



# INTERREG SIV

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Policy Report

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Content

- 1. Introduction - current status of employment .....3
- 2. ESF PLUS - MEANS OF SUPPORT FOR SIV PROJECTS ..... 8
- 3. ERDF - MEANS OF SUPPORT FOR SIV PROJECTS ..... 10
- 4. FURTHER FUNDING IDEAS..... 11
- 5. CONCLUSIONS ..... 12

## 1. Introduction - current status of employment

Guidelines for the development and implementation of active employment policy in the Republic of Croatia for the period 2018-2020 have established the basis for the development of active employment policy measures, evaluation of their employment and promotion. They also set priorities and objectives in the area of the overall employment policy in the Republic of Croatia for the three-year period: increasing the employment rate, adjusting supply and demand in the labour market and stepping up out activities to inform labour market participants. The long-term goal set by the Guidelines is a competent and adaptable workforce that will be able to meet the requirements of the labour market and the interconnected institutions of the market that can provide high quality service.

### Number of unemployed (CES):

Year	Average number of unemployed
2018	153.542
2019	128.650
2020	150.024

The number of unemployed has decreased slightly due to the coronavirus pandemic and the closure of most of the economy in order to prevent the epidemic from spreading further. However, despite the emergency situation, the average number of unemployed people decreased by 2,718 people between 2018 and 2020.

	2018.	2019.	2020.
Small	66.402	57.125	67.229
Female	87.139	71.525	83.595
Total	153.542	128.650	150.824

Out of the total average number of unemployed persons (150,824) in 2020, 52,042 people were registered with the unemployed for more than a year, i.e. the share of the long-term unemployed amounted to 34.5% in the total unemployed. Compared to 2020 with 2018, the number of long-term unemployed decreased from 66,605 to 52,042 and 14,563 people, respectively.

Year	Long term unemployed
2018	66.605
2019	50.371
2020	52.042

Out of the total average number of unemployed persons (150,824) in 2020, 42,373 people under the age of 30 were registered as unemployed and 28.1% of the total unemployed. Compared to 2018, the number of young unemployed increased from 39,756 to 42,373 and 2,617 people in 2020, respectively.

### Unemployment rate (20-64) (Eurostat):

The unemployment rate in 2020 was 7.0%, while in 2018 it was 8.2% and the unemployment rate decreased by 1.2 percentage points.

	<b>2018.</b>	<b>2019.</b>	<b>2020.</b>
<b>EU 27</b>	7,2	6,6	6,9
<b>Croatia</b>	8,2	6,4	7,0

Unemployment rate (15-24) (Eurostat):

	2018.	2019.	2020.
<b>EU 27</b>	16,1	15,1	16,9
<b>Croatia</b>	23,7	15,1	21,1

Number of employees (20-64) (Eurostat):

The number of employees in the 20-64 age group in the Republic of Croatia increased by 0.5% in 2020 compared to 2018, while at EU-27 level the reverse trend is visible – the number of employees decreased by 0.5% over the same period.

	2018.	2019.	2020.
<b>EU 27</b>	189.824.800	191.449.800	188.933.000
<b>Croatia</b>	1.609.900	1.630.800	1.618.100

Employment rate (20-64) (Eurostat):

The employment rate in 2020 was 66.9%, while in 2018 it was 65.2% and our employment rate increased by 1.7 percentage points, while at EU-27 level the employment rate stagnated in the observed period.

