

3.2 LABOUR LEGISLATION AND INDUSTRIAL RELATIONS

The Decent Work Country Programme for Croatia, agreed in Autumn 2010 and covering the period 2010–11, aims to address the negative impact of the global economic crisis with a partnership programme agreed by the ILO, the Croatian government and the social partners (ILO, 2010).

Legislation regulating the pension system and wage setting has recently been amended. The revised Retirement Insurance Act passed by parliament in Autumn 2010 stipulates the same retirement age for men and women at 65 (previously 60 for women), with early retirement at 60 (previously 55 for women). The change will be implemented gradually by raising the retirement age for women by six months every year until 2020. The legal basis for setting the minimum wage was amended in 2008 (Minimum Wage Act 2008) when subminimum rates for labour intensive sectors (textile, clothing, wood processing, and leather industries) were introduced in conjunction with a mechanism for annual upgrading. The minimum wage is calculated as 36% of the average wage for the economy, covering approximately 5% of the wage earners. Compared to neighbouring countries, the gross

minimum wage of EUR 379 (HRK 2 814 since 2009) is relatively high. The minimum wage is EUR 288 in Hungary, EUR 132 in Serbia, and only EUR 55 in Montenegro; by contrast the net minimum wage in Slovenia is EUR 530 (Federation of European Employers, 2011).

Croatia's Employment Protection Legislation index is 2.7 (year 2003), comparable to that of Slovenia (2.6), but higher than that of Hungary (1.6). Croatia scores high in the category of temporary contracts and low in the category of collective dismissals (indicating some flexibility) (Tonin, 2009). Its ranking may need to be readjusted following the reform of the labour legislation.

The most important legislation for the 'flexibilisation' of the labour market is the new Labour Act (Official Gazette 149/09), which has been in force since 2010. The new act introduced several changes, some of which will only come into force after accession. One significant change introduced was easier cancellation of collective agreements, although this measure was partly retracted subsequently. Flexible work modalities include fixed-term contracts (up to three years), temporary work agencies, an initial trial period (of maximum six months), and part-time work. New forms of apprenticeship and internship were introduced to ease the transition from education to work.

Dismissal protection is relatively high. Layoffs are only possible when there are legitimate reasons. These can be either economic, technological or organisational reasons (business reasons) or else personal reasons or employee misconduct. When an employee is dismissed for a business-related reason, the employer may not hire another person for the same job within six months. Collective redundancy procedures generally apply to layoffs of more than 20 employees and foresee consultation and involvement of works councils and the CES.

Industrial relations

Bipartite social dialogue is relatively weak at sector level and in small enterprises. There are few sectoral agreements in place. However, 70% of workers in the public sector and 40% in the private sector are covered by collective bargaining agreements. Trade union density is declining and was recently estimated at 34% (only 17% in the private sector) (Nestic and Rašić Bakarić, 2010). Social dialogue at tripartite level was suspended for ten months, when all five Croatian trade union confederations withdrew from the Economic and Social Council in May 2010 to make public their discontent concerning the ERP and the reform of the Labour Act, arguing that they were outvoted by government and employers representatives (Union of Autonomous Trade Unions of Croatia). In March 2011, the Council resumed its activities after agreeing on a consensual instead of majority-vote form of decision making.

3.3 ACTIVE LABOUR MARKET POLICY AND ACTIVATION APPROACHES

Activation approaches must combine active measures to motivate the unemployed and enhance their employability with passive measures (see Section 3.5). However, to achieve an impact on activity and employment rates, these supply-side measures must be accompanied by demand-side measures, such as boosting job creation, tackling informal employment and maximising the number of vacancies reported to the employment service. Activation approaches face many challenges, including the lack of motivation among unemployed people who are working in the informal labour market, lack of job creation, the shortage of registered vacancies and, last but not least, the difficulty of matching the skills of the registered unemployed to the skills requirements of employers.

The link between unemployment status and social benefits is one of the reasons why people register with the public employment service even when there are not enough job vacancies in the formal sector to cover labour supply (Crnkovic-Pozaić and Feiler, 2011). Despite the fact that health insurance has been separated from the unemployment insurance system, the link between access to certain social benefits and unemployment status is still one of the reasons for registering with the CES. Given this situation, it is difficult for the CES staff to identify who is really available for work and who is not, another factor that adds to the administrative workload. The low wage replacement rate of unemployment benefit means that people are motivated to work in the informal sector even though they are registered as unemployed. There have even been attempts to allow the unemployed to work legally. The 2003 Mediation and Unemployment Related Benefits Act made it possible for unemployed persons to work legally and remain on the register as long as their earnings did not exceed the minimum base for the payment of mandatory contributions. Data on the earnings of the unemployed were cross-checked with the agency responsible for monitoring mandatory contributions and those who earned more than the prescribed limited amount were taken off the register (Crnkovic-Pozaić and Feiler, 2011). These framework conditions make it clear that a holistic policy approach is needed that goes beyond active and passive labour market measures to also involve the issues of social welfare policy and the informal market.

The percentage of registered unemployed who participate in active labour market programmes is low, approximately 3.1% in 2008, 2.3% in 2009, but reaching 4.3% in 2010, with a total of 13 088 participants (CES, 2009 and 2010, see **TABLE 3.18**). Taking the number of unemployed according to the LFS as a basis, the activation rate was 6.4% in 2010. 'These figures clearly indicate that ALMPs in Croatia are narrowly targeted at selected worker groups, and have not been used as a larger scale programme to reduce unemployment. And specifically, they were not used to promote employment during the current crisis. The proportion of the unemployed enrolled

[...] is simply too small to have any detectable impact on unemployment' (World Bank and UNDP, 2010, p. 43). It is strongly recommended that the quantity and quality of ALMPs be further upgraded with better targeting, results orientation and a strategic portfolio.

Resources

ALMP is still only being implemented on a small scale. In relation to GDP, the percentage spent on ALMP has been decreasing (from 0.0478% in 2007 to 0.0388% in 2008, and 0.0288% in 2009). Although it doubled between 2009 and 2010, the budget available for ALMP is still insufficient. A substantial increase in budget is only in sight, when and if ESF funds are effectively deployed. Due to fiscal constraints in 2009, some specific measures were even reduced or suspended. In 2010, the ERP contributed to the allocation of additional resources, but the discontinuity in the implementation of active labour market programmes may have had negative effects on the outcome.

The allocation of CES staff and resources to ALMP at the regional and local level is not primarily related to the number of unemployed. Some counties with high unemployment rates, such as Vukovar-Srijem, Karlovac and Brod-Posavina, have low activation rates (see **TABLE 3.26**). Some CES offices, for example in Sisak-Moslavina, may need more staff to manage grant schemes, but staff numbers appear to be limited owing to the freeze imposed by the ERP on the recruitment of public employees. The World Bank suggests that 'there is virtually no correlation between the change in the region's share in unemployment and the change in the share of ALMP funds that the region receives' (World Bank and UNDP, 2010, p. 47). The activation rate for counties ranges from 1.2% (City of Zagreb) to 9% (Medimurje) and does not correlate with the unemployment rate (see **TABLE 3.26**).

ALMP portfolio

Shifts in the composition of ALMP portfolios can be seen from year to year, but the highest number of participants ever was achieved in 2010 (see **TABLE 3.17** and **FIGURE 3.3**). Training measures constituted the largest group (with 5 628 participants), followed by public works (5 037 participants) and wage subsidies (2 139 participants in four sub-programmes targeting different groups). A new pilot programme for workplace-related training (internships) was started in 2010 with 448 participants. With a total of 13 088 participants in 2010, the decline in ALMP since 2007 was reversed.

Implementation and evaluation

A paradigm shift will be needed to achieve an outcome-orientated system based on strategic programming and objectives set at government level with implementation and monitoring by the CES working together with local authorities and stakeholders.

Developing evaluation capacities and practices specifically related to programme assessment and impact evaluation will play a crucial role in this process.

Since the success of all measures finally depends on the response and active cooperation of employers, the quality of the services provided by CES to employers is very important; employer services may need to be further strengthened. There are also economies of scale in programme implementation; a few dozen or a few hundred participants at local level cannot be managed in an efficient way.

Various forms of wage subsidies (hiring incentives) are applied to increase the employability of specific target groups. The success of these measures is generally controversial because of the high cost involved and possible deadweight and substitution effects. An impact analysis should be conducted.

There are three types of labour market training schemes in Croatia.

1. The modality known as 'training for a known employer' is a subsidy paid to employers who provide training for their own staff. The number of participants is far too small to have a measurable impact (a few hundred per year). This form of training could evolve into a more strategically oriented programme (targeting, for example, low-skilled workers or SMEs).
2. There is still very little general labour market training for unemployed persons (4 566 participants countrywide in 2010). The effectiveness of training in times of economic downturn has been questioned (World Bank and UNDP, 2010), but demand-oriented training linked to placement services can help to reduce the skills mismatch and also generate results in times of low labour demand. The strength of the CES approach lies in their regular employer surveys, which provide information on skills demand at the local level. To improve the outcome of labour market training, providers should be obliged to integrate job placement of trainees into their programmes and placement rates should be stipulated taking into account target groups and regional labour market conditions.
3. Workplace training is a new form of internship for young people during or after education. The objective is to facilitate the transition from school or university to work.

Public works are the second large scheme implemented by the CES. To date, only local authorities (municipalities) organise public works projects and the social economy sector is not involved. The labour market impact of public works organised by municipalities is questionable because most participants are still unemployed after participating in the scheme. It would be worthwhile to develop the social economy (NGOs) and further expand the public works delivery capacity. More holistic approaches combining social work and objectives for inserting participants into regular jobs could be introduced in cooperation with NGOs.

A self-employment scheme for (long-term) unemployed people was scheduled to start in 2010, with a very moderate target of 140 beneficiaries. Lump-sum payment of unemployment benefit was foreseen, but the programme was not implemented. Start-up schemes, one of the few measures with job creation potential, may bring good results if financial support is complemented by advisory and training services.

Target groups

CES categorises new entrants to the register to facilitate targeting of the measures to the specific needs of different groups of clients. Despite rising male unemployment, women still constitute more than half of the registered unemployed. While they accounted for 59.3% of the registered unemployed in 2009, their participation in ALMP was on average only 46.3%. Some CES staff have participated in gender mainstreaming training, but there is no gender mainstreaming policy in place. The share of long-term unemployed persons on the register declined due to a change in the rules for receiving unemployment benefits; which fuelled higher inactivity rates. See Chapter 4 for specific grant schemes targeting disadvantaged groups.

Company-related anti-crisis and restructuring support

The labour law requires employers who plan to dismiss more than 20 employees to set up a redeployment programme in cooperation with the works' council and the local CES office. This measure gives CES the opportunity to apply early intervention measures in an effort to minimise unemployment and duration of unemployment. According to CES (2010b), only a small number of persons affected by enterprise restructuring can be reached with this early warning approach. In 2009, 89 companies with 6 199 employees were involved. However, in the same year more than 71 000 people who lost their job for economic or restructuring reasons entered the unemployment register (**TABLE 3.19**).

Started by an earlier CARDS project and inspired by EU good practices, CES implemented and further developed an intervention based on using mobile teams to provide services to employees threatened by unemployment. When necessary, CES deploys multi-professional mobile teams with counsellors to the companies, where they provide on-site counselling and placement services.

Like many other countries inside and outside the EU, Croatia launched a programme to subsidise short-time work in companies affected by the crisis. However, only a few companies used this support scheme. This low participation is not surprising because new schemes for employers, if not strongly promoted and advocated, take time to gain momentum; in this case the financial incentives (reduction of social security contributions) may not have been sufficient to motivate participation.

Measures supporting restructuring and approaches undertaken to avoid or minimise mass redundancies are

extremely important and need to be further enhanced and developed because of the ongoing privatisation and restructuring of companies. The approaches piloted and implemented to mitigate the negative effects of the economic crisis and of industrial restructuring suffer from the same deficiencies as ALMMs: coverage is small-scale, funding is inadequate, and promotion needs to be improved.

3.4 MATCHING SUPPLY AND DEMAND ON THE LABOUR MARKET

Monitoring and forecasting labour market needs

In a situation characterised by economic restructuring, global competition, ageing of the workforce, and the need to modernise and develop a knowledge-based society and economy, it is obviously essential to pay more attention to mid-term and long-term forecasting of labour market needs. Reducing the skills mismatch is one of the priorities and key challenges of the Joint Assessment of Employment Policy Priorities (JAP) (MELE and European Commission, 2008).

The institutional setup for skills anticipation is in place, but strategic coordination and the capacity to translate the findings into actions that will improve matching still need to be strengthened. In the framework of the ERP, the government adopted the 'Regulation on monitoring, analysing and forecasting labour market needs for particular professions and on developing and taking into account recommendations on educational enrolment policies' (MELE, 2011b). Under this regulation, the MSES, in cooperation with various other governmental bodies and agencies, is in charge of forecasting and anticipating future labour market and skills needs. An Intergovernmental Body for Labour Market Monitoring was set up by the ASHE in 2010. This body has a threefold remit: to develop a system for monitoring the labour market and forecasting educational needs; to define and implement a career counselling system to provide advice at all levels of education; and to promote cooperation between the education system and the labour market. It advises public authorities and educational institutions on issues related to the labour market, initiates legislation in the relevant areas, and adapts guidelines and recommendations for the activities of all stakeholders in these areas (Bejakovic, 2011a).

The CES and AVETAE are responsible for the main activities related to forecasting and matching of skills. The government assigned CES the task of developing a methodology for analysing and forecasting labour market needs and producing recommendations on enrolment policy. In 2010, the Managing Board of CES adopted the methodology, which is based primarily on employers'

surveys and data from the unemployment register. The results have been used to make recommendations on enrolment policies. AVETAE established 13 sector councils (representing the 13 VET sectors), which assess the needs of the labour market, provide analysis and data, evaluate and approve occupational standards, and propose new learning programmes. By October 2011, the needs assessment for two sectors (electrical engineering and computer science) had been finalised (Bejakovic, 2011a).

CES regularly monitors the personnel and skills demands of businesses at the local level. In 2009, in cooperation with employers' organisations, they conducted a large employer survey to obtain information about past and future staff changes (future personnel and skills demands); the survey covered 45% of the total Croatian workforce and 13 660 employers (MELE, 2011b). The Croatian Chamber of Commerce piloted an online survey of the training needs of SMEs on behalf of MELE in 2009. This work has been continued with improved methodology.

Vocational guidance and counselling

As yet, Croatia has no coordinated lifelong career guidance system. Guidance and counselling services are provided in different sectors of the education system, but there is no national body responsible for monitoring the vocational guidance system as a whole. CES is the most important provider and regularly implements services that have been developed and improved over many years. Lately, in partnership with other stakeholders, CES proposed establishing a National Forum for Lifelong Career Guidance (IPA project 'Vocational guidance within CES and lifelong career guidance concept in Croatia'). This project should improve coordination, quality, coverage and transparency. It will reassess the legal framework and establish seven pilot centres for lifelong career guidance in different parts of the country.

In partnership with schools, CES is providing early career development and orientation to young people (students and labour market entrants). This is based on a long tradition dating back to 1931 of providing guidance services to different target groups, developing quality standards, evaluating and monitoring the services and conducting surveys. In 2009, 46% of all final-year students in primary and secondary schools (44 892 students) received vocational information and counselling (CES, 2010c). CES conducts surveys among students and employers, informs stakeholders, and makes recommendations on enrolment quotas.

In higher education, the Institute for the Development of Education has been involved in setting up career guidance services at three Croatian universities (Dubrovnik, Rijeka and Osijek). The results of two Tempus projects have been published in a handbook (Institute for the Development of Education, 2006).

Youth unemployment and skills mismatch

Unemployment is twice as high among people with a low or medium level of education (up to ISCED level 4) as among those with a higher education level (see **TABLE 3.7**). However, the share of people with higher education registered as unemployed is growing faster than that of other groups, from more than 9 000 in 2008 to over 11 000 in 2009 and more than 15 000 in 2010 (9 300 of them women); this group now represents 5% of all registered unemployed (CES, 2011).

According to CES data, there are as many as 8 362 long-term unemployed who are highly educated (CES, 2010a). The transition from formal (higher) education to the first job is difficult. About 13% of graduates were still unemployed three years after obtaining their university degree. To tackle this problem, an IPA project was initiated (axis 1, measure 1.1, 2011–12) with a view to improving access to sustainable employment for highly educated long-term unemployed people. Priority should be given to developing a more proactive approach to prevent long-term unemployment of highly educated people, forging closer links between universities and business, and facilitating career guidance and work practice.

Unemployment among people with secondary education is also high, with 26.9% unemployed in the 20–24 age group and 14.3% in the 25–29 age group (Crnkovic-Pozaić, 2009).

The links between formal education and the world of work are weak. Few curricula include internships or practical work experience before graduation. The Labour Act of December 2009 provides a number of options designed to facilitate work practice and initial labour market entry, including apprenticeship contracts and occupational training for work – an internship modality with no work contract and a maximum duration of one year.

3.5 UNEMPLOYMENT BENEFIT AND SOCIAL SECURITY SYSTEM

The Croatian unemployment benefit system is characterised by low coverage (approximately 25% of the registered unemployed receive benefits, see **TABLE 3.20**), a low wage replacement rate, and short duration. Hence, the benefits do not provide sufficient income to prevent poverty for unemployed individuals with no other source of income (Crnkovic-Pozaić, 2011).

