Policy brief on Croatia:

Country and the hour: road to effective and inclusive implementation of youth guarantee

1) Context

Croatia will become the 28th member of the European Union on July 1 this year, fully entering the policy framework of this political community. This also applies to the field of employment policy which, although strongly defined by non-binding cooperation among member states within the framework of Open Method of Coordination, places additional demands before competent public bodies (primarily, Ministry of Labour and Pension System).

One of the key reforms already put forward by the Commission which is of special relevance for Croatia is the introduction and development of Youth Guarantee scheme by the beginning of 2014 within the framework of Youth Employment Package. In a nutshell, Recommendation of the European Commission¹, adopted in February 2013 by the European Council, puts forward a request before all member states to develop a package of measures guaranteeing to each and every young person aged 15-24 job/internship placement or continuation of training/education within 4 months of his/her unemployment or inactivity.

Minister in charge of labour Mr Mirando Mrsić has already announced that Croatia will not only begin implementing youth guarantee by the time of Croatia’s accession, but that the target group of this package will be expanded to the 15-29 age group, more in accordance with the country's youth policy framework. Purpose of this policy brief is to reflect on the current state of play regarding the issue and to propose elements for future action.

2) Current state of play

Croatia’s youth unemployment rate average in 2012 stood at 41.7%, placing it at the very top of the infamous chart of EU youth unemployment record holders. However, it should be noted that the current situation has a long-standing history. The closest Croatia came to lowering youth unemployment rate to the level of EU average was in 2009 when national youth unemployment rate stood at 25.1% (EU average 20.1%). However, since then the gap has been widening at an increasing pace – in 2010 youth unemployment rate spiked to 32.6% (EU average 21.1%), 36.1% in 2011 (EU average 21.4%), and finally reaching almost 42% in 2012, resulting in a shocking differential of 20% in comparison to EU average, which in 2012 stood at almost 23%.

This data is important for understanding that Croatia did not just “import” youth unemployment along with the economic crisis which has been stifling European (and world) economies since 2008. Saying that the economic crisis deepened the already existing structural barriers to effective youth employment regime would be considerably closer to the truth. Causes of this situation are numerous and even the briefest of overviews would go far beyond the ambition of this short paper. Nonetheless, weak links between worlds of work and education, continuous labour market segmentation, destruction of the country’s industrial potential and the lack of overall strategic approach to social and economic development merit special attention. However, what is obvious is that Croatia will continue to live with high youth unemployment. This conclusion is underpinned by growth projections published by the International Monetary Fund (2013: 66) and the European Bank for Reconstruction and Development (2013: 7), which predict further GDP decline in 2013 and moderate recovery in 2014. When it comes to this notion of “moderate recovery”, another projection published by Erste Group provides a glimmer of hope for Croatian economy, which sees: “...mid-term growth prospects profiting from access to common market and access to EU funds, where Croatia can hope to draw up to 2.5% of GDP

---

2 According to Ivo Družić of the Faculty of Economics and Business in Zagreb, Croatian economy has about 200 000 less employed comparing to the mid 1980s. Most of the loss occurred in productive and export-orientated industries. Some substitution did occur, but mostly through employment in national and local governments. This has to do primarily with redistribution, rather than the creation of value (Družić, 2012: 88).
in 2014-2020 period.” (Erste Group, 2013: 3). Such sluggish growth, although being far better than continuing recession, will simply not meet the mark when it comes to a permanent decrease of youth unemployment, let alone addressing its social consequences. This realization is followed by a policy implication which is crucial for the development of youth guarantee scheme – to achieve meaningful impact – and its objectives need to be twofold:

a) providing stimuli for more effective youth integration into the labour market (with special emphasis on first entrants);

b) mitigating persisting effects of youth unemployment, which have profound economic, social and political ramifications to future development.

This endeavour seems even more ambitious when looking at current dynamics within the 15-29 group, depicted by Mr Mrsić as the target group of youth guarantee in Croatia. Primarily, it creates considerable fiscal challenges. More public funds are needed when compared to the population aged 15-24, whereas it is questionable if measures targeting these “extra beneficiaries” aged 25-29 will be eligible for EU social and cohesion policy funding. However, an even greater barrier to a much needed overarching approach lies in the current absorption capacities of the Croatian employment policy and its main stakeholder – Croatian Employment Service. Following numbers are revealing:

-according to the Monthly Bulletin of the Croatian Employment Service, in April 2013 labour market policy programmes/measures covered about 18 500 beneficiaries out of the entire active population (2013: 49);

-total registered unemployment in April amounted to about 368 500 persons (2013: 12);

-out of that number about 67 300 beneficiaries belonged to the 15-24 age band³;

---

³ Following data was generated through the interactive database of the Croatian Employment Service: www.statistika.hzz.hr on 27 May 2013.
-expanding the age band to 15-29 increases the number of registered beneficiaries to about 117 300;

-total number of available job vacancies in April was 15 870;

-beneficiaries who should be primarily targeted by the youth guarantee scheme are those who have been registered as unemployed for at least 6 months; within the 15-24 age band that number amounts to about 40 800 and to about 68 600 within the 15-29 age band;

-about 17 400 beneficiaries within age band 15-24 have been registered as unemployed for longer than 1 year, whereas this number within the 15-29 group spikes to about 32 650.