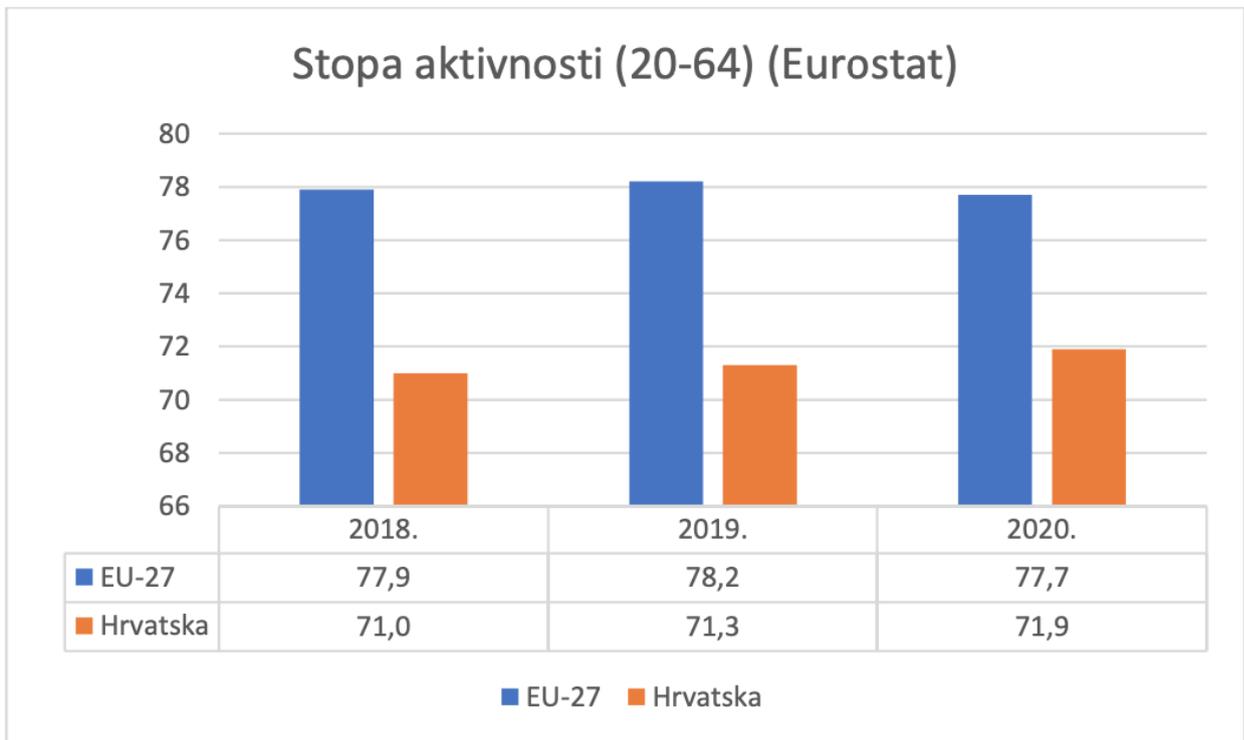
	2018.	2019.	2020.
<b>EU 27</b>	72,3	73,1	72,3
<b>Croatia</b>	65,2	66,7	66,9

Youth employment rate (15-24) (Eurostat):

The youth employment rate in 2020 is the same as in 2018, at 25.6%, while at EU-27 level it decreased by 1.4 percentage points.

	2018.	2019.	2020.
<b>EU 27</b>	32,8	33,4	31,4
<b>Croatia</b>	25,6	27,7	25,6

Activity rate (20-64) (Eurostat):



The activity rate in 2020 was 71.9%, an increase of 0.9 percentage points compared to 2018, while at EU-27 level the activity rate decreased by 0.2 percentage points.

	2018.	2019.	2020.
EU 27	77,9	78,2	77,7
Croatia	71,0	71,3	71,9

Active Employment Policy Measures (CES):

	2018.	2019.	2020.	2018.- 2020.
1. Aid for employment	9.169	8.734	5.908	23.811
<i>1.1. Aid for the employment of the unemployed</i>	<i>7.121</i>	<i>6.783</i>	<i>4.355</i>	<i>18.259</i>
<i>1.2. Employment aid for the acquisition of first work experience/traineeships</i>	<i>2.048</i>	<i>1.951</i>	<i>1.553</i>	<i>5.552</i>
2. Training aid	375	996	622	1.993
3. Aid for self-employment	6.485	8.723	3.778	18.986
4. Education and training	11.683	7.378	2.939	22.000
<i>4.1. Education of the unemployed</i>	<i>5.180</i>	<i>3.359</i>	<i>2.149</i>	<i>10.688</i>
<i>4.2. Education of employees</i>	-	-	3	3