Approximately 80% of the CES budget is spent on passive measures (see **TABLE 3.25**). The benefit scheme has been changed several times in recent years. Once a low flat rate payment, the benefit was raised in 2008 and fixed as a percentage of the wage received during prior employment, but with a ceiling of the average wage and decreasing over time according

to the length of the period of unemployment (Employment Mediation and Unemployment Rights Act, Official Gazette 80/08). But attempts to raise the level of unemployment benefits by linking them to prior wages in order to improve wage replacement rates had to be reversed when the inflow of large numbers of new unemployed, mostly redundant workers, caused budget constraints. In 2009, an amendment established the benefit as a percentage of the minimum wage. Another amendment in 2010 (Official Gazette 121/10) changed the calculation base again to the current system in which the benefit is fixed as a percentage of the average wage (70% during the first three months and 35% thereafter, with a ceiling as in 2008 and a guaranteed minimum of 50% of the minimum wage) (Crnkovic-Pozaić, 2011; CES 2011). Benefit is paid for a period of between 90 and 450 days, depending on the individual's previous work record.

A persistent problem is the fact that some people register for reasons other than finding employment. Although the health insurance system has now been separated from the CES register, there are other advantages that are contingent on being registered as unemployed (social benefit payments in cash or kind, family allowances, free public transport). The combination of receiving some social benefits and working at the same time in the informal sector would appear to be more attractive than working for a low wage and paying taxes. To overcome these problems, a more demanding activation approach has been implemented, which, among other measures, obliges those registered to comply with an agreed job-search plan and to respond to all calls from the CES (Crnkovic-Pozaić, 2011). Those who fail to meet their obligations are removed from the register (more than 26 000 people were deleted from the register in 2010, CES, 2011).

3.6 JOB CREATION AND THE BUSINESS ENVIRONMENT

Net job creation rates have been negative in recent years. The cumulative effect of closing down or downsizing manufacturing enterprises in conjunction with downward trends in FDI and new start-ups has resulted in insufficient job creation. With the low contribution of the manufacturing sector (including energy) to the GDP (20.2% in 2008), tourism is still the key sector in the Croatian economy and labour market.

Privatisation of state-owned enterprises is an on-going process and has become more difficult with the advent of the economic crisis. The state still plays a major role in the economy as owner or partial stakeholder in many enterprises. There are still almost 800 companies, many of them operating with losses, waiting to be closed, restructured and/or privatised. The shipbuilding sector is one of the main industries where privatisation has been delayed. Other sectors operating with state subsidies are the steel industry and railways. The private sector share in total employment and of GDP is around 70% (DG ECFIN, 2010).

SMEs contribute 55.7% to GDP and 42% to total exports, and employ 66% of the workforce (DG ECFIN, 2010). Access to credits is facilitated by state programmes, and the ERP includes a range of programmes to support SMEs. The problem, despite all these efforts, is that companies have to comply with complex administrative regulations. On the positive side, Croatia has a well-developed information and communication technology infrastructure and participates in the Entrepreneurship and Innovation Programme with grant schemes for tourism, environmental business, and female entrepreneurs (Government of Croatia, 2010d).

Compared with five years ago, Croatia has improved its position in the World Bank's Ease of Doing Business Index, in which it ranks 84 out of 183 economies, almost equal with Albania. The sub-indicator for starting a business scores even higher, with a rank of 56; starting a business takes seven days on average (World Bank and International Finance Corporation, 2010). Nevertheless, between 2008 and 2009 there was a decline in newly registered enterprises and the number of active companies stagnated (DG ECFIN, 2010).

Overall, the tax burden on labour is perceived as being high in Croatia (starting from 34% for an individual on minimum wage and rising to 58% for a high wage, 2009). Most of the tax burden is borne by employees rather than employers. It remains to be determined whether reducing the tax burden would contribute to a reduction in unemployment and informal work. The tax wedge (overall taxes and social security contributions, including employers' contributions, and excluding the crisis tax) of the average gross wage in Croatia was 39.3% in 2009. This is lower than in the EU-15 (42.4%), most Nordic EU countries and Germany, Austria, Italy, Hungary, Czech Republic, and comparable to Slovakia and Poland. A temporary tax supplement on wages (and other income) was introduced as a fiscal crisis measure, adding a further 2%–4% additional tax. This crisis tax brought in additional budget revenues of HRK 1 000 million in 2009, and was abolished in 2010.

3.7 POLICY FRAMEWORK AND INSTITUTIONAL SETUP IN THE EMPLOYMENT POLICY FIELD

The policy framework

'The strengthening of entrepreneurship, the reduction of taxes, increasing employment, the strengthening of the social security system, the reduction of state spending and an increased emphasis on the role of science and new technologies in the economy are the main priorities of the government's economic policy.' (MELE, 2011a)

The key documents in Croatia's employment policy framework are the JAP and the National Employment Promotion Plan (NEPP) for 2009–10 and for 2011–12. In April 2010, a commission was set up to monitor and steer implementation of the JAP and the NEPP and to act

as a professional advisory body to the government. Likewise, a working group for the implementation of JAP/NEPP measures was set up and the main challenges and priorities were identified (see also **TABLE 3.28**).

The following main challenges were identified:

- low employment rate, especially among (low-skilled) women and the older workforce;
- youth unemployment;
- skills mismatch;
- labour market segmentation (avoiding segmentation while increasing flexibility);
- regional disparities, particularly in remote and war-affected areas.

Priorities were defined and grouped around the four priorities of the renewed Lisbon Strategy:

- attract and retain more people in employment, increase labour supply and modernise social protection systems;
- improve adaptability of workers and enterprises;
- increase investment in human capital through better education and skills;
- good governance.

These policy papers do not really define the expected outcomes or specify measurable goals. It is recommended that goals and indicators should be more clearly defined since these must serve as a basis for eventual monitoring and evaluation. Indicators should differentiate between process, output and results.

In certain cases, the activities planned in the NEPP may not adequately address the priorities or objectives. The following are two examples.

- Targeting low-skilled women will not solve the problem of the low employment rate for women. In addition to ALMP addressing low-skilled and marginalised women, improving the low female participation rate will also require gender mainstreaming policies.
- The issue of flexicurity — a better balance between flexibility and security — is mentioned as a priority, but actual intentions remain vague and no specific goals are set. A specific flexicurity path and strategy still needs to be defined.

The ERP covers nine policy areas; Chapters 4 (economy), 7 (labour market) and 8 (education and science) in this document are of specific relevance to HRD. In Chapter 4 on revitalisation of the economy, the proposal is 'to develop exit strategies for non-competitive parts of industry including support for retraining and social schemes for redundant workers'. CES is responsible for advising and implementing retraining of employees, and deploying mobile teams in the case of mass layoffs (with more than 20 employees). These measures continue, but are not new. The support for adapting to structural change focuses on the workforce, but more could also be done to help the enterprises to cope with change.

Chapter 7 of the ERP, which deals with dynamisation of the labour market, presents a range of ongoing measures (some of which have been strengthened) but no new measures or policies. Monitoring of progress is based on monthly reports. The following measures were planned, and progress as of the end of 2010 was as indicated below (Government of Croatia, 2010e; for more details see **TABLE 3.29**).

- Reinforcement of labour market training. Implementation has been strengthened (ongoing).
- Measures to ease the transition from education to work (volunteering, apprenticeships, internships). The legal basis had been adopted and implementation has started.
- Passive labour market measures include cuts in the unemployment benefit scheme and mandatory participation in training for the registered unemployed. The legal basis has been adopted (ongoing).
- Short-term structural measures (until 2010) include strengthening the capacity of the CES, monitoring and evaluation, better horizontal cooperation (IPA projects are supporting these measures), and decentralisation of entrepreneurial programmes to the local level (regional development agencies). An action plan and an inter-sector body for assessing knowledge and skills needs is also planned.
- The mid-term plan (until Croatia's accession) foresees greater capacity and a larger role for sector councils in the analyses of sectoral needs.

Institutional framework and political responsibility for employment and labour market policy

The formal institutional framework can be seen as strength. However, there is a lack of overall vision and objectives for the labour market and a lack of measurable goals in terms of outcomes or results. Goals are mainly defined as inputs. The overall impression is that there are numerous steering committees, advisory councils and monitoring boards, which are overloaded with details and tasks but lack an overall plan that would guide their work.

Two of the MELE's 14 organisational units are of specific relevance to HRD: the Labour and Labour Market Directorate and the Department for Preparation and Implementation of EU Programmes and Projects (see organisational chart in **FIGURE 3.4**). The Labour Directorate is organised into four departments, which deal with labour law, the labour market and employment, safety at work, and European integration and project management. The Labour Market department manages the CES and professional rehabilitation institutions. The European Integration and Project Management department is responsible for follow-up and analysis of EU programmes as well as the preparation, implementation, financing, supervision and outcome assessment of all EU programmes related to HRD. The project management section of this department is the

management body and inter-ministerial coordination body for IPA component IV.

Functions and capacities of the Croatian Employment Service (CES)

The CES is a state-owned but independent public body, but its director is appointed by the government. The main responsibilities of this body are laid down in the Job Placement and Unemployment Insurance Act of 2002. It is governed by an 11-member board made up of representatives of state institutions, social partners and NGOs representing the unemployed. The organisational structure comprises 22 regional and 95 local offices, which are coordinated by the head office. CES is responsible for the implementation of IPA funds, priority axis 1, and will play a key role in future ESF implementation. The head office consists of six sectors and departments. The Job Placement and Preparation for Employment Sector is responsible for the services provided directly to clients.

CES placement and job referral services for the unemployed (preparation for employment) are well organised and regularly improved by the implementation of up-to-date approaches and tools. CES also has specialised employer counsellors.

CES is an active member of the World Association of Public Employment Services and the Centre of Public Employment Services of Southeast European Countries (a regional grouping of public employment services that emerged from the Bucharest Process). There are also private employment service providers in Croatia, including 32 temporary work agencies and 24 licensed employment mediation services (Government of Croatia, 2010f, p. 24).

CES staffing

In 2010, CES had a total staff of 1 257 (with 135 staff in the central office, and 788 working directly with clients). The average caseload of a CES counsellor was 370 clients in 2009. When some key indicators for the 22 regional offices are compared, we see large differences in the regional unemployment rate, the client/staff ratio, and the activation rate⁵. The offices in Vukovar-Srijem, Brod-Posavina and Sisak-Moslavina have a high unemployment rate, a high caseload and a low activation rate.

Budget and staff are allocated on the basis of the local labour market situation and negotiations. Resource allocation is not, as yet, results-oriented. The freeze on civil service recruitment, which was imposed in the context of the ERP, also applies to the CES, with the exception of staff directly involved in IPA project management and implementation. But not all regional offices directly engaged in the implementation of IPA funds have additional staff resources for project management.

⁵ In this calculation for regional offices, we compared total staff with number of registered unemployed (this is not the caseload) and number of ALMM participants with number of registered unemployed (this is not the activation rate, which is usually calculated on the basis of the LFS unemployment figures).

A CES Labour Market Training Centre is to be planned and set up using IPA funding. This institution will train and qualify not only CES staff but also the staff of other institutions and organisations who work in the same area.

CES budget

The total CES budget in 2009 was HRK 1 544 million (approximately EUR 211 million), of which 81% was spent on unemployment insurance benefits and other passive measures, 12% on administrative expenses. The remaining 7% was used to fund ALMP. In total, the expenditure on ALMP was HRK 110 million (approximately EUR 15 million) (**TABLE 3.25**).

After a reduction in the expenditure on ALMMs between 2007 and 2009, the budget for 2010 was almost double that of 2009. Taking into account the grant schemes from the IPA pipeline, additional funds are available from 2011 on (direct grant awards under IPA funds for component II, 2010–11, under priority axis 1, measure 1.1 amounts to EUR 7.84 million). The real touchstone will be the ability to absorb the substantial funds now expected from the ESF. Funds of EUR 118.51 million under measure 1.1 (implementation of ALMP) may be allocated to the CES budget for active measures. The challenge will be not only to properly manage and deliver appropriate interventions, but also to maintain the continuity of implementation (see Section 3.8 for IPA project pipeline).

3.8 IPA IV PROGRAMMING

CES plays a key role in the implementation of priority axis 1 – ‘Enhancing access to employment and sustainable inclusion in the labour market’. The CES Department for Financing and Contracting of EU Projects is the contracting authority and its Project Implementation Department is the beneficiary institution.

Under measure 1.1 (‘Supporting the design and implementation of active and preventive labour market policy’), the largest share of the budget is allocated to projects aimed at developing LPEs, followed by training measures, youth in the labour market, and a smaller budget specifically targeting unemployed people with a high education level.

Measure 1.2 (‘Supporting the effectiveness and quality of Croatia’s public employment services’) includes projects to enhance the capacities of CES to deliver services to clients (database, matching services, employers’ services, and career guidance). In addition, a project to establish a labour market training centre was started in October 2010 under the ‘Support for transition and institution building’ IPA component. Other related projects are ‘Women in the labour market’ and ‘Fostering effective inclusion of persons with disabilities into the labour market’ (both under priority axis 2 – social inclusion), and EURES twinning. **TABLE 3.30** gives a detailed overview of the IPA component IV project pipeline for employment and social inclusion.

This project portfolio is to some degree a continuation of the local employment partnership approach that was initiated under CARDS 2002 and now also includes grant schemes. More funds will be available for measures targeting youth, which will meet an urgent need. The funds for training will be directly available to the CES. A crucial aspect will be how training will be combined with placement outcomes. The funds earmarked for investment in career guidance are linked to an ERP measure and should make possible substantial upgrading of the quality and coverage of career guidance. Their effectiveness will also depend on the availability of reliable data on future labour market needs. This portfolio of IPA projects does not include job creation support measures, such as start-up support for the unemployed.

TABLES AND FIGURES

TABLE 3.1 WORKING-AGE POPULATION (15+) BY ACTIVITY AND GENDER (000s)

	2006	2007	2008	2009	2010
Working-age population					
Total	3 639	3 657	3 680	3 708	3 752
Male	1 717	1 715	1 732	1 739	1 756
Female	1 922	1 943	1 948	1 969	1 996
Active population					
Total	1 785	1 785	1 785	1 765	1 747
Male	963	979	973	945	937
Female	822	807	812	820	810
Persons in employment					
Total	1 586	1 614	1 636	1 605	1 541
Male	868	897	905	869	830
Female	718	717	731	736	711
Unemployed persons					
Total	199	171	149	160	206
Male	95	82	68	76	107
Female	104	89	81	84	99
Inactive population					
Total	1 854	1 872	1 895	1 943	2 005
Male	754	736	759	794	819
Female	1 100	1 136	1 136	1 149	1 186

Sources: 2006–09: Croatian Bureau of Statistics, *Labour force in the Republic of Croatia, 2009 annual average, May 2010*; 2010: Croatian Bureau of Statistics, *Labour force in the Republic of Croatia, 2010 annual average, June 2011*

TABLE 3.2 PERSONS IN EMPLOYMENT (15+) BY STATUS AND GENDER (000s)

	2006	2007	2008	2009	2010
Total employment					
Total	1 586	1 614	1 636	1 650	1 541
Male	868	897	905	869	830
Female	718	717	731	736	711
Persons in paid employment					
Total	1 222	1 266	1 282	1 259	1 193
Male	656	694	700	671	637
Female	566	572	582	588	556
Self-employed persons					
Total	329	312	318	310	306
Male	202	194	196	190	184
Female	127	118	122	120	122
Unpaid family workers^a					
Total	35	37	36	36	42
Male	9	10	9	8	9
Female	26	27	27	28	33

(a) Unreliable estimated figures

Sources: 2006–09: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2009 annual average, May 2010; 2010: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2010 annual average, June 2011

TABLE 3.3 ACTIVITY RATES (15–64) BY EDUCATION LEVEL AND GENDER (%)

	2002	2004	2006	2007	2008	2009
Total population						
ISCED 0–2	40.2	41.9	38.0	38.8	39.3	38.3
ISCED 3–4	70.3	70.6	69.6	69.3	68.6	67.2
ISCED 5–6	85.0	86.1	85.6	86.9	86.1	85.6
Total	62.6	63.9	62.8	63.4	63.2	62.4
Male						
ISCED 0–2	49.7	53.1	45.9	46.3	46.9	45.3
ISCED 3–4	75.0	75.5	74.3	75.5	74.8	72.2
ISCED 5–6	86.4	87.3	85.7	88.2	87.0	86.2
Total	69.5	71.4	68.9	70.4	70.0	68.0
Female						
ISCED 0–2	33.3	34.1	32.4	33.3	33.7	33.1
ISCED 3–4	65.0	64.8	64.1	62.2	61.6	61.6
ISCED 5–6	83.8	85.0	85.5	85.7	85.3	85.1
Total	56.0	56.8	56.9	56.4	56.6	57.0

Source: Eurostat

TABLE 3.4 ACTIVITY RATES BY AGE AND GENDER (%)

	2006	2007	2008	2009	2010
Total population					
Total (15+)	49.1	48.8	48.5	47.6	46.6
15–24	35.4	34.5	34.7	34.2	34.2
25–49	82.7	84.1	84.2	83.2	82.5
50–64	48.9	50.2	50.5	51.3	51.1
65+	6.8	5.2	5.5	5.9	5.3
15–64 ^a	62.6	63.2	63.2	62.4	61.5
Men					
Total (15+)	56.1	57.1	56.2	54.3	53.3
15–24	38.9	39.1	40.7	40.3	40.3
25–49	86.5	88.6	88.3	86.1	84.9
50–64	59.7	62.8	61.7	60.8	61.0
65+	8.4	6.4 ^a	6.4 ^a	7.4 ^a	6.8 ^a
15–64 ^a	68.5	70.1	70.0	68.0	67.2
Women					
Total (15+)	42.8	41.5	41.7	41.7	40.6
15–24	31.6	29.5	28.2	27.2	27.6
25–49	79.0	79.8	80.2	80.3	80.0
50–64	39.2	38.4	40.0	42.7	42.2
65+	5.8	4.5 ^a	5.0 ^a	4.8 ^a	4.2 ^a
15–64 ^a	56.9	56.5	56.6	57.0	55.9