The above presented data set has two important policy ramifications:

a) Regardless of the way in which Croatian policy makers construct youth guarantee, it may present an enormous expansion in number of beneficiaries of the Croatian Employment Service, creating considerable administrative and fiscal pressure. It should be noted the aforementioned data encompasses only those who registered with the Croatian Employment Service, whereas previous studies indicate that considerable number of young people seek employment either on their own or choose the option of more or less temporary labour market inactivity (Buković, 2012). Consequently, numbers of potential beneficiaries that should be covered by youth guarantee will be even higher.

b) Considerable number of young people in Croatia has already experienced prolonged unemployment, what puts them in additional risk of social exclusion. This encompasses not only economic, but also social, cultural and political repercussions (Bayley/Gorančić – Lazetić, 2006: 21).
3) A way forward

The Croatian Youth Network (MMH) believes that in order to achieve an effective and inclusive youth guarantee in the face of these limiting circumstances, responsible policy-makers (primarily Ministry of Labour and Pensions Systems, but also Ministry of Social Policy and Youth) need to tackle the following five issues.

Firstly, policy makers must assure that youth guarantee covers youth in the 15-29 age band. Dynamics of transition from education to employment (considerable part of young people enter the labour market after the age of 24), as well as the existing youth policy framework, dictate that in order to achieve tangible social and economic impact, this package needs to cover a wide span of young people who are at risk of social exclusion.

Secondly, delicate balance must be struck between measures that rely on labour market demand (such as different internship schemes that are being increasingly used in the framework of Croatia’s employment policy) and those that more strongly rely on government intervention (such as educational courses and public works). As stated before, macroeconomic trends clearly foresee a prolonged period of sluggish recovery and insufficient demand for youth labour, posing serious questions as to how to continuously guarantee young people employment, training or internship within 4-6 months after leaving education or previous employment.

Thirdly, in order to be successful, youth guarantee must not only focus on youth employability and the development human capital exclusively from the macro-economic perspective. It must assure that social ramifications of prolonged crisis are considered and adequately addressed. Synergy between youth guarantee and Social Investment Package must be sought and achieved. Bearing in mind that very few young people are eligible for unemployment benefits as they are linked with previous employment, youth guarantee needs to tackle the expanding risk of poverty within the youth population. This is to be achieved through balancing the amounts of allowance/compensation for beneficiaries of measures within youth guarantee scheme, putting them as close as possible to the level of minimum salary, currently standing at around EUR 380 gross income. This would not only alleviate risk of poverty of young people but also allow public
authorities to use potential of youth in different types of activities which are driven by the logic of public good rather than exclusively the demands of the labour market, acknowledging that economic contribution is not the only one that counts. Moreover, placing the amount of compensation for youth guarantee-related measures well above traditional social benefits should serve as a deterrent for continuing labour market inactivity. Finally, such approach to policy design should contribute to making active labour market policy an instrument for fostering much needed social cohesion, bearing in mind that it often yielded completely opposite results (Reiter/Craig, 2005: 19).

Fourthly, inevitable expansion in scope of labour market interventions must be accompanied by quality considerations. Implementation of current flagship measures, primarily expanding internships for youth aged 15-29, has been strongly focused on “getting people on board”, without sufficient considerations towards issues such as substitution (dominant in public sector), dead weight and integration of these contracting arrangements in the framework of collective bargaining. Such practices will be of the utmost importance in order to prevent distorting effects in face of a more overarching policy intervention.

Finally, more open and quality dialogue on ways how to optimally design and utilize youth guarantee is urgently needed. The Croatian Youth Network had invested considerable efforts to promote youth guarantee among key labour market stakeholders, such as the Croatian Employers' Association, Croatian Chamber of Economy, Croatian Chamber of Trades and Crafts and trade unions. The Ministry of Labour and Pension System must step up its own efforts in this regard because only wide social partnership can represent a sound foundation for achieving desirable effects of youth guarantee in Croatia.
List of references


Buković, N. (2012). Tko se boji velike zločeste krize? Strukturirani dijalog o nezaposlenosti mladih, Mreža mladih Hrvatske


Erste Group (2012). Is “13” a lucky number for economy?”


IMF (2013). World Economic Outlook April 2013: Hopes, Realities, Risks, International Monetary Fund

Policy documents

Proposal for a COUNCIL RECOMMENDATION On Establishing a Youth Guarantee
Retrieved from
http://ec.europa.eu/social/main.jsp?langId=en&catId=1036&newsId=1731&furtherNews=yes

Towards Social Investment for Growth and Cohesion – including implementing the
European Social Fund 2014-2020
Retrieved from
http://ec.europa.eu/social/main.jsp?langId=en&catId=1044&newsId=1807&furtherNews=yes

Websites

www.statistika.hzz.hr