	2018.	2019.	2020.	2018.- 2020.
4.3. <i>On-the-job training</i>	492	578	361	1.431
4.4. <i>Education for finishing primary school and obtaining the first profession</i>	-	-	0	0
4.5. <i>Activation programs</i>	-	-	398	398
4.6. <i>Vocational training for non-employment work</i>	5.885	3.381	26	9.292
4.7. <i>Training to experience appropriate work experience (30+)</i>	126	60	2	188
5. Public work	5.420	3.366	2.305	11.091
6. Aid for the preservation of jobs	0	2.446	1.429	3.875
6.1. <i>Support for reducing working hours</i>	-	281	0	281
6.2. <i>Support for the education of workers</i>	-	-	0	0
6.3. <i>Aid for the preservation of jobs in the textile, clothing, footwear, leather and wood sectors</i>	-	2.165	1.429	3.594
7. Permanent seasoner	3.803	5.283	6.264	15.350
<b>ALTOGETHER</b>	<b>36.935</b>	<b>36.926</b>	<b>23.245</b>	<b>97.106</b>

Between 2018 and 2020, 97,106 people used one of the active employment policy measures. Employment aid was the most used, at almost 25% compared to the total number of beneficiaries of the measures.

## 2. ESF PLUS - means of support for SIV projects

The ESF+ is the EU's main financial tool for strengthening the social dimension of the Union. It is the result of a merger of the existing European Social Fund (ESF), the Youth Employment Initiative (YEI), the Fund for European Aid to the Most Vulnerable (FEAD), the Employment and Social Innovation Programme (EaSI) and the EU Health Programme. This is a major step towards guiding and simplifying existing rules between funds and will help



increase synergies between the fund's different components to ensure better performance. Croatia uses this instrument to implement national policies aimed at increasing the education and employment of Croatian citizens through various projects.

The main objective of the ESF+ is to contribute to a more social Europe and to make the European Pillar of Social Rights a reality in application. The ESF+ contributes to economic and social convergence throughout Europe.

Funding from the ESF+ will also contribute to the implementation of the employment guidelines as defined in the European Semester of Policy Coordination and the overall post-2020 Smart, Inclusive and Sustainable Growth Goal (UN Sustainable Development Goals), such as ensuring a high level of human health. The initiative will help improve employment opportunities, living raise standards, facilitate labour mobility and increased economic, social and territorial cohesion as set out in the Treaty on the Functioning of the European Union (TFEU) and the EU Charter of Fundamental Rights. The co-financing rate is from 50 to 85% of the total value of the project.

1. **Financial Allocation for the Republic of Croatia (2021-2027): €1.98 billion**

For SIV project the most important are possibilities to apply for funding through following priorities:

## THEMATIC CONCENTRATION OF THE FUND:

1. Education, training and lifelong learning;
2. Labour market efficiency and equal access to quality employment;
3. Social inclusion, health and the fight against poverty;

## THE FUND MAY FINANCE:

1. Improving job opportunities;
2. Promoting youth employment and social inclusion;
3. Raising living standards through helping to get a job or a better job;
4. Investments in human resources and improving labour market access;
5. Empowering the most vulnerable and unemployed;
6. Integrating disadvantaged people into society and ensuring fairer life opportunities for all;

### 3. ERDF - means of support for SIV projects

#### Programme description

#### Main objectives

The main aims of the programme are to boost economic competitiveness, support alignment with the EU environmental acquis, invest in transport infrastructure (TEN-T) and network infrastructure. The EU allocation amounts to EUR 6.88 billion (4.3 billion from the European Regional and Development Fund and 2.56 billion from the Cohesion Fund).

#### Funding priorities

The programme focusses on 9 thematic objectives (all except TOs 8 and 11).

Almost 60% of the ERDF allocation is aimed at strengthening the economic competitiveness of the country. It will support national efforts to develop an innovation-driven economy, primarily by building-up scientific excellence, encouraging Research/Development/Innovation investment and technology transfer in the business sector. Next generation network (NGN) broadband will be further extended and e-public services developed. Competitiveness and innovation in Small and Medium sized Enterprises will be supported through increased entrepreneurship, better access to finance and the development of high-quality business services.