(a) Unreliable estimated figures

Sources: 2006–09: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2009 annual average, May 2010; 2010: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2010 annual average, June 2011

TABLE 3.5 EMPLOYMENT RATES (15–64) BY EDUCATION LEVEL AND GENDER (%)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total population									
Total	52.9	53.4	54.9	55.0	55.6	57.1	57.8	56.6	54.1
ISCED 0–2	34.1	33.9	35.4	35.2	32.6	34.1	35.1	34.2	33.5
ISCED 3–4	58.3	58.4	59.6	59.4	61.0	62.1	62.3	60.3	56.7
ISCED 5–6	77.0	80.2	79.2	79.7	80.4	81.6	81.9	81.1	77.5
Male									
Total	60.2	60.7	62.3	61.7	62.0	64.4	65.0	62.4	59.5
ISCED 0–2	43.5	41.7	45.3	42.2	39.3	41.0	42.1	40.4	40.0
ISCED 3–4	63.9	64.9	65.5	65.3	66.7	69.0	69.5	66.0	61.9
ISCED 5–6	78.7	81.0	80.1	79.9	81.4	83.4	83.0	82.1	77.3
Female									
Total	46.0	46.3	47.8	48.6	49.4	50.0	50.7	51.0	48.8
ISCED 0–2	27.2	28.5	28.6	30.4	27.9	29.1	29.9	29.7	29.0
ISCED 3–4	51.9	50.8	52.8	52.5	54.4	54.3	54.1	53.7	50.6
ISCED 5–6	75.4	79.5	78.5	79.5	79.6	79.8	81.0	80.3	77.7

Source: Eurostat

TABLE 3.6 EMPLOYMENT RATES BY AGE AND GENDER (%)

	2006	2007	2008	2009	2010
Total population					
Total (15+)	43.6	44.1	44.4	43.3	41.1
15–24	25.2	26.2	27.1	25.6	23.0
25–49	74.5	76.9	78.0	76.3	73.3
50–64	45.1	46.8	47.3	48.2	47.4
65+	6.8	5.2	5.5	5.8	5.3
15–64 ^a	55.4	57.0	57.8	56.6	54.0
Men					
Total (15+)	50.6	52.3	52.2	50.0	47.3
15–24	28.3	30.9	33.2	31.0	27.7
25–49	79.5	82.5	83.5	80.4	76.2
50–64	55.4	58.4	58.0	57.6	56.7
65+	8.3	6.2 ^a	6.3 ^a	7.4 ^a	6.8
15–64 ^a	61.5	64.2	65.0	62.4	59.4
Women					
Total (15+)	37.4	36.9	37.5	37.4	35.6
15–24	21.8	21.1	20.5	19.4	17.9
25–49	69.5	71.3	72.6	72.3	70.4
50–64	35.8	35.8	37.4	39.8	39.2
65+	5.8	4.5 ^a	5.0 ^a	4.8 ^a	4.2 ^a
15–64 ^a	49.4	50.0	50.7	51.0	48.9

(a) Unreliable estimated figures

Sources: 2006–09: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2009 annual average, May 2010; 2010: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2010 annual average, June 2011

TABLE 3.7 UNEMPLOYMENT RATES (15–64) BY EDUCATION LEVEL AND GENDER (%)

	2002	2003	2004	2005	2006	2007	2008	2009
Total population								
ISCED 0–2	15.2	15.9	15.5	13.0	14.2	12.1	10.6	10.6
ISCED 3–4	17.2	15.9	15.5	15.0	12.4	10.3	9.2	10.3
ISCED 5–6	9.5	7.4	8.0	6.2 ^a	6.1 ^a	6.1 ^a	4.8 ^a	5.3 ^a
Total	15.4	14.3	14.1	13.0	11.5	9.8	8.6	9.3
Male								
ISCED 0–2	12.4	16.0	14.7	13.3 ^a	14.5 ^a	11.3 ^a	10.1 ^a	10.8 ^a
ISCED 3–4	14.9	13.6	13.2	12.9	10.3	8.6	7.1	8.5
ISCED 5–6 ^a	8.9	6.3	8.3	6.1	5.0	5.4	4.6	4.8
Total	13.5	12.9	12.7	11.9	10.1	8.5	7.1	8.2
Female								
ISCED 0–2	18.2	15.8	16.3	12.7	14.0 ^a	12.8 ^a	11.2 ^a	10.4 ^a
ISCED 3–4	20.2	19.2	18.6	17.8	15.2	12.6	12.1	12.7
ISCED 5–6	10.0 ^a	8.5 ^a	7.7	6.4 ^a	7.0 ^a	6.9 ^a	5.1 ^a	5.7 ^a
Total	17.8	16.1	15.8	14.3	13.2	11.4	10.4	10.6

(a) Unreliable estimated figures

Source: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2009 annual average, May 2010

TABLE 3.8 UNEMPLOYMENT RATES BY AGE AND GENDER (%)

	2006	2007	2008	2009	2010
Total population					
Total (15+)	11.1	9.6	8.4	9.1	11.8
15–24	28.9	24.0	22.0	25.1	32.7
25–49	10.0	8.7	7.4	8.3	11.1
50–64	7.8	6.9	6.3	6.0	7.1 ^a
65+	–	–	–	–	–
15–64 ^a	11.5	9.8	8.6	9.3	12.1
Men					
Total (15+)	9.8	8.3	7.0	8.0	11.4
15–24	27.1	20.9 ^a	18.5 ^a	23.1 ^a	31.2 ^a
25–49	8.2	6.8	5.4 ^a	6.6	10.3
50–64	7.2 ^a	7.0 ^a	6.0 ^a	5.4 ^a	7.1 ^a
65+	–	–	–	–	–
15–64 ^a	10.1	8.5	7.1	8.2	11.7
Women					
Total (15+)	12.7	11.1	10.0	10.3	12.2
15–24	31.1	28.5 ^a	27.2 ^a	28.5 ^a	35.1 ^a
25–49	12.0	10.6	9.5	10.0	12.0
50–64	8.6 ^a	6.7 ^a	6.6 ^a	6.7 ^a	7.2 ^a
65+	–	–	–	–	–
15–64 ^a	13.2	11.4	10.4	10.6	12.6

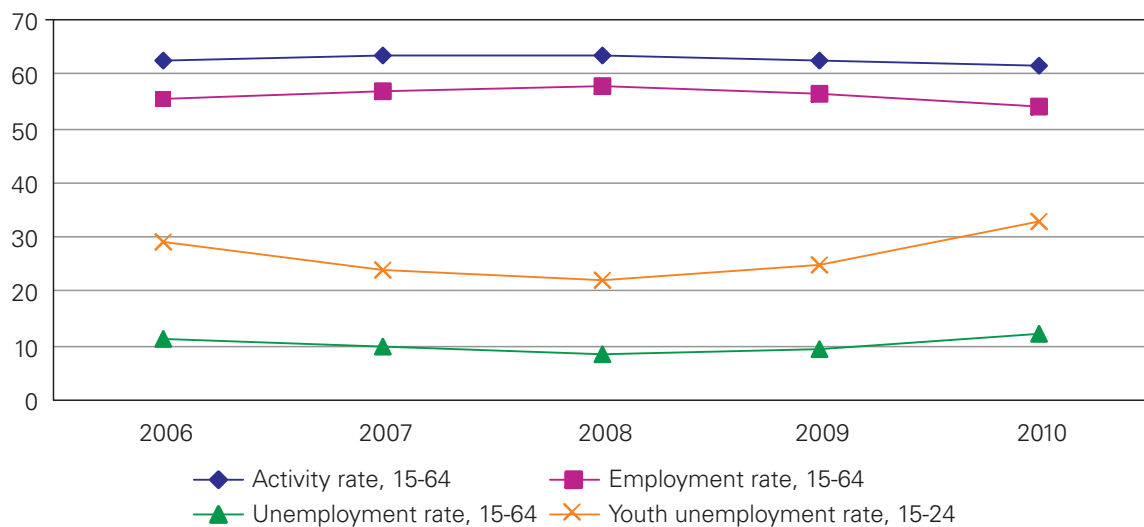
(a) Unreliable estimated figures

Sources: 2006–09: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2009 annual average, May 2010; 2010: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2010 annual average, June 2011

TABLE 3.9 YOUTH (15–24) UNEMPLOYMENT RATES BY EDUCATION LEVEL AND GENDER (%)

	2004	2005	2006	2007	2008	2009
Total population						
All levels	32.8	32.3	28.9	24.0	21.9	25.0
ISCED 0–2	37.4 ^a	29.0 ^a	40.5 ^a	29.5 ^a	32.5 ^a	41.3 ^a
ISCED 3–4	31.9	33.0	27.4	23.2	20.6 ^a	23.7 ^a
ISCED 5–6	37.1 ^a	25.5 ^a	34.1 ^a	–	–	–
Male						
All levels	29.5	30.2	27.2	20.9 ^a	18.5 ^a	23.0 ^a
ISCED 0–2	36.3 ^a	32.2 ^a	41.8 ^a	–	–	–
ISCED 3–4	28.2	30.2	25.5	19.8 ^a	16.8 ^a	20.9 ^a
ISCED 5–6	–	–	–	–	–	–
Female						
All levels	37.3	35.1	31.1	28.5 ^a	27.2 ^a	28.5 ^a
ISCED 0–2	40.2 ^a	–	–	–	–	–
ISCED 3–4	36.8	37.0	30.2 ^a	28.4 ^a	26.6 ^a	28.8 ^a
ISCED 5–6	39.3 ^a	–	35.3 ^a	–	–	–

(a) Unreliable estimated figures
Source: Eurostat

FIGURE 3.1 OVERALL ACTIVITY, EMPLOYMENT AND UNEMPLOYMENT RATES, 2006–10

Source: Croatian Bureau of Statistics, 2010 and 2011

TABLE 3.10 PART-TIME WORKERS AND TEMPORARY CONTRACTS BY GENDER (%)

	2004	2005	2006	2007	2008	2009
Part-time workers as % of total employment						
Total	8.5	10.1	9.4	8.6	8.8	9.0
Male	6.3	7.3	7.5	6.4	6.7	6.9
Female	11.2	13.4	11.7	11.3	11.5	11.6
Employees with temporary contracts as % of total employment						
Total	12.2	12.4	12.9	12.6	12.1	11.6
Male	12.1	12.4	13.1	12.2	11.9	11.4
Female	12.4	12.3	12.6	13.2	12.3	11.9

Source: Eurostat

TABLE 3.11 MONTHLY MINIMUM WAGES

Currency	2008 S2	2009 S1	2009 S2	2010 S1	2010 S2
EUR	379.6	373.5	386.9	385.5	390.9
HRK	2 747.0	2 747.0	2 814.0	2 814.0	2 814.0
PPS	500.8	490.1	502.1	502.1 ^a	502.1 ^a

Note: Bi-annual data – S1: January release; S2: July release; (a) Estimated values
Source: Eurostat

TABLE 3.12 AVERAGE MONTHLY EARNINGS PER PERSON IN PAID EMPLOYMENT (HRK)

	2005	2006	2007	2008	Dec. 2009	Dec. 2010
	Annual average					
Net						
Total	4 352	4 569	4 817	5 161	5 362	5 584
Male	4 558	4 795	5 048	5 418		
Female	4 087	4 282	4 521	4 832		
Gender pay gap*	0.024	0.023	0.022	0.021		
Gross						
Total	6 192	6 575	6 995	7 507	7 783	7 892
Male	6 492	6 909	7 344	7 892		
Female	5 806	6 149	6 549	7 016		
Gender pay gap ^a	0.017	0.016	0.015	0.014		

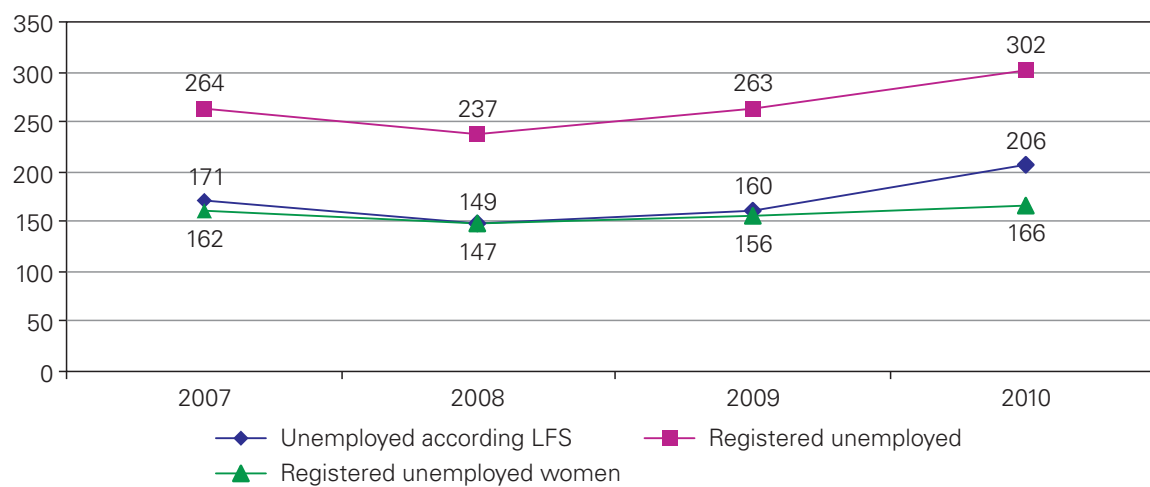
(a) Calculated as the difference between average monthly earnings of male employees and of female employees as percentage of average monthly earning of male employees (UN Economic Commission for Europe definition).

Sources: 2005–08: Croatian Bureau of Statistics, Average monthly gross and net earnings of persons in employment by sex; 2009–10: Croatian Bureau of Statistics, Average monthly paid off net earnings of persons in paid employment; and Average monthly gross earnings of persons in paid employment

TABLE 3.13 UNEMPLOYED AND LONG-TERM UNEMPLOYED ACCORDING TO LFS AND ADMINISTRATIVE DATA

	2006	2007	2008	2009	2010
Unemployed persons – LFS (000s)	199	171	149	160	206
Long-term unemployed – LFS (000s)	107	100	92	86	114
Share of long-term unemployed (%)	53.8	58.5	61.7	53.8	55.3
Registered unemployed (stock at end of the year) (000s)	293	254	240	292	320
Long-term unemployed – CES (000s)	166	149	133	132	147
Share of long-term unemployed (%)	56.7	58.7	55.4	45.2	45.8

Sources: LFS data – 2006–09: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2009 annual average, May 2010; 2010: Croatian Bureau of Statistics, Labour force in the Republic of Croatia, 2010 annual average, June 2011; CES data – 2006–08: Croatian Bureau of Statistics, Statistical Yearbook 2009; 2009: Croatian Employment Service, Yearbook 2009; 2010: Croatian Employment Service, Yearbook 2010

FIGURE 3.2 UNEMPLOYED ACCORDING TO LFS DATA AND CES REGISTER (000s), 2007–10

Sources: LFS data; Croatian Bureau of Statistics, 2010a; CES, 2011

TABLE 3.14 REGISTERED UNEMPLOYED (15–65) BY EDUCATION LEVEL AND GENDER (000s, AVERAGE NUMBERS)

		Total	No schooling and uncompleted basic school	Basic school	Vocational secondary school (1–3 years)	4 years + vocational secondary school and grammar school	Post- secondary, non-university diploma	University and post-graduate degree
2004	Total	309.9	21.0	71.0	124.2	73.2	8.5	12.0
	Female	180.8	11.3	42.4	63.6	50.8	5.4	7.4
	Male	129.0	9.7	28.6	60.6	22.4	3.1	4.7
2005	Total	308.7	19.7	71.2	120.9	75.9	9.0	12.0
	Female	180.8	10.6	42.8	62.0	52.1	5.8	7.5
	Male	127.9	9.1	28.4	58.9	23.8	3.2	4.5
2006	Total	291.6	19.3	69.8	107.3	74.2	9.2	11.8
	Female	175.1	10.5	42.9	56.6	51.5	6.1	7.5
	Male	116.5	8.8	26.9	50.7	22.8	3.1	4.3
2007	Total	264.4	18.6	65.6	92.6	68.5	8.5	10.7
	Female	162.0	10.2	41.2	50.2	47.9	5.6	6.8
	Male	102.5	8.3	24.4	42.4	20.7	2.9	3.9
2008	Total	236.7	17.0	59.9	81.5	61.4	7.6	9.4
	Female	147.2	9.6	38.4	45.5	42.9	5.0	5.9
	Male	89.5	7.4	21.5	36.0	18.5	2.6	3.5
2009	Total	263.2	17.5	64.2	90.4	70.3	9.3	11.4
	Female	156.1	9.5	39.7	47.1	46.6	5.9	7.2
	Male	107.1	8.0	24.5	43.3	23.7	3.4	4.3
2010	Total	302.4	18.1	70.8	104.1	82.8	11.6	15.0
	Female	165.6	9.0	40.5	48.5	51.3	7.0	9.3
	Male	136.8	9.1	30.4	55.6	31.5	4.5	5.7