A substantial share of the Cohesion Fund allocation is allocated to investments necessary for compliance with EU Directives in the waste and water sectors. ERDF funding will be invested in the development of energy efficiency in public buildings and housing, as well as the production of renewable energy resources at local level. Biodiversity and ecosystems will be further preserved, including through the development of the Natura 2000 network. Particular support will be dedicated to demining, as well as the prevention and monitoring of the natural risks.

In the transport sector, ERDF and the Cohesion Fund will strengthen the connectivity of the country and the regions to trans-European networks (railway, inland waterway and roads), support the modernisation of Dubrovnik airport, connect islands to the mainland, develop sustainable urban mobility in major cities, as well as improve road safety.

Furthermore, the ERDF will intervene in complementarity with the programme "Efficient human resources" (European Social Fund) in the sectors of education (e-schools) and vocational training, the development of community-based services and primary health care services.

Urban sustainable development will be implemented through integrated territorial investments (6% ERDF). The use of financial instruments is envisaged (support to SMEs, energy).



### Expected impact:

- 67% increase of patent applications, trademarks and industrial design
- 53% of the households covered by broadband coverage (instead of 33% in 2013); 50% of primary and secondary schools e-connected and using e-learning
- average annual heating/cooling energy demand in retrofitted public buildings of 50Wh/m<sup>2</sup> (instead of 250)
- 1 million inhabitants served by improved water supply and wastewater treatment
- 35% of municipal waste deposited in/on land (instead of 92% in 2011); 10 new operational waste management centres
- 100% of the territory covered by regular monitoring and evaluation of climate change impacts
- 100% of the population covered by air quality information in urban areas
- 40% of the Natura 2000 management framework in place
- 78 km reconstructed or upgraded TEN-T railway line
- 10% decrease in the number of admissions to acute care, thanks to the development of additional primary health care services

### Regions

- Croatia

### Funds

- Cohesion Fund (CF): 2,130,755,644.00 €
- Regional Development Fund (ERDF): 4,731,998,251.00 €

## 4. Further funding ideas

Funding of the employment is usually associated with the state and public institutions and it is very rarely that private entities consider that it is in their interest to actively participate and support provision of employment services. However, ever growing shortage of adequate workers, changing demand for skills and worker profiles as well as raising awareness about necessity of measuring social impact of the activities for every company are giving additional motive for private entities to start thinking about new and innovative methods by which they can contribute to the creation of new



adequate job opportunities for the people from the deprived social groups and at the same time ensure adequate workers for their companies.

However, in order to scale up and expand that awareness, formal and by public institutions supported framework could help a lot. For example, in Croatia there is a special public fund (ZOSI) that supports employment of the people with disabilities. All companies are required by law to employ at least one person with disabilities on every 20 workers with disabilities employed by the company. If they do not meet this legal obligation, company should pay a compensation to the ZOSI, providing money that is then used to support employment of the people with disabilities.

Companies employing primarily people with disabilities (integrative workshops, social enterprises etc.) are benefitting from that program as instead of paying compensation to ZOSI, companies not meeting required number of employees of disabilities may choose to spend the same amount (of compensation) for buying products and services from companies employing people with disabilities.

This model could be expanded or replicated to cover not only people with disabilities but also other disadvantaged groups. As part of

## 5. Conclusions

In contemporary circumstances filled with a series of unprecedented events (economic crisis, climate change, raising social inequality, energy crisis and the most recently an ongoing war in Ukraine with high risk of prolonged conflict and new wave of displaced people) is affecting labor situation quicker than the existing labor policies could capture. Therefore, the need for new flexible models is larger than ever.

Flexible design of employment vouchers, combined with examples of its applications on various social groups could represent the good model for complementary policies that will be able to quickly adapt and react on the change dynamics that EU is facing at the moment.

New EU financing framework for the period 2021-2027 provides sufficient opportunities to financially support SIV scheme and combined with funds that could be collected from private donors, could be the main leverage for the build-up of new services on the bases of experiences and pilots established within the framework of SIV projects.