Sources: 2004–08: Croatian Bureau of Statistics, Statistical Yearbook 2009 (CES data); 2009: Croatian Employment Service, Yearbook 2009; 2010: Croatian Employment Service, Yearbook 2010

TABLE 3.15 REGISTERED UNEMPLOYED BY AGE (%)

	2000	2004	2005	2006	2007	2008	2009	2010
15–19	9.4	6.2	5.8	6.0	5.3	5.0	5.0	5.2
20–24	19.4	15.2	14.5	14.1	12.6	12.5	12.8	13.2
25–29	14.6	12.9	12.7	12.8	12.1	12.1	12.8	13.6
30–39	23.9	21.9	21.0	20.0	19.9	19.7	20.2	20.8
40–49	21.3	23.5	23.2	22.3	22.0	21.3	21.0	20.4
50+	11.4	20.3	22.8	24.8	28.0	29.4	28.3	26.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (000s)	379	318	308	293	254	240	263	302

Sources: 2000–08: Croatian Bureau of Statistics, Statistical Yearbook 2009 (CES data); 2009: Croatian Employment Service, Yearbook 2009 (annual average); 2010: Croatian Employment Service, Yearbook 2010 (annual average)

TABLE 3.16 REGISTERED UNEMPLOYED (15–65) BY DURATION OF UNEMPLOYMENT (%)

Duration of unemployment	2000	2004	2005	2006	2007	2008	2009	2010
Up to 3 months	18.1	19.0	18.4	19.6	19.7	22.5	24.9	24.6
3–6 months	15.2	13.0	11.5	13.2	11.6	11.8	15.4	14.3
6–9 months	8.3	6.1	5.9	5.3	5.1	5.4	7.5	7.3
9–12 months	8.1	6.4	6.2	5.4	5.1	5.1	7.1	7.9
1–2 years	19.8	15.4	16.1	13.8	13.8	12.1	12.6	17.5
2–3 years	10.7	9.7	9.7	9.2	8.4	7.7	5.9	6.8
More than 3 years	19.8	30.5	32.2	33.5	36.4	35.4	26.7	21.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Subtotal long-term unemployed</i>	<i>50.3</i>	<i>55.6</i>	<i>58.0</i>	<i>56.5</i>	<i>58.6</i>	<i>55.2</i>	<i>45.2</i>	<i>45.8</i>

Note: End of year data

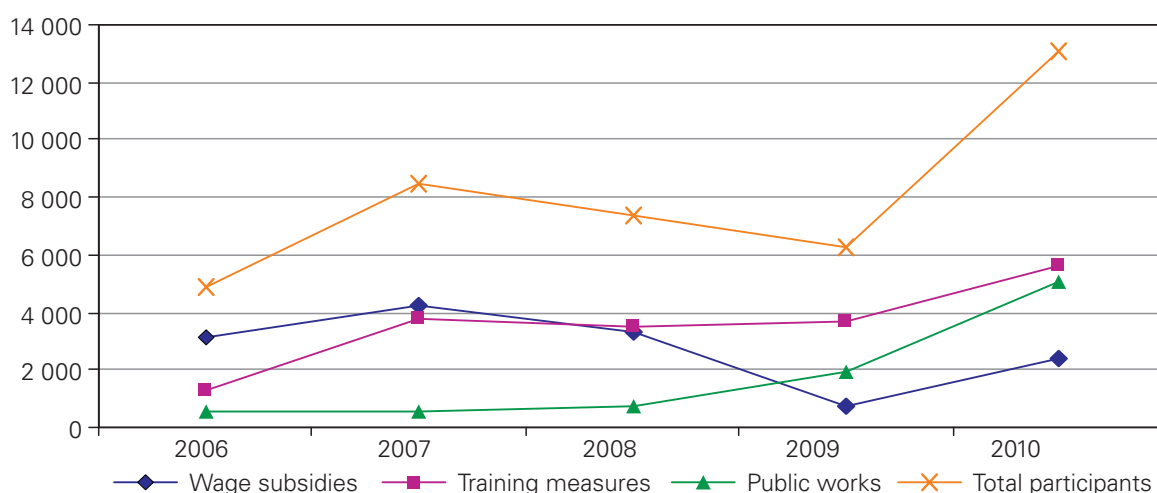
Sources: Croatian Bureau of Statistics, Statistical Yearbook 2009; 2010: Croatian Employment Service, Yearbook 2010

TABLE 3.17 PARTICIPANTS IN ACTIVE LABOUR MARKET MEASURES

	2006	2007	2008	2009	2010	
					planned	realised
Employment promotion (wage subsidies)						
Co-financing of first employment of young persons with no work experience	1 024	1 226	1 003	213	382	767
Co-financing of employment of long-term unemployed persons	1 238	1 693	1 290	298	572	940
Co-financing of elder persons (men above 50, women above 45)	579	837	706	116	179	305
Co-financing of employment of special groups of unemployed persons	268	455	351	65	87	127
<i>Subtotal wage subsidies</i>	<i>3 109</i>	<i>4 211</i>	<i>3 350</i>	<i>692</i>	<i>1 220</i>	<i>2 139</i>
Self employment scheme for long-term unemployed	0	0	0	0	140	284
Training measures						
Training for known employer (co-financing)	375	792	1 105	644	430	614
Labour market training	873	2 960	2 361	3 025	3 882	4 566
Workplace training (internships)					39	448
<i>Subtotal training measures</i>	<i>1 248</i>	<i>3 752</i>	<i>3 466</i>	<i>3 669</i>	<i>4 351</i>	<i>5 628</i>
Public works	512	531	715	1 935	3 409	5 037
Overall total	4 869	8 494	7 531	6 296	9 120	13 088

Sources: 2010 (realised): based on data received from CES; 2010: Croatian Employment Service, Yearbook 2010

FIGURE 3.3 PARTICIPANTS IN ACTIVE LABOUR MARKET MEASURES, 2006–10



Source: ETF calculation based on CES data

TABLE 3.18 REGISTERED UNEMPLOYED COVERED BY ACTIVE LABOUR MARKET POLICIES

	2006	2007	2008	2009	2010
Unemployed according to LFS	199 000	171 000	149 000	160 000	206 000
Registered unemployed		254 484	240 455	263 174	302 425
Of which covered by ALMP	4 869	8 494	7 531	6 296	13 088
Registered unemployed participating in ALMP (%)		3.3	3.1	2.3	4.3
% of unemployed according to LFS participating in activation programmes		5.0	5.1	3.9	6.4

Sources: 2007–08: Centre of Public Employment Services of Southeast European Countries, Statistical Bulletin Nos 1 and 2; 2009: Croatian Employment Service, Yearbook 2009 (CES data); 2010: Croatian Employment Service, Yearbook 2010

TABLE 3.19 NUMBER OF PROGRAMMES AND PERSONS COVERED BY REDEPLOYMENT PROGRAMMES

	2006	2007	2008	2009	2010
Number of programmes	48	18	31	89	89
Number of persons involved in the programmes	3 394	1 504	2 642	6 199	5 637
Number of newly registered unemployed for economic or organisational reasons	31 278	26 544	29 599	64 493	65 087

Source: Croatian Employment Service, Yearbook 2010

TABLE 3.20 REGISTERED UNEMPLOYED RECEIVING CASH BENEFITS

	2004	2005	2006	2007	2008	2009	2010
Unemployed receiving cash benefits (average number of beneficiaries per month)	70 467	72 802	66 407	59 603	57 258	68 967	78 439
Registered unemployed (annual average)	317 577	307 851	293 153	254 484	236 741	263 174	302 425
% of registered unemployed receiving benefits out of total registered unemployed	22.2	23.6	22.7	23.4	24.2	26.2	25.9

Sources: 2004–08: Croatian Bureau of Statistics, Statistical Yearbook 2009; 2009–10: Croatian Employment Service, Yearbook 2009 and 2010

TABLE 3.21 TOTAL EMPLOYMENT (15+) BY ECONOMIC SECTOR (%)

	Agriculture	Industry	Services
2004	17.0	29.7	53.3
2005	17.3	28.6	54.0
2006	14.3	29.4	56.4
2007	13.0	30.6	56.4
2008	13.4	30.7	55.6
2009	13.9	28.9	57.0
2010	14.9	27.3	57.3

Sources: 2004–09: Eurostat; 2010: Croatian Bureau of Statistics, *Labour force in the Republic of Croatia, 2010 annual average, June 2011*

TABLE 3.22 LABOUR PRODUCTIVITY

	GDP per employee	
	(constant 1990 USD at PPP)	(1990=100)
2000	18 166	85.9
2001	19 944	94.3
2002	20 189	95.5
2003	21 065	99.6
2004	21 595	102.2
2005	22 332	105.6
2006	23 525	111.3
2007	23 984	113.5
2008	24 295	114.9

Source: ILO, KILM database

TABLE 3.23 REPORTED VACANCIES AND UNEMPLOYED/VACANCY RATIO

	2004	2005	2006	2007	2008	2009	2010
Reported vacancies	116 744	110 569	130 517	141 487	141 794	102 427	104 739
Number of registered unemployed (as of 31 Dec.)	317 577	307 851	293 153	254 484	236 741	263 174	302 425
Unemployed per vacancy ratio	2.7	2.8	2.2	1.8	1.7	2.6	2.9

Sources: 2004–08: Croatian Bureau of Statistics, Statistical Yearbook 2009 (CES data); 2009–10: Croatian Employment Service, Yearbook 2009 and 2010

TABLE 3.24 LABOUR MARKET EXPENDITURE AS % OF GDP

	2007	2008	2009
Active labour market expenditure as % of GDP	0.0478	0.0388	0.0288

Sources: 2007–08: Centre of Public Employment Services of Southeast European Countries, Statistical Bulletin Nos^o1 (July 2008) and 2 (July 2009); 2009: Croatian Employment Service, Yearbook 2009

TABLE 3.25 CES EXPENDITURE ACCOUNT

	2009		2010	
	HRK	%	HRK	%
Unemployment insurance	1 246 629 804	80.8	1 505 388 828	78.3
<i>Subtotal – passive measures</i>		<i>80.8</i>		<i>78.3</i>
Vocational guidance	2 533 455	0.2	1 784 592	0.1
National Employment Incentive Plan	93 036 878	6.0	195 479 411	10.2
Action Plan for the Decade of Roma Inclusion	3 041 928	0.2	4 898 988	0.3
Assistance for retention of employment	20 139	0.0	26 409	0.0
<i>Subtotal – active measures excluding EU funded projects</i>		<i>6.2</i>		<i>10.5</i>
CARDS 2004	201 161	0.0		
Phare 2005	2 926 891	0.2		
IPA component IV	8 589 570	0.6	22 880 845	1.2
<i>Subtotal – active measures including EU funded projects</i>		<i>7.0</i>		<i>11.6</i>
IPA component I (CES labour market training centre)			1 977 906	0.1
EURES preparation			1 341 658	0.1
IPA component IV (CBC)			345 794	0.0
DILMA project (Interreg)	70 939	0.0		
PROGRESS			473 379	0.0
Employee-related expenses	139 018 790	9.0	137 152 055	7.1
Material and financial operational expenses	44 904 63	2.9	46 813 339	2.4
Expenses for procurement of non-financial assets	2 601 677	0.2	3 715 200	0.2
<i>Subtotal administrative expenses</i>		<i>12.1</i>		<i>9.8</i>
Total	1 543 575 895	100.0	1 922 278 404	100.0

Source: Croatian Employment Service, Yearbook 2009 and 2010

TABLE 3.26 CES DATA BY COUNTY, 2009

County	Average number of unemployed	Number of participants in ALMMs	Activation rate at county level (%)	CES staff at county level (2010)	Caseload (number of unemployed per 1 staff member)	Unemployment rate (%)
Zagreb	11 895	48	0.4	173	243	13.7
City of Zagreb	30 190	367	1.2			6.1
Krapina – Zagorje	5 249	128	2.4	27	194	12.8
Sisak – Moslavina	16 863	438	2.6	74	228	27.6
Karlovac	11 462	209	1.8	45	255	23.6
Varazdin	8 137	263	3.2	44	185	11.1
Koprivnica – Krizevci	6 243	153	2.5	35	178	13.6
Bjelovar – Bilogora	11 436	446	3.9	44	260	24.2
Primorje – Gorski Kotar	14 910	217	1.5	74	201	10.8
Lika – Senj	3 088	94	3.0	28	110	17.7
Virovitica – Podravina	8 343	258	3.1	31	269	26.5
Pozega – Slavonia	5 310	114	2.1	27	197	21.1
Brod – Posavina	14 130	328	2.3	40	353	25.9
Zadar	10 037	134	1.3	38	264	16.5
Osijek – Baranja	28 561	809	2.8	90	317	23.3
Sibenik – Knin	7 132	116	1.6	41	174	19.0
Split – Dalmatia	17 269	890	5.2	128	135	17.9
Vukovar – Srijem	33 601	530	1.6	72	467	27.5
Istria	6 740	87	1.3	48	140	7.1
Dubrovnik – Neretva	6 686	134	2.0	32	209	13.1
Medimurje	5 892	533	9.0	22	268	12.6
Total	263 174	6 296	2.4	1 113		

Note: Highlighted are counties with a low activation rate, high caseload and high unemployment rate.

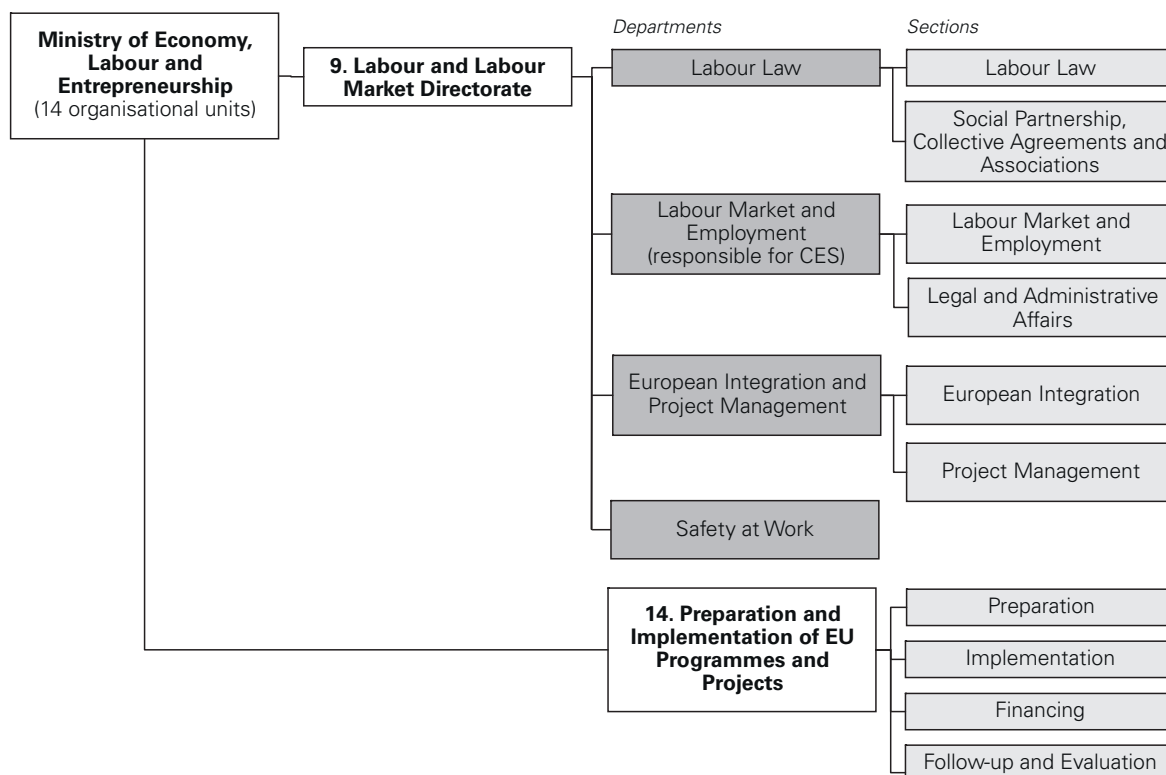
Source: ETF calculation based on CES data

TABLE 3.27 IPA COUNTRIES AND EU BENCHMARKS – LABOUR MARKET

%	EU-27 2010	EU 2020 obj.	AL 2009	BA 2010	IS 2010	XK 2009	ME 2010	RS 2010	HR 2010	MK 2010	TR 2010
Employment rate 20–64	69.1	75.0			80.4			51.2	58.7	48.1	50.0
Employment rate 15–64	64.2		53.4	39.0	78.2	26.1	47.6	47.2	54.0	43.5	46.3
Female employment rate 15–64	58.2		43.6	28.6	76.2	12.5	41.0	40.1	48.9	34.0	26.2
Employment rate of older workers 55–64	46.3		44.0 (08)	33.0 (50–64)	79.8	27.9	46.2 (50–64)	32.8	37.6	34.2	29.6
Employment in agriculture ¹ (% of total)	4.7		44.1	19.7	5.4	6.2	12.9	18.5	12.5	19.8 ^(a)	22.4
Unemployment rate 15+	9.6		13.8	27.2	7.6 (15–64)	45.4 (15–64)	19.7	19.2	11.8	32.0	10.7
Female unemployment rate 15+	9.6		15.9	29.9	6.7 (15–64)	56.4 (15–64)	20.6	20.2	12.2	32.3	11.4
Youth unemployment rate 15–24	20.8		27.2	57.5	16.2	73.0	47.1	46.2	32.7	53.7	19.7
Unemployment rate of the elder workforce 55–64	6.9		8.2 (08)	17.8 (50–64)	4.4	25.9	9.4 (50–64)	11.9	7.7 (u)	27.8	5.0
Long-term unemployment rate ²	3.8		9.1 ^(b)	9.8		36.8 ^(c)	7.1	13.9	6.7 (u)	26.6	2.8

(1) Agriculture, forestry and fishing; (2) Long-term unemployed (≥ 12 months) as a percentage of the total active population; (u) Unreliable figures
 Sources: EU-27, IS, HR, MK and TR: Eurostat databases; XK: ETF input to EC progress report; AL, BA, ME and RS: national statistical offices, LFS publications; (a) National Statistics Office, LFS 2010 publication, third quarter; (b) As reported in LFS official publication (no information available on the calculation method); (c) Estimated on LFS data

FIGURE 3.4 ORGANISATIONAL CHART OF MINISTRY OF ECONOMY, LABOUR AND ENTREPRENEURSHIP – LABOUR AND LABOUR MARKET DIRECTORATE



Source: Government of Croatia, 2007b

TABLE 3.28 MAIN ISSUES AND PRIORITIES IDENTIFIED BY JAP (2008) AND NEPP (2011-12)
JOINT ASSESSMENT OF THE EMPLOYMENT POLICY PRIORITIES 2008 **NATIONAL EMPLOYMENT PROMOTION PLAN 2011-12**

Priority according to renewed Lisbon Strategy	Issues, goals	Priorities	NEPP activities planned	Related IPA projects
Attract and retain more people in employment, increase labour supply and modernise social protection systems	Increase participation rate of prime age women elder people who should work longer	a. Review labour market policies	Ad a. 1 activity to be implemented by CES	Women in the labour market
		b. Provide more education, training and work practice programmes for (low skilled) prime age women	Ad b. 4 activities (AVETAE, CES)	
		c. Child care provision	Ad c. 2 activities (MRDFWM, MHSW)	
		d. Increase flexible work arrangements in cooperation with social partners	Ad d. 1 activity (CCTC, CCC, CEA)	
	Active ageing, higher labour market participation rate of elder people who should work longer	a. Discourage early retirement	Ad a. 6 activities (CES, CPII, MELE)	
		b. Review incentives/disincentives for employers	Ad b. 4 activities (CEA, CCTC, CES)	
		c. Promote access to training	Ad c. 4 activities (AMEUP, CES, CCC)	
		a. Facilitate labour market entry (with counselling, training, etc.)	Ad a. 15 activities (CES, MSES, CCTC, CEA, CCC, MELE, HAMAG)	
	Increase opportunity for the young population	b. Provide work practice, work experience	Ad b. 8 activities (MELE, CCTC, CCC, CES, CEA, AMEUP)	Young people in the labour market Inclusion of pupils with development difficulties in education for employment
		a. Review and evaluate existing programmes	Ad a. 10 activities (FVEEPD, CCTC, MFVAIS, CES)	
		b. Provide training for unemployed and people at risk of becoming unemployed	Ad b. 9 activities (AMEUP, FVEEPD, CEA, CES, trade unions confederations)	
		c. Improve and expand existing programmes for vulnerable groups (conduct studies)	Ad c. 29 activities (CES, OCNDA, AMEUP, MHSW, FVEEPD, OHR, GONM, MFVAIS, family centres)	
Combat long-term unemployment		d. Regional development strategy	Ad d. 11 activities (CES, CCTC, MRDFWM, MSTI)	Improving access to sustainable employment of long-term unemployed highly-educated persons New approaches of the CES in delivering services to clients threatened by unemployment and the long-term unemployed Training for employment of redundant workers, those threatened by unemployment and the long-term unemployed Fostering effective inclusion of people with disabilities into the labour market Improving labour market access of disadvantaged groups Local employment partnerships phase 3 Local employment development initiatives
		a. Develop institutional capacities to analyse and anticipate skills needs	Ad a. 11 activities (AMEUP, AVETAE, CCC, MELE, AHE, CES, CBS, MSES, CPII, MF-TD, REGOS, CCTC)	
		b. Improve career guidance system for young people	Ad b. 13 activities (CES, MSES, ETTA, CCTC)	
Combat skills mismatch				New approaches of the CES in delivering services to clients Services provided by the CES to its clients: improving lifelong vocational guidance and ICT support

JOINT ASSESSMENT OF THE EMPLOYMENT POLICY PRIORITIES 2008

NATIONAL EMPLOYMENT PROMOTION PLAN 2011–12

Priority according to renewed Lisbon Strategy	Issues, goals	Priorities	NEPP activities planned	Related IPA projects
Improve adaptability of workers and enterprises	(Flexicurity) a. Improve existing combination of flexibility and security b. Enhance participation in adult training c. Enhance chances of temporary workers obtaining regular jobs d. Involve social partners		Ad a. 1 activity (MELE) Ad b. 3 activities (CCTC, CEA, CCC, CES, MELE)	
Increase investment in human capital through better education and skills	a. Integrate labour market needs in education policies at all levels b. Further increase share of upper secondary and tertiary graduates c. Upgrade CVET (more, better) d. Provide incentives for employers to invest in staff training e. Lifelong learning strategy, extension of compulsory education		Ad a. 6 activities (MSES, AVETAE, higher education institutions) Ad b. 2 activities (CCTC, RCTC, MSES, AVETAE) Ad c. 10 activities (AVETAE, CCTC, MELE, CES) Ad d. 1 activity (CEA, CCTC, CCC) Ad e. 3 activities (MSES, AVETAE)	Regional network of local educational institutions Implementation of new curricula Strengthening institutional framework for the development of the VET occupational standards/qualifications and curricula VET quality assurance development Comprehensive strengthening of the capacities of the Agency for VET
Good governance	Cornerstone of labour market reform strategy, social partnership Capacity building for Structural Funds management	a. Involve social partners in JAP implementation b. Enhance bipartite and sectoral social dialogue c. Clarify representativeness criteria d. Capacity development a. Enforce administrative capacities, specifically in labour market institutions b. Implement appropriate recruitment and training policies c. Adequate staffing for administration and management of IPA d. Communication and coordination between actors and levels	Ad a. 4 activities (MELE, CES) Ad b. 4 activities (MFVAIS, OSP, CEA, trade unions confederations) Ad c. 2 activity (MELE) Ad d. 3 activities (OSP, social partners, MELE) Ad a. 5 activities (CES, MELE, MSES, MHSW, MT, MSTI, MRDFWM) Ad b. 1 activity (MPA) Ad c. 4 activities (CODEF, MELE, MHSW, MSES, AVETAE, CES, FVEEDP) Ad d. 2 activities (MELE, CES)	CES labour market training centre Developing an investment plan for the CES Preparation of the CES for joining the EURES network
	Improve implementation of JAP with 'Partnership for economic development'	a. Follow up seminars b. 1st JAP implementation report (planned May 2009, published June 2010) c. Review priorities if necessary		

Source: Compiled by the ETF from JAP (MELE, 2008) and NEPP (Government of Croatia, 2011)

TABLE 3.29 ECONOMIC RECOVERY PROGRAMME, CHAPTER 7 – DYNAMISATION OF THE LABOUR MARKET

Type	Measure	Implementing body	Progress as of Dec. 2010
Short-term measures (until end of 2010)			
ALMM	Training for unemployed and inactive people	MELE, CES	Implementation of additional measures started June 2010 (CES)
ALMM, youth	Introducing system of volunteer work, apprenticeship, work practice, internship	CES	Legal basis in the Labour Code of Dec. 2010 adopted
Passive labour market measures	Reduction of unemployment benefits and obligation to participate in training	CES	Legal reform of unemployment benefit scheme adopted Oct. 2010
Structural, organisational measures	Decentralisation of entrepreneurship promotion from MELE to regional development agencies	MELE, Ministry of Regional Development	Legal basis and regional development strategy adopted
Strengthen CES capacities for career guidance and counselling Interface with SWCs Interface with AVETAE		CES	In progress
Policy framework, absorption capacity for IPA	Drafting HRD Operational Programme 2012–13 Drafting National Plan for Employment Promotion 2011–12 Capacity development CES Creation of project database Project implementation provisions at NUTS II level Redesign of the 'Development and Employment Fund' into 'Education and Emergencies Fund'	MELE, CES, Ministry of Regional Development, Ministry of Finance	Government adopted National Plan for Employment Promotion 3 Feb. 2011 2 IPA projects started (EURES, CES labour market training centre) Database created NUTS II partnership councils created
Mid-term measures (until EU accession)			
Passive labour market measures	Extending the duration of unemployment benefits	MELE, CES	Legal provision passed, fiscal impact analysed
Strengthen capacities for local employment initiatives	Decentralisation of ALMP, implementation at 'macro-regional' level	MELE, CES	In progress, Local Partnership for Employment signed with Zagreb only
Implementation of regular monitoring and evaluation	Legal provision for establishing the 'Committee for Monitoring of JAP and National Employment Action Plan (NEAP)' Elaboration of NEAP 2011–12 Cost calculation for external evaluation		Legal basis adopted An HRK 50 000–100 000 tender planned to be launched
European Structural Funds management	Appointment of persons responsible for planning and monitoring Structural Funds implementation	CODEF	Persons appointed
Long-term measures (until 2020)			
Awareness campaign	'Knowledge first'	MSES	

Sources: ERP translated by the ETF; progress as of end of 2010: Government of Croatia, 2010e

TABLE 3.30 IPA IV PROJECT PIPELINE, PRIORITY AXIS 1 – ENHANCING ACCESS TO EMPLOYMENT AND SUSTAINABLE INCLUSION IN THE LABOUR MARKET

Project	Beneficiary institution	Type of contract	Phase 1 2007–09 Total budget (EUR 000s)	Phase 2 2010–11 Total budget (EUR 000s)
Measure 1.1 Supporting the design and implementation of active and preventative labour market policy				
1.1.1a Local partnerships phase 3	CES	Service contract	1 870.78	
1.1.1b Local partnerships phase 4	CES	Grant scheme	2 299.18	
1.1.2a Youth in the labour market	CES	Service contract	1 099.06	
1.1.2b Youth in the labour market	CES	Grant scheme	2 306.99	
1.1.3 Training for employment of redundant workers, those threatened by unemployment and the long-term unemployed	CES	Direct grant award		4 300.00
1.1.4 Improving access to sustainable employment of highly educated long-term unemployed	CES	Direct grant award		1 000.00
1.1.5 Local employment development initiatives	CES	Direct grant award		2 540.00
<i>Subtotal</i>				<i>15 416.01</i>
Measure 1.2 Supporting the effectiveness and quality of Croatia's public employment services				
1.2.1a CES services to clients: Improving lifelong career guidance and ICT support	CES	Service contract	2 300.00	
1.2.1b CES services to clients: Improving lifelong career guidance and ICT support	CES	Supply contract	1 300.00	
1.2.2 The new approach of CES in delivering services to clients	CES	Service contract		1, 500.00
<i>Subtotal</i>				<i>5 100.00</i>
Total				20 516.01

Source: Ministry of Economy, Labour and Entrepreneurship, EU Delegation to Croatia

4. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN SOCIAL INCLUSION

Social inclusion is a cross-cutting, multidisciplinary and multidimensional issue that requires actions across many sectors, such as human rights protection, social protection, social care service provision, healthcare, education, and employment. This chapter focuses only on the implications of social inclusion for education and labour market systems.

4.1 GENERAL POLICY INITIATIVES AND PROGRAMMES FOR VULNERABLE GROUPS

Social inclusion: concepts, research, and policies

The concept of social inclusion has only recently been introduced into Croatia's policy and expert discourse, when the country was granted candidate status in 2004 and needed to draft a Joint Inclusion Memorandum. Until then, social inclusion had not received much academic or policy attention (Stubbs and Zrinscak, 2005) and most of the research efforts were focused narrowly on poverty reduction (Bejakovic, 2004). One of the reasons for this is that, in relative terms, the scale and severity of social problems appear to be less pronounced in Croatia than in the rest of the enlargement region. Nonetheless, there are equity issues and major challenges relating to social cohesion that need to be addressed.

Like most of the people in EU candidate and potential candidate countries, Croatians started to experience poverty and social exclusion in a tangible way when the country began to transform its society and restructure its economy. The process of transition in Croatia started during the war for independence, and together they have considerably changed the country's social architecture. The first study of poverty in Croatia was conducted by the World Bank in 1998. Since 2001, the Croatian Bureau for Statistics has been collecting and publishing poverty indicators annually (Laeken indicators since 2004). These are taken into consideration in the development and implementation of national policy (EIZ, 2006).

Croatia has no official poverty line or agreed national definition of poverty. To date, researchers have used international benchmarks and indicators, such as the

USD 5 PPP (for absolute poverty), or the bottom quintile (20%) of per capita consumption distribution as an upper threshold and the decile (10%) of per capita consumption distribution as a lower threshold, indicators that are usually used to set the relative poverty line. In reality, strong pre-crisis economic growth, coupled with job creation and high spending on social safety nets, has prevented poverty from becoming a serious issue.

The incidence of absolute poverty (less than USD 5 PPP) in Croatia was 2% in 2008, the lowest rate at the time not only in South-East Europe, but also in Eastern Europe. For example, in the neighbouring Hungary, a country with a similar GDP per capita, the absolute poverty rate in 2008 was 7%, that is, over three times that of Croatia (World Bank and UNDP, 2010).

The relative poverty incidence, or at-risk-of-poverty rate, has also remained at moderate levels comparable to EU averages (**TABLE 4.1**). Thus, the relative poverty rate, defined as the proportion of the population having an equivalised income less than 60% of the median income, was 17.4% in 2008, when the EU-15 average was 16% (**FIGURE 4.1**) and the EU-27 average was 16.5%. The Gini coefficient, which measures income inequalities, remained in the range 0.27–0.29 between 2005 and 2009 (**TABLE 4.1**); this level is close to and even below the EU average (0.31 in 2008).

Poverty in Croatia is not only relatively low, but also shallow (Bejakovic, 2004; World Bank and UNDP, 2010). The 2008 poverty gap of 2.2% measuring the average distance between the actual consumption of the poor and the lower poverty line⁶ indicates that extreme poverty or pockets of deep poverty are relatively rare (World Bank and UNDP, 2010). Poverty in Croatia correlates with low educational attainment and joblessness as well as with older age: the relative at-risk-of-poverty rate⁷ in 2009 was highest for the unemployed (37.4%) and for persons aged 65 years and over (31.5%) (**TABLE 4.2**). The global financial and economic crisis hit Croatia hard and has increased the poverty rate and modified the profile of poverty, adding a group of 'new poor' that differs from the 'old poor' in that they are better educated, younger, and economically active (World Bank and UNDP, 2010).

Unlike the poverty usually associated with income inequalities, material deprivation and economic vulnerability, the concept of social exclusion focuses on the links between the individual and the community and society at large. It is associated with social isolation, lack

⁶ The lower poverty line by definition categorises as poor the poorest 10% of the population in consumption distribution.

⁷ Relative at-risk-of-poverty line is defined as 60% of the median equivalised income.

of or insufficient access to social assets, limited civic participation and disempowerment, all conditions predominantly caused by poverty and/or discrimination. The term *social exclusion* first appeared in Croatian social science publications in the mid-1990s and since then has gradually been making its way into the political discourse. The concept is most frequently used in describing the position of certain social groups in the country, such as the poor, the unemployed, young people, and the Roma community (UNDP, 2006a).

An empirical study of social exclusion in Croatia, carried out by the UNDP in 2006, defined the term as a junction or nexus between three dimensions: poverty, long-term unemployment and lack of social participation and involvement. The study showed that one in ten Croatians was socially excluded (11.5%), while in terms of self-perception, 20% of Croatians believed they were socially excluded. Study data confirmed the close interrelation between social exclusion and education, gender, and living environment: people with primary education or less and even those with only secondary education are more frequently socially excluded (61.3% and 37.1%, respectively); women are twice as likely to be socially excluded as men (66% compared to 34%); and rural dwellers are three times more likely to become socially excluded (75%) than people living in urban environment (25%) (UNDP, 2006b).

The Programme to Combat Poverty and Social Exclusion, adopted by the government in 2002, was the first national framework strategy to offer a comprehensive approach towards the issues of poverty and exclusion. This approach was taken forward and expanded to encompass and promote social inclusion policies through the Joint Inclusion Memorandum (JIM) signed by the Government of Croatia and the European Commission in March 2007. This memorandum is currently the key policy document in the field. The major objectives set out in the JIM are as follows: development of an inclusive labour market and promotion of employment as a right and opportunity for all citizens; overcoming educational deficiencies; equal access to health services; adequate housing for all; accessible and adequate social services; guaranteed minimum living standards for all through work and/or the social protection system; balanced regional development; and revitalisation of multi-deprived areas. The JIM has been complemented by three National Implementation Plans (2007–08, 2009–10, and 2011–12), which define priority activities (measures), indicate target groups, define indicators for measuring the progress of implementation, and identify institutions (organisations) responsible for putting activities into practice.

There are a number of other strategic documents that are relevant in terms of promoting social inclusion, although they target specific vulnerable groups and problems: the National Strategy for Equal Opportunities for Persons with Disabilities, 2007–15; the Croatian National Programme for the Roma; the Decade of Roma Inclusion, 2005–15; and the National Strategy for Protection against Domestic Violence, 2008–10.

Vulnerable groups

Vulnerable groups are defined as those at risk of poverty and social exclusion. In addition to the data collected by the Croatian Bureau of Statistics on poverty, the UNDP conducted two empirical studies in 2006 that underpin the following categorisation of social groups at increased risk of social exclusion (UNDP, 2006a):

- economic status: the poor, the unemployed (the long-term unemployed in particular), homeless people, housewives, pensioners, returnees, internally displaced persons, and migrants;
- family structure: single-person households, single-parent families, children without parental care, and families with three or more children;
- identification: ethnic/racial/religious minorities, sexual minorities (lesbian/gay/bisexual/transgender people), people with alternative lifestyles (e.g. punk);
- age: youths aged 15–29, the elderly (65 or over);
- criminal wrongdoing: prisoners and ex-prisoners, juvenile delinquents, victims of violence;
- education: people with lower levels of (or no) education, school drop-outs;
- health problems: people living with HIV/AIDS, people with mental illnesses, and people with dependency problems (alcohol or drugs);
- disabilities: people with physical and/or sensory handicaps and people with intellectual difficulties.

The JIM also identified the most vulnerable groups: long-term unemployed and economically inactive people, elderly people with no pensions, single-parent families, families with more than two children, internally displaced persons and refugees, Roma, and people with disabilities. Given the specific thematic focus of this chapter, the analysis that follows will deal more specifically with the last two groups.

4.2 SOCIAL INCLUSION IN EDUCATION

Education of children with disabilities

According to the 2001 census, 429 421 people in Croatia had disabilities⁸ (9.7% of the population). Young people under 25 make up less than 4% of this population, and 41% of the young people in this group are children under 14. As mentioned above, the results of the 2011 census will be released in 2012. Croatia has adopted the concept of special educational needs (SEN) students. This concept includes not only children with disabilities but also gifted and talented students, students with behavioural disorders or at-risk behaviours, and students with cultural and socioeconomic disadvantages (Kudek Mirosevic, 2007). The present report uses the same concept in order to be consistent with national terminology and the available data.

⁸ The methodology for the 2001 census broadly defines disability as a state caused by sickness, injury or a congenital handicap leading to a permanent, partial or complete diminution of a person's ability to lead a normal social life and hence earn a livelihood. This diminution or loss of certain abilities is caused by permanent changes in health that cannot be reversed by treatment or medical rehabilitation.

SEN children in Croatia are educated in a variety of settings: (i) regular institutions (kindergartens, primary and secondary schools) in regular classes and according to the standard curriculum or an adjusted curriculum, or in special classes according to an adjusted or special curriculum; and (ii) special educational institutions according to the standard curriculum, an adjusted curriculum, or a special curriculum (Kudek Mirosevic, 2007). The pathway followed depends on the severity of the child's disability: full integration is recommended if a child is mildly handicapped; partial integration if moderately handicapped; and education in a special school or at home is recommended for children with severe problems or chronic illnesses (OECD, 2007).

Croatia, unlike the rest of the former Yugoslav countries, has a tradition of providing integrated education to SEN children in a regular school setting. In 1974, special education was made an intrinsic part of the mainstream school system and from 1980 SEN children were gradually included in regular classes. Currently, children with disabilities are offered education in regular schools, in special classes (in regular schools), or in specialised schools. According to some estimations, 66% of SEN children are in the mainstream school system (OECD, 2007), and 250 regular schools (out of total of 3 000) are equipped and have the infrastructure to meet the needs of children with physical handicaps.

The legal framework underpinning the integrated education of SEN children is sound and up-to-date. Croatia is a signatory of the Unesco Convention on the Rights of the Child and the UN Convention on the Rights of Persons with Disabilities. Croatian legislation has tried to regulate inclusion as holistically as possible. However, as noted by many reports and analyses (OECD, 2007; Kudek Mirosevic, 2007; ETF, 2010), implementation is problematic, mostly due to a lack of funds, suitable school buildings and trained personnel. The 2008 Primary and Secondary Education Act stipulates that SEN children and their parents should be able to choose the kind of schooling they prefer, with priority to be given to community-based schooling and different types of support (including assistant teachers). In reality, however, there are very few resources for the integrated education of these children and consequently there is no guarantee that the choice of all parents and children will necessarily become a reality.

The civil society sector has been very active in supporting these students in their desire to receive regular schooling and is cooperating with the MSES (for example, Idem, Upim and Puz projects). The MSES annually awards grants to NGOs working in this field from national lottery funds⁹.

At preschool and primary levels, more children are integrated into regular schools than are in special schools, but at secondary level the situation is reversed (OECD, 2007). This trend has been further confirmed by a recent analysis of the educational attainment level of people with

disabilities registered with the public employment services in Croatia: 66.62% have completed less than three years of secondary education, 11.88% have completed four years of secondary school, and only 1.06% have completed a higher education level (EuropeAid, 2010). This low educational attainment clearly has negative implications for the employability and competitiveness of this group of people.

Another important issue is the quality and relevance of the education received by SEN students. According to a recent study (EuropeAid, 2010), Croatian schools lack the necessary infrastructure, materials and equipment to work with these students and do not have enough teachers and teacher assistants with the appropriate training (both initial and in-service). Frequently, the level of education provided to these students is in auxiliary occupations (for example, assistant cook, assistant pastry cook, assistant plumber) or in skills areas that are obsolete and no longer in demand. Besides, schools are fast to apply specially adapted curricula for special needs students but very rarely offer them practical training in real working environments.

Education of Roma children

Roma children in Croatia suffer from severe exclusion from the education system, a circumstance that has a major negative impact on their adult lives: only 25.2% of the country's Roma population has completed primary education, 6.2 % secondary, and 0.3% tertiary (Open Society Institute, 2008). According to various estimates, the enrolment rates of Roma children in 2006 were in the range 22.1%–81.7% for primary education, 5.2%–19.2% for secondary education, and around 0.3% for higher education (Open Society Institute, 2008). Most Roma children leave school towards the end of primary education; girls tend to drop out more than boys. Although Roma are not as large an ethnic group in Croatia as in some neighbouring countries (e.g. Serbia), representing under 1% of the population, the data on their low educational participation and attainment are worrisome and have attracted the attention of the national authorities.

As both an EU candidate and a participant in the Decade of Roma Inclusion 2005–15, Croatia has adopted several policy documents that address the situation of Roma: the National Programme for Roma; the Action Plan for the Decade of Roma Inclusion 2005–15; the JIM; and the National Implementation Plan on Social Inclusion. All of these documents include sections on promoting access to education in the Roma community.

The number of Roma children in formal education has been growing in recent years (**TABLE 4.3**). According to the MSES, there were 4 200 Roma students in primary education in the 2009/10 school year¹⁰, a substantial increase when compared with the figure of 3 000 for 2006/07. In primary schools, Roma children receive free

⁹ In Croatia, 4% of the national lottery income is accumulated in a National Fund for civil society organisations and spent in the form of grants to NGOs for activities in all areas.

¹⁰ Interview with ETF staff, November 2010.

meals, free textbooks, free transport, and other subsidies. Furthermore, Roma classroom assistants have been introduced into the school system (MHSW, 2011).

A more modest increase has been reported recently in enrolment and completion of secondary education by Roma students (MHSW, 2008 and 2009), but there is still huge room for improvement. The high prevalence of unemployment and poverty in the Roma community are the main reasons why Roma children drop out of the secondary education system. Parents say that they cannot afford to pay for clothes, textbooks, school supplies, meals, and extracurricular activities for five or six children (an average Roma family). The state scholarships (HRK 5 000 per school year offered to every Roma student in secondary school) do not cover all these expenses¹¹.

The high rate of unemployment affecting the community does not motivate Roma youth to stay in formal education because they know they will not get decent jobs even if they are more educated. Another factor that contributes to the phenomenon is the poor command of the Croat language among Roma. The best way to address the language problem is to extend the coverage of preschool programmes, and the government is making good progress in that regard. Last but not least, there is the impact of cultural stereotypes and values: early marriages of Roma girls and young women and gender stereotyping, but also resistance to education (detected by a recent study, see ETF, 2010) because of the change it might bring about in traditional family patterns and way of life since educated Roma tend to leave their communities more often than non-educated Roma.

While the low participation of Roma in education is a priority issue in Croatia, the quality of the education they receive and its segregated nature are also major problems, although more hidden and therefore more difficult to pinpoint and analyse. Officially, there are no segregated schools in Croatia, but Roma children are often placed in separate classes in regular schools. This practice is particularly common in Medimurje county, which, together with Zagreb, is where the majority of Croatia's Roma population live; in some schools in Medimurje, the majority of students are Roma (MHSW, 2008 and 2009; Open Society Institute, 2007). Segregated Roma-only classes provide inferior quality education based on a considerably reduced curriculum designed for students with developmental problems. Consequently, children who have completed primary education in separate Roma-only classes do not as a rule progress to mainstream secondary classes (Open Society Institute, 2007). In Roma-only classes, material resources tend to be of poor quality and less available, the infrastructure is inferior and the teachers have lower qualifications and expect less from the students.

There are also indications that Roma students in mainstream classes are marginalised in other, more subtle, ways. Roma NGO representatives from Sisak-Moslavina county reported that Roma children are

not included in the optional information technology classes, a policy that only exacerbates the digital divide between Roma and non-Roma communities and the e-exclusion of Roma settlements¹². Furthermore, in order to benefit from the quality of regular education, Roma students need Roma teaching assistants. The numbers of assistants are still insufficient and such facilitators are only available in schools with large numbers of Roma children. Most Croatian teachers lack the generic skills needed for diversity management and multi-cultural education and for creating anti-bias, tolerant classrooms.

4.3 SOCIAL INCLUSION IN EMPLOYMENT

People with disabilities

Croatia has built a robust legal framework to support the rights of people with disabilities. The country ratified the UN Convention on the Rights of Persons with Disabilities and the Optional Protocol in 2007, and later established an Ombudsman for Persons with Disabilities. The National Strategy for Equal Opportunities of Persons with Disabilities for 2007–15 is currently being implemented, together with the JIM and an Anti-Discrimination Act. However, this framework needs to be supplemented by practical measures to protect the human rights of people with disabilities and promote their full inclusion in community life, including opportunities for gainful and decent employment.

In 2009, 2.13% of the registered unemployed and 0.8% of all employed people in Croatia had disabilities (CES, 2010c). According to another source, 46.4% of registered unemployed with disabilities have no form of work experience and 61.4% have been registered as unemployed for longer than two years (EuropeAid, 2010). These statistics reveal the vulnerable position of this group in the labour market and their limited employability.

The acceptance of people with disabilities in Croatian workplaces is seriously hampered by prejudice, lack of accessible infrastructure and social services, and fear of incurring additional costs. The Professional Rehabilitation and Employment of People with Disabilities Act, adopted in 2002, endeavours to create equal employment opportunities for people with disabilities in the open labour market and in certain situations it provides for their employment through affirmative action with the aim of including them in the world of work. The employment of people with disabilities in sheltered enterprises is a last resort, used only if the person cannot be employed or cannot retain a job in the open labour market, despite incentives. The Professional Rehabilitation and Employment Act sets minimum quotas for the employment of persons with disabilities. However, the quotas established have not been met by the public sector. This population is even more marginalised in the private sector, where employers lack information, in

¹¹ Interview with ETF staff, Sisak, November 2010.

¹² Roma representatives from Sisak reported to ETF staff (November 2010) that there were two computers with Internet access in their settlement of 1 300 people.

particular on the incentives that exist (CES, 2010c). Employers in Croatia are still afraid of disabilities (stigmatisation) and are more focused on the impairment and disabilities of these individuals (commonly referred to as 'invalids'), rather than on their abilities.

Sheltered workshops continue to exist in Croatia. The Institution for Rehabilitation of Disabled Persons by Professional Rehabilitation and Employment (URIHO) is one located in Zagreb. The founders of this institution are the City of Zagreb and the Croatian Association of the Deaf and Hard of Hearing. Sheltered employment is provided within a framework of commercial initiatives, including textiles, ceramics, metal, leather, millinery, orthopaedics, cardboard production and printing. The company employs a total of 570 workers, 52% of whom have some level of disability.

In April 2009, URIHO launched the first specialised work centre in Croatia, which aims to prepare people with disability for the work environment. This could be cited as an example of good practice. Clients of the work centre are people with disabilities who have a certain level of qualification, but for some reasons (the most common being long-term unemployment) have not been able to integrate fully into the working world. The work centre offers six-month placements to upgrade their skills, enhance their social competences and close the gap between them and the world of work.

Roma population

Roma in Croatia are in a very unfavourable position in the labour market, mainly due to their low educational attainment, employers' prejudices (sometimes coupled with erroneous expectations on the part of Roma individuals that they will always be discriminated against), and their life at the margins of society in poverty and social exclusion. According to some estimates, only 16.7% of Roma are employed and up to 80.2% unemployed. When working, 23% of Roma generate temporary income by collecting secondary raw materials, 20% perform seasonal jobs, and 4% are involved in sales or do minor repairs (UNDP, 2006b); most of them work in the informal sector. Their involvement in informal work has consequences, including low incomes, poor job quality and weak social protection (i.e. lack of health and pension insurance).

The measures relating to employment in the National Programme for the Roma and the National Action Plan for the Decade of Roma Inclusion emphasise the participation of the Roma in public works, incentives to self-employment through trade and craft enterprises, as well as two-year subsidies to employers who employ the Roma. To date the results have been poor. Besides, as rightly noted by one of the studies (UNDP, 2006b), these measures only serve to intensify stereotypes in that they portray the Roma as only being capable of physical work and fail to propose innovative and viable solutions.

4.4 TERRITORIAL (REGIONAL) COHESION

Administratively, Croatia is divided into 21 counties (Zupanije), each of which encompasses several municipalities. The City of Zagreb holds the dual status of being both town and county. There is also a national classification of territorial units for statistics, which came into force in March 2007 and is compliant with the European statistical standard (NUTS). The NUTS 1 level is Croatia as a whole, and NUTS 3 comprises the counties. There is also a NUTS 2 level that comprises three non-administrative units that group counties according to Croatia's historical and geographical divisions: North-West Croatia (the Zagreb region, including Medimurje and Zgorje), Central and East Croatia (Slavonia) and Adriatic Croatia (Istria and Dalmatia).

Moderate regional disparities in living standards exist in Croatia; the counties in Central and East Croatia have the highest incidence of poverty and social exclusion and the lowest GDP per capita. Central and East Croatia have been found to have the highest concentration of poor and vulnerable groups. The area accounts for around 30% of the country's total population but around 60% of its poor people. The poverty risk in Central and East Croatia in 2008 was 2.6 times the national average (World Bank and UNDP, 2010).

The urban/rural divide is very important in the analysis of poverty in Croatia. The bulk of poorer people live in rural areas. In this respect it is important to note that the rural population is large in Croatia, accounting for almost half of the total population. In 2008, more than 75% of the poorest decile (in terms of per capita consumption distribution) and 75% of the poorest quintile lived in rural areas. The latest survey carried out by the World Bank and UNDP found that almost half of the poorest population¹³ live in rural areas in Central and East Croatia. By contrast, in urban areas of North West Croatia and the Adriatic Region, the home of over 40% of the country's population, poverty was disproportionately low (World Bank and UNDP, 2010).

In Croatia, a geographically selective policy is primarily applied to regions or areas affected by the war (denominated 'areas of special state concern'), but also covers geographically isolated areas (islands and mountainous or similar regions). The areas affected by the war face multiple problems; the economy has been ruined, in some areas the land has not been cleared of mines, the population composition has changed and the areas are depopulated. Geographic targeting has already been built into some packages of economic, income and social measures adopted by the Croatian government. These measures do not solely address poverty, but also have demographic, economic, political and other implications. In particular, the Regional Development Strategy 2011–13 adopted in mid-2010 should reflect and deal with regional inequalities and improve the development potential of underdeveloped areas.

¹³ Poverty is defined here as the bottom quintile (20%) of per capita consumption distribution.

Moreover, under this strategy four developmental programmes are planned, one of which aims to strengthen education capacities and bring them into line with labour market needs (MHSW, 2011).

4.5 IPA IV PROGRAMMING

Social inclusion is an explicit priority in IPA IV programming. In the 2007–11 IPA programming exercise, EUR 22.01 million (27% of the total IPA funding) was allocated to the reinforcement of social inclusion.

The measures under IPA IV (2007–11) priority axis 2 aimed at reinforcing social inclusion are designed to improve the access of vulnerable groups to employment and education as well as to improve the provision of social care services. **TABLE 4.4** gives a detailed overview of the projects under the three priorities. The bulk of funds (53.6%) and efforts are devoted to enhancing the employability of and providing better employment opportunities for the most disadvantaged groups, such as long-term unemployed, Roma, people with disabilities, and young people with low educational attainment. Moreover, there is a special focus on gender equality across all these groupings. While two of the projects are service contracts that envisage strengthening the administrative capacities of MHSW and CES to enable them to offer better services to disadvantaged groups while liaising horizontally and cooperating more efficiently, the rest are grant schemes that support skills training of the target groups, awareness raising and sensitisation of employers about the specific needs of vulnerable groups and, last but not least, promotion of employment for Roma people through the establishment of cooperatives.

The overall aim of the projects in the education priority area (attracting 28.9% of the funds under this axis) is to enhance the educational attainments of Roma students and students with disabilities and to improve their

employability. Two of the projects focus on students with disabilities only and include activities with the following aims:

- improving the enabling legal environment;
- improving the teaching and learning conditions in schools (equipment, teaching materials and textbooks for SEN students,
- improving teachers' specialised skills to work with SEN students (staff training);
- modernisation of VET curricula for students with disabilities (development of individual education plans);
- establishment of apprenticeship schemes for students with disabilities.

The third project targets both SEN students and Roma students and strives to promote the participation of these two groups in all stages of formal education — preschool, primary, secondary and higher education — through in-school measures (additional teaching assistants, adaptation of teaching and learning materials), and extracurricular measures (for example, transportation to educational institutions, summer camps).

The third measure involves actions that aim to de-institutionalise social care provision and enhance the share of community-based social care services that will directly and indirectly support successful implementation of the first two priorities. This set of interventions is part of a comprehensive overall reform of the social service sector and it is illogical that it has been allocated the least funding (17.5%).

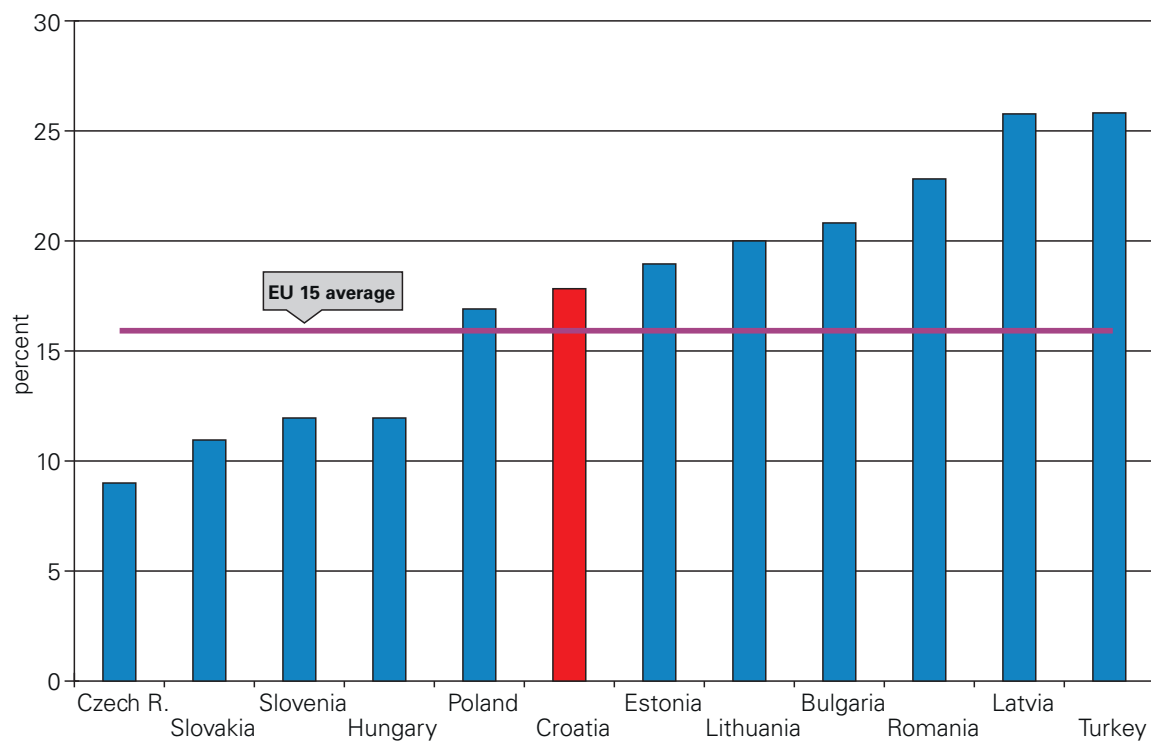
In general, while the results of implementation remain to be seen, in terms of programming, the interventions under the second measure seem to be better targeted while the interventions under the first measure appear to lack clear focus and give the impression of partial overlapping.

TABLES AND FIGURES

TABLE 4.1 POVERTY INDICATORS, 2005–09

Definition	Indicator	2005	2006	2007	2008	2009
Proportion of individuals aged 0+ with an equivalised disposable income below 60% of the national median equivalised disposable income.	At-risk-of-poverty rate, standard (%)	17.5	16.3	17.4	17.4	18.0
As above but calculated by excluding social transfers when defining the income. This indicator is used in connection with the standard at-risk-of-poverty rate in order to evaluate the impact of social transfers on the risk of poverty.	At-risk-of-poverty rate, social transfers excluded (%)	25.8	24.1	24.3	25.5	25.8
As above but calculated by excluding social transfers and pensions when defining the income. This indicator is used in connection with the standard at-risk-of-poverty rate in order to evaluate the impact of social transfers and pensions on the risk of poverty.	At-risk-of-poverty rate, pensions and social transfers excluded (%)	43.2	41.8	41.6	43.1	41.1
Ratio of total income received by the 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (lowest quintile).	Inequality of income distribution – quintile share ratio (S80/S20)	4.5	4.2	4.3	4.6	4.3
A measure of income inequality that takes into consideration the total distribution of income. If there was perfect equality, that is, if each person received the same income, the Gini coefficient would be 0. The closer to 1 the value is, the greater the income inequality.	Gini coefficient	0.29	0.28	0.28	0.29	0.27

Source: Croatian Bureau of Statistics, 2010b

FIGURE 4.1 AT-RISK-OF-POVERTY RATE – CROATIA AND MIDDLE-INCOME EU COUNTRIES, 2008

Note: The poverty line is 60% of the median equivalised income.

Source: World Bank and UNDP, 2010

TABLE 4.2 POVERTY INDICATORS, 2009

At-risk-of-poverty rate (%)	18.0
At-risk-of-poverty threshold for one-person households (HRK)	26 703
At-risk-of-poverty threshold for households consisting of two adults and two children (HRK)	56 076
At-risk-of-poverty rate by age and sex (%)	
Men	16.1
Women	19.9
0–15 years	19.2
Men	19.0
Women	19.3
16–24 years	16.0
Men	16.0
Women	16.1
25–49 years	12.3
Men	12.2
Women	12.3
50–64 years	14.6
Men	14.1
Women	15.0
65+ years	31.5
Men	23.7
Women	36.5
At-risk-of-poverty rate, by most frequent activity status (%)	
Employees	4.4
Men	5.7
Women	(2.7)
Self-employed	19.5
Men	17.6
Women	21.4
Unemployed	37.4
Men	40.7
Women	34.7
Retired	24.3
Men	21.9
Women	26.3
Other economically inactive	26.5
Men	20.0
Women	29.9

At-risk-of-poverty rate, by household type and age (%)

One-person household	43.2
Men	28.2
Women	50.2
One-person household, 30–64 years	30.6
Men	(28.1)
Women	(33.0)
One-person household, 65+ years	50.9
Men	(29.9)
Women	56.5
Two adults, no dependent children, both adults under 65 years	14.4
Two adults, no dependent children, at least one adult 65 years or over	28.7
Other households with no dependent children	7.2
Single parent household, one or more dependent children	(24.5)
Two adults, one dependent child	12.1
Two adults, two dependent children	14.1
Two adults, three or more dependent children	31.7
Other households with dependent children	11.9

At-risk-of-poverty rate by tenure status (%)

Tenant	26.3
Owner or rent free	17.8

Inequality of income distribution – quintile share ratio (S80/S20)

	4.3
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Gini coefficient

	0.27
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Relative at-risk-of-poverty gap (%)

	23.8
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Dispersion around at-risk-of-poverty threshold

40% cut off	6.2
50% cut off	11.5
70% cut off	25.1

At-risk-of-poverty threshold before social transfers (%)

Social transfers excluded from income	25.8
Pensions and social transfers excluded from income	41.1

*Note: Poverty threshold is 60% of the median equivalised income.
Source: Croatian Bureau of Statistics, 2010b*

TABLE 4.3 NUMBER OF ROMA STUDENTS IN FORMAL EDUCATION, 2006–09

Education level	2006/07		2007/08		2008/09	
	Total	Female	Total	Female	Total	Female
Pre-school	518	m.d.	810	401	661	315
Primary	3 010	m.d.	3 786	1 610	3 940	1 717
Secondary	101	44	162	65	265	115
Post-secondary	m.d.	m.d.	22	m.d.	32	m.d.

(m.d.) Missing data

Source: Implementation report on the JIM follow-up process on social inclusion of the Republic of Croatia for the period January 2008–March 2009

TABLE 4.4 IPA IV PROJECT PIPELINE, PRIORITY AXIS 2 – REINFORCING SOCIAL INCLUSION

Project	Beneficiary institution	Type of contract	Phase 1 2007–09 Total budget (EUR)	Phase 2 2010–11 Total budget (EUR)
Measure 2.1 Supporting access to employment by disadvantaged groups				
2.1.2a Establishing support for social integration and employment of disadvantaged and marginalised groups	MHSW	Service contract	1 412 500	
2.1.2b Establishing support for social integration and employment of disadvantaged and marginalised groups	MHSW	Grant scheme	1 842 800	
2.1.3a Women in the labour market	CES	Service contract	871 500	
2.1.3b Women in the labour market	CES	Grant scheme	2 000 000	
2.1.4 Improving labour market access of disadvantaged groups	CES	Grant scheme		2 000 000
2.1.5 Establishing support for social inclusion and employment of disadvantaged and marginalised groups	MHSW	Grant scheme		1 000 000
<i>Subtotal</i>				<i>11 797 000</i>
Measure 2.2 Supporting access to education by disadvantaged groups				
2.2.1a Access to education for students with disabilities	MSES	Service contract	994 980	
2.2.1b Access to education for students with disabilities	MSES	Grant scheme	1 318 284	
2.2.2 Integration of disadvantaged groups into the regular education system	MSES	Grant scheme		4 038 000
<i>Subtotal</i>				<i>6 351 264</i>
Measure 2.3 Development of social services to improve employment opportunities				
2.3.1 Broadening the network of social services in the community	MHSW	Grant scheme		2 450 000
2.3.2 Support to the social welfare sector in the process of further deinstitutionalisation of social services	MHSW	Service contract		1 410 555
<i>Subtotal</i>				<i>3 860 555</i>
Total				22 008 819

Source: Ministry of Economy, Labour and Entrepreneurship, EU Delegation to Croatia

5. MAIN CHALLENGES, STRATEGIC PRIORITIES AND RECOMMENDATIONS

5.1 HORIZONTAL PRIORITIES AND RECOMMENDATIONS

Despite the progress achieved in HRD, Croatian authorities, like other transition countries, are facing challenges that will require sustained commitment, strong leadership and the capacity to implement change. At the same time, the mindset that everything is the responsibility of the government is still prevalent, and greater dedication to work and (individual) employability – thinking in terms of ‘how marketable are the skills I can obtain in this school?’ – needs to be further cultivated.

Creating partnerships for sharing the tasks in a more efficient and effective manner within and across institutional boundaries remains a challenge. To address these challenges and priorities common to education, employment and social inclusion, the following recommendations are proposed:

- strengthen results orientation by defining outcome indicators in the policy cycle;
- reinforce institutional capacities for administering IPA and ESF projects, create multi-stakeholder working groups, and ensure coherence between projects;
- further develop stakeholder consultation, especially at regional and local levels;
- build the evidence base for HRD policy making by improving data collection and related information systems; develop analytical capacities, support research, promote peer learning among policymakers, researchers and practitioners;
- support the implementation of reforms through more systematic monitoring and evaluation;
- disseminate project results (CARDS, IPA, Tempus, etc.) more systematically and make them available to a wider public (schools, local and national authorities, and other relevant stakeholders);
- focus more on the sustainability of project outcomes to ensure that the project outputs are maintained after funding has ceased.

5.2 EDUCATION AND TRAINING

The lack of strategic planning in the education sector since 2010 has introduced a degree of uncertainty that undermines motivation and weakens the basis for IPA and ESF programming. Although the planned interventions (project pipelines) clearly address the main issues involved

in developing Croatian education and training, their content and timing are not sufficiently coherent in terms of following clear policy directions and the strategies that they should help to implement.

CROQF is expected to be the main driver of the education reform, at least in terms of its employment outcomes, but how this is going to happen is not as yet clear. The CROQF implementation strategy is still under development, and important questions, such as the designation of a lead institution and the creation of a transparent, sustainable and operational structure, have not yet been resolved.

The ability to achieve learning outcomes aligned to demand will depend on adequate learning processes, and will involve curricula, teachers and learners. At present, the curricula guiding the interaction between teachers and learners in Croatian schools are still largely teacher-centred, do not fully cover key competences, are out of pace with fast-changing labour market requirements, and lag behind developments in information technology. The NFC and CROQF frameworks are steps in the right direction, but these steps need to be complemented by a well-planned redesign of national curriculum standards, school curricula and higher education programmes, as well as CROQF-accredited lifelong learning. Last but not least, teachers and school leaders must also receive additional training and support to make the new quality of learning a reality.

These far-reaching innovations and demanding changes require a concerted effort from the many actors in the process. Success will only be achieved with stronger leadership in addition to enhanced capacities and partnerships. The MSES and the agencies (AMEUP, ASHE, AVETAE, ETTA and NCEEE), in addition to the various councils and committees active in education, will continue to share the strategic leadership role, and their capacities will need to be further developed. Capacity building will also be needed for all of the other actors who will participate in shaping the new system and implementing the reform: social partners, regions, counties, local municipal authorities, schools and other centres of learning, and civil society organisations.

Finally, thanks to Croatia’s successful approach to future EU membership, IPA and ESF programming is at an advanced stage. The IPA interventions already under way and the projected ESF investment present a unique opportunity to develop the country’s education and training system, a task that calls for a more coherent

national policy and strategy as outlined in this review. Such a strategic plan can be used to fine-tune priority axis 3 in the HRD operational programmes, revise the project pipelines, and target IPA, ESF and national funds more efficiently and with greater effectiveness.

To address the main challenges and priorities identified above, the following recommendations are proposed. We start with the overall strategy, which serves as an umbrella for all the other recommendations further down.

Define strategies for developing education and training

- Integrate existing strategies into a single coherent development strategy for education and lifelong learning in an open and participatory manner, organising a national debate to create lasting stakeholder consensus. Main institution concerned: MSES.
- Address the gaps in the current strategic planning: CROQF, national curricula and assessment, teachers and trainers, higher education, lifelong learning, rationalisation of the schools network, introduction of vocational centres and other efficiency measures, decentralisation of education financing, implementation of performance-based funding. Institutions concerned: MSES, AVETAE, ETTA and ASHE.
- Consider the structural changes currently being discussed in the education community, such as the introduction of nine-year basic schooling and post-secondary VET. Main institution concerned: AVETAE.
- While there is a considerable amount of autonomy at faculty level in tertiary education, consider developing strategies for greater decentralisation of the primary and secondary school systems. Institutions concerned: MSES, ETTA and AVETAE.
- Draw up short-, mid- and long-term action plans, define targets and result/impact indicators and benchmarks based on relevant EU strategies. Establish monitoring and evaluation mechanisms. Main institution concerned: MSES.
- Make the best possible use of current IPA projects and their expert pool, in addition to the rich outcomes and experience from CARDS, Tempus and ESDF as well as recent experience in the Lifelong Learning programme (most notably Comenius, Leonardo da Vinci and Grundtvig) and Youth in Action programme. Institutions concerned: MSES, AVETAE, ASHE and Agency for Mobility.

Enhance CROQF development

- Revise the CROQF implementation planning and increase the role of employers and trade unions in the implementation. Main institutions concerned: MELE and MSES.
- Establish a CROQF executive body in agreement with social partners, integrate the existing qualification development structures and establish a web-based CROQF platform. Main institution concerned: MSES.

- Ensure coordination to achieve vertical pathways linking all qualification levels across each sector of the economy. Institutions concerned: MSES and MELE.
- Define conditions for accrediting adult learning in the CROQF, including recognition of non-formal and informal learning programmes. Institutions concerned: MSES and AVETAE.
- Improve understanding of the CROQF by presenting concrete examples of qualifications and how the CROQF will be communicated to users. Main institutions concerned: MSES and AVETAE.

Ensure quality learning processes

- Introduce new national curricula and higher education programmes based on NFC and CROQF that will build key competences from preschool through to higher and adult education. Institutions concerned: MSES, AVETAE, ETTA and ASHE.
- Redesign secondary VET programmes in line with CROQF, creating a flexible modular structure with vertical and horizontal pathways leading to post-secondary and tertiary education or to the labour market. Institutions concerned: MSES and AVETAE.
- Further develop understanding of the concepts involved in the modular organisation of the curriculum and the issues they raise relating to content, teaching methods, learning process and assessment instruments in VET. Institutions concerned: MSES, AVETAE and ETTA.
- Further improve the flexibility of secondary VET programmes by dealing in a more comprehensive and sustainable way with the issue of narrowly defined occupations (which still predominate). Main institutions concerned: MSES and AVETAE.
- In line with the new curricula, introduce national assessment at the end of primary and lower secondary education, revise the State Matura, and establish a state VET Matura and final exams. Institutions concerned: MSES, AVETAE and NCEEE.
- Continue to develop quality assurance mechanisms that combine school self-assessment with external evaluation. School self-assessment should be supported by a network of external assessors (critical friends) who provide impartial support to schools in carrying out relevant activities. Main institutions concerned: AVETAE and NCEEE.
- Modernise pre-service teacher education and in-service teacher competence development through training and school-based learning to prepare teachers for new curricula and teaching methods. Develop school leadership competences. Main institutions concerned: MSES, ETTA and AVETAE.
- Stimulate further education, continuing VET, in-company training and workplace learning by awarding CROQF qualifications or partial credits and by providing other incentives to both learners and providers. Main institutions concerned: MSES and AVETAE.
- Continue to address the issue of multiple operating shifts in schools, which represents a major obstacle to school organisation and quality learning; two-thirds of primary and secondary schools operate in double

shifts and around 6% of primary schools still operate in triple shifts. Institution concerned: MSES.

Strengthen strategic leadership

- Reinforce the strategic leading role of MSES by further devolution of operational tasks to the executive agencies or regional and local authorities. Institution concerned: MSES.
- Strengthen the multi-stakeholder governing and advisory bodies, such as the CROQF Committee and the VET, Higher Education and Adult Education councils. Institutions concerned: MSES, AVETAE and ASHE.
- Build consensus on education policy and strategy across political parties. Engage the parliamentary Education Committee in the process to ensure that change of government does not completely reverse HRD policies.

Develop capacities and partnerships

- Develop MSES and agencies' capacities to steer the education reform, provide support to regions and schools, and to collaborate with each other and with external partners. Main institution concerned: MSES.
- Strengthen the performance and reinforce the capacity of AVETAE so that the agency can facilitate change in vocational schools and institutions providing adult education, assist staff development, and act as an efficient lead partner in IPA and ESF operations aimed at developing VET and adult education. Institution concerned: AVETAE.
- Support capacity development in employer organisations by increasing their involvement in formulating qualifications demand, CROQF implementation and curriculum development and in the delivery and assessment of VET and higher education programmes. Main institution concerned: MELE.
- Further strengthen the link between education and the business community through more structured information flow and cooperation between schools, universities, the economic sector and ministries. Main institutions concerned: MSES and MELE.
- Engage trade unions in the development of qualifications and learning programmes and stimulate their role as partners in developing employee competences. Main institutions concerned: MSES, MELE and social partners.
- Increase the involvement of teachers' trade unions in the education reform, so that they can contribute to teacher motivation and play an active role in the professionalisation of teachers. Main institutions concerned: MSES and social partners.
- Consider the local, regional, county and municipal authorities as key actors in developing lifelong learning. They should define HRD needs in their

territories, co-fund education and training, and facilitate the creation of partnerships. Institutions concerned: MSES and Ministry of Regional Development.

- Encourage schools to develop a strategic view of their own development. Design systematic and sustainable capacity-building measures to train school principals in the area of school management. Training should include strategic management, funding and school budgeting, personnel management, marketing, change management, and networking with regional, national, and EU stakeholders. Main institutions concerned: MSES and associations of school principals.
- Facilitate the development of schools into centres of learning, excellence, and new technology. They should actively participate in skills needs assessment, offer relevant and diverse education and training programmes, cover a wide range of qualification needs (including post-secondary VET qualifications), and monitor the success of their graduates in the labour market. Stimulate networking, integration and school mergers, as appropriate. Main institutions concerned: MSES and NCEEE.
- Support the engagement of civil society organisations in educational research and practice. Involve them as adult education providers and as places for individualised active learning. Main institutions concerned: MSES and Government Office for Cooperation with NGOs.
- Make use of EU mobility programmes and other opportunities to foster the international mobility of students, teachers, researchers and administrators at all levels of the system. This can also be promoted in the context of IPA and ESF operations. Main institutions concerned: MSES and Agency for Mobility and EU Programmes.

Revise IPA and ESF operation pipelines

- Use the ongoing IPA projects to support the measures recommended above. This can be achieved by shaping project outputs through steering committees, by effectively monitoring and coordinating parallel project activities, and by mainstreaming the results of technical assistance and the lessons learned from grant scheme implementation.
- Based on the coherent education and lifelong learning development strategy, revise IPA phase 2 programming and make appropriate changes in the IPA HRD Operational Programme, the project pipeline, and the operation identification sheets.
- Based on the coherent education and lifelong learning development strategy and in continuity with the IPA HRD interventions, revise ESF programming and make appropriate changes in the ESF HRD Operational Programme, the operations pipeline, and in the grant scheme development plans and guidelines for applicants.

5.3 EMPLOYMENT

Croatia needs to increase business competitiveness and return to a strong growth path in order to create more jobs and increase employment and activity rates. A more coherent policy approach, with horizontal and vertical cooperation, coordination and commitment of all stakeholders, and a strengthened social dialogue will be needed to achieve tangible and sustainable results. Priority should be given to creating a macroeconomic environment conducive to job creation. This will involve sectoral policies as well as national and regional development strategies.

Policy making related to the labour market needs to be embedded in a more strategic framework that clearly defines policy goals and qualitative as well as quantitative results. The goals and indicators defined in current policy papers relate primarily to inputs and outputs and do not identify the desired impact or specify measurable results that could serve as the basis for evaluating and continuously improving the policy cycle. The gap appears to be in establishing goals and indicators to assess the expected outcomes and in the tendency to focus on policies and programmes rather than projects. Evaluation capacity needs to be developed and become an integral part of the policy cycle.

Another challenge that should be addressed and prioritised is the need to enhance and support the restructuring of companies in strategic sectors, thus increasing competitiveness and carrying forward planned privatisation. At the same time, the growth and job creation potential of SMEs need to be enhanced through more favourable framework conditions.

Tackling the problem of low employment and activity rates with more effective activation policies will require a mix of incentives, support and sanctions to address and combat the grey economy. A holistic approach is also needed to boost career and employment opportunities for young people, and it should also focus on easing the transition from education to employment.

The labour market is still characterised by relatively high employment protection in contrast to the flexibility found in the informal sector, which is characterised by tax evasion and vulnerable working conditions. There is also evidence of increased labour market segmentation, with new labour market entrants being offered mainly temporary work contracts.

To tackle structural unemployment and the skills mismatch, a well-coordinated mix of approaches will be needed. These should be aimed at providing better information to labour market actors and the education and training system at national and local level concerning the short-term and medium-term skills needs of the labour market.

The following recommendations are proposed to address the main challenges and priorities.

Increase the competitiveness of the economy, and the employability and adaptability of the workforce

- Further improve support services for the redeployment of workers and restructuring of enterprises. The restructuring and modernisation of enterprises should be supported with approaches that enhance the adaptability of the companies and the workforce. A more holistic and strategic approach towards enterprise restructuring should include three main components: (i) a revision of the early warning system and a more flexible definition of mass layoffs (currently defined as more than 20, irrespective of the size or the company); (ii) enabling and facilitating better use of numerical and functional internal flexibility at enterprise level (job mobility, temporary short-time work, flexible working time arrangements, etc.) to avoid or minimise layoffs; and (iii) foster and incentivise employee (re)training, particularly targeting those most likely to be excluded from continuing training (usually women and low-skilled employees). Institutions concerned: MELE, CES and the social partners.
- Develop a fully fledged start-up support scheme, combining advisory services, training for the self-employed and (micro-) credit facilities. These services could be contracted out to professional service providers. A targeted approach may be needed to meet the specific needs of different target groups (women, low-skilled, youth, agricultural producers, etc.). Start-up support schemes are implemented in many EU countries with good results; programme design could make use of these experiences. Institutions concerned: MELE and employer organisations.

Optimise labour market management and make activation policies more effective

- Improve the effectiveness of activation policies by applying an integrated policy approach that intervenes on several levels. On the supply side, the approach should combine supportive measures with obligations and requirements (in the case of unemployed or inactive individuals who are able to work). Supportive measures should include adequate income security for the unemployed, making informal sector income unnecessary. These must be accompanied by stricter requirements and obligations to reduce informal employment and ensure that job seekers are actively seeking employment and available for work. However, to achieve better results with activation interventions, the demand side also needs to be addressed. This includes job creation, canvassing more vacancies, and reducing informal employment. Matching supply and demand should be improved through an optimised placement and referral system using a multi-channelling approach. Early intervention with intensified counselling should be enforced to minimise the inflow into long-term unemployment. Main institutions concerned: MELE, CES, the Social Welfare Services and the State Labour Inspectorate.

- Make ALMP more effective. Optimise the portfolio and targeting of measures, setting clear strategic goals. Active labour market programmes at national and county level should be results-oriented rather than input-oriented. In addition to input and process indicators, programmes also require outcome indicators that will inform effective steering, evaluation and continuous improvement of the interventions. For example, training measures should focus not only on the number of participants or graduates, but also, more importantly, on job placement. Job placement of trainees should be an obligation for training providers, with defined placement rates adjusted to reasonable expectations, taking into account the target group and regional labour market conditions. The main institution would be CES, supported by a strong network of NGOs. Research capacities should be further strengthened to provide continuous assessment.
 - Increase the coverage of ALMP. The number of unemployed people participating in activation measures has increased, but is still too low to achieve tangible results. At the local level, some schemes are too small for efficient implementation. All schemes should be assessed, and subsequent decisions regarding upgrading and continuation should be based on the findings. Main institutions concerned: MELE and CES.
 - Combat youth unemployment with an integrated approach. To facilitate the transition from education to work, the recently launched schemes establishing various forms of internships should be upgraded and further developed. A two-pronged approach should be implemented aimed at enhancing the job-search capabilities of young job seekers and providing companies with incentives to employ young people. Career counselling and guidance services should remain at the top of the agenda. Main institutions concerned: MELE, MSES and CES.
 - Develop and implement gender mainstreaming policies and equal opportunities policies at all levels of the CES, and specifically for future ESF interventions. These policies should set goals (and, where needed, quotas) for the participation of women and national minorities in ALMP. To enhance equal opportunities, gender mainstreaming approaches are as important as measures targeting specific groups. In order to tackle obstacles that hamper female participation in work or training, the availability of family care facilities should be increased and more part-time work promoted. Main institution concerned: CES.
- agenda for social dialogue. Main institutions concerned: MELE, the Social Insurance System and the social partners.
- Combat undeclared labour with stricter control and incentives to legalise informal activities. In addition to sanctions, the approach could involve gradual legalisation of existing informal activities combined with supportive measures. To make formal employment a more attractive option, consider reducing social security contributions or providing tax credits, specifically for low wage jobs. Evasion of social security payments needs to be combated with stricter control systems. These approaches require high commitment at the political level and the continued active involvement of social partners. Main institutions concerned: MELE and the State Labour Inspectorate.

Tackle the skills mismatch with a mix of approaches

- To anticipate future skills needs, a mix of approaches should be further developed, validated and coordinated at national level. Different methods for assessing, forecasting and anticipating skills supply and demand are required to provide information for different users (CES, the education system, training providers, employers, and individuals) at different levels (macroeconomic, national, sectoral, local) and for short-term and medium-term time horizons. A wide range of institutions at national, regional and sectoral levels are concerned, and research capacities and a sustainable system for national coordination are needed.
- Micro and small enterprises need specialised support services to enhance their management capacities and support sustainable growth. This need should be addressed by providing direct counselling services that can advise SMEs on how to conduct training needs assessments and develop training plans. This intervention should include further development of the capacities of specialised SME counsellors and advisory schemes at branch, local and company levels. Main institutions concerned: MELE and employer organisations.

5.4 SOCIAL INCLUSION

A marked and rapid increase in social inequalities, poverty and social exclusion has been observed in Croatia following the transition from a socialist to a market economy. Many citizens were unprepared for (and are still unable to adapt to) these changes, which jeopardised people's 'cradle to grave' security and seriously affected their well-being in the post-transition period. The transition phase was further complicated by the war (1991–95), which had a devastating impact on Croatia's economic and social fabric. One consequence of the war has been the creation of an enormous population of poor unemployed people, displaced people, refugees, and war veterans who are dependent on relatives, friends,

Increase flexibility whilst reducing labour market segmentation

- Address the problem of labour market segmentation. The high incidence of temporary work contracts being extended for new jobs is a clear indicator of growing labour market segmentation, and the transition from temporary to permanent contracts should be closely monitored. On the other hand, easing the strict employment protection associated with permanent contracts (dismissal protection) should remain on the

humanitarian organisations and the state (Sikic-Micanovic, 2010). Conscious that social inclusion and equity are both an objective and a prerequisite for the ongoing reform, Croatia is making serious efforts to build greater social cohesion through education and labour market policies, as well as balanced regional development. The main challenges in this regard appear to be:

- increasing the participation of vulnerable groups in high-quality education and training;
- increasing the participation of vulnerable groups in decent and gainful employment;
- enhancing regional cohesion.

To address these challenges and priorities, the following recommendations are proposed.

Increase the participation of vulnerable groups in high-quality education and training

- Streamline inclusive education measures throughout the whole system from preschool to higher education and improve the monitoring and evaluation of interventions. Main institutions concerned: MSES and MHSW.
- Target resources and efforts on the transition between primary and secondary education to reduce early school leaving. This is a critical transition for students with special needs and Roma students. Main institutions concerned: MSES and the Government Office for National Minorities.
- Improve pre-service and in-service preparation of teachers and include training in generic skills for dealing with diversity in classrooms. Provide support and incentives for teachers for working with Roma

and students with special needs. Main institutions concerned: MSES and the Government Office for National Minorities.

Increase the participation of vulnerable groups in decent and gainful work

- Launch campaigns to raise awareness, reduce discrimination and combat workplace stereotypes. These should also aim to create and disseminate positive role models in vulnerable communities. Main institutions concerned: MELE and MHSW.
- Engage disadvantaged groups in relevant training, work placement schemes, apprenticeships, and traineeships. Offer them opportunities that will close the gap that separates them from employers and the world of work. Main institutions concerned: MELE, MSES, MHSW and AVETAE.
- Create incentives (both financial and through dissemination of good practice) aimed at involving the private sector in opening up employment opportunities for disadvantaged groups. Support self-employment and business start-ups in these populations. Main institutions concerned: MELE and MHSW.

Enhance regional cohesion

- Develop integrated economic, social and employment responses to tackle the problem of multiple deprivations. Main institutions concerned: MELE, MHSW and Ministry of Regional Development.
- Further improve local employment initiatives (local employment pacts). Main institutions concerned: MELE and CES.

ABBREVIATIONS AND ACRONYMS

AAE	Agency for Adult Education
AHE	Agency for Higher Education
ALMM	Active labour market measure
ALMP	Active labour market policy
AMEUP	Agency for Mobility and EU Programmes
ASHE	Agency for Science and Higher Education
AVETAE	Agency for Vocational Education and Training and Adult Education
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBS	Croatian Bureau of Statistics
CCC	Croatian Chamber of Commerce
CCTC	Croatian Chamber of Trades and Crafts
CEA	Croatian Employers' Association
CES	Croatian Employment Service
CODEF	Central Office for Development Strategy and Coordination of EU Funds
CPII	Croatian Pension Insurance Institute
CROQF	Croatian Qualifications Framework
CVET	Continuing vocational education and training
ERP	Economic Recovery Programme
ESDP	Education Sector Development Plan
ESF	European Social Fund
ETF	European Training Foundation
ETTA	Education and Teacher Training Agency
EU	European Union
Eurostat	Statistical Office of the European Union
FDI	Foreign direct investment
FVEEPD	Fund for Vocational Education and Employment of Persons with Disabilities
GDP	Gross domestic product
GONM	Government Office for National Minorities
HAMAG	Croatian Agency for Small Enterprises

HIV/AIDS	Human immunodeficiency virus/acquired immunodeficiency syndrome
HRD	Human resources development
ILO	International Labour Organisation
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
ISCED	International Standard Classification of Education
JAP	Joint Assessment of the Employment Policy Priorities
JIM	Joint Inclusion Memorandum
LFS	Labour force survey
LPE	Local Partnership for Employment
MELE	Ministry of Economy, Labour and Entrepreneurship
MFVAIS	Ministry of the Family, Veterans' Affairs and Inter-generational Solidarity
MHSW	Ministry of Health and Social Welfare
MPA	Ministry of Public Administration
MRDFWM	Ministry of Regional Development, Forestry and Water Management
MSES	Ministry of Science, Education and Sports
MSTI	Ministry of the Sea, Transport and Infrastructure
MT	Ministry of Tourism
NCEEE	National Centre for External Evaluation of Education
NEPP	National Employment Promotion Plan
NFC	National Framework Curriculum
NGO	Non-governmental organisation
NUTS	Nomenclature of territorial units for statistics
OCNDA	Office for Combating Narcotic Drug Abuse
OECD	Organisation for Economic Cooperation and Development
OHR	Office for Human Rights
OSP	Office for Social Partnership
PISA	Programme for International Student Assessment
PPP	Purchasing power parity
PPS	Purchasing power standard
PROGRESS	Community Programme for Employment and Social Solidarity
RCC	Regional Cooperation Council

RCTC	Regional chambers of trades and crafts
REGOS	Central Registry of Insured Persons
SEECEL	South East European Centre for Entrepreneurial Learning
SEN	Special educational needs
SME	Small and medium-sized enterprise
UN	United Nations
UNDP	United Nations Development Programme
Unesco	United Nations Educational, Scientific and Cultural Organisation
URIHO	Institution for Rehabilitation of Disabled Persons by Professional Rehabilitation and Employment
VAT	Value added tax
VET	Vocational education and training
VETIS	Vocational Education and Training Information System

COUNTRY CODES

AL	Albania
BA	Bosnia and Herzegovina
IS	Iceland
XK^a	Kosovo ^b
ME	Montenegro
RS	Serbia
HR	Croatia
MK^c	former Yugoslav Republic of Macedonia
TR	Turkey

(a) Provisional code used by Eurostat.

(b) So-called without prejudice to position on status, and in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

(c) Provisional code that does not affect the definitive denomination of the country to be attributed after the conclusion of the negotiations currently taking place at the United Nations.

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