TASKFORCOME

TASKFORCOME: TRANSNATIONAL ACTION TO ADVANCE SKILLS AND COMPETENCES FOR COMMUNITY ENGAGEMENT AND SOCIAL MIGRANTS ENTREPRENEURSHIP INITIATIVES IN THE CENTRAL EUROPE

NATIONAL LABOUR MARKET REPORT

CROATIA

AUTHOR(S): MATEA HORVATIĆ, CEDRA Split
IVANA VUČEMILOVIĆ-GRGIĆ, CEDRA Split

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1. EXECUTIVE SUMMARY

As a transitional country, Croatia is still facing a high unemployment rate in the European context, extremely low labour engagement followed by high rate of undeclared employment, high rate of youth unemployment, mild recession, and very high regional inequality in terms of unemployment.

Since becoming an EU member, the Croatian economy continued to grow at a rate of 2.6% in 2018, while in the upcoming period from 2019-2021 moderate growth is expected at an average rate of 2.5%, according to the World Bank's report on the latest economic Movements in Europe and Central Asia ("Economic Update for Europe and Central Asia").

Compared to the positive sign of HZMO labour market indicators, CBS labour force surveys are more in line with the process of emigration of working age population and demographic aging. The latest Survey, affected by the last quarter of 2018, indicates an annual drop in working-age population from 3.54 to 3.52 million.

2. GENERAL TRENDS ON CROATIAN LABOUR MARKET

According to the latest Census of 2011, there are 4.284.889 people in the Republic of Croatia, inhabiting the land area of 56.594 km^2, out of which 2.066.335 males and 2.218.554 women. The average population density in 2011 was 75.8/km^2. Within the state one may notice uneven spatial distribution of population. Population polarization can also be seen from the data on the number of inhabitants among the largest inhabited city and capital city of Croatia, Zagreb, which has 790.017 inhabitants, and the least populated county in the Republic of Croatia, Lika-Senj County, where only 50.927 inhabitants live.

According to the data of the Croatian Bureau of Statistics, total labour force, i.e. active population in the Republic of Croatia in 2018, amounted to a total of 1.807.000 people, consisting of employed persons and registered unemployed persons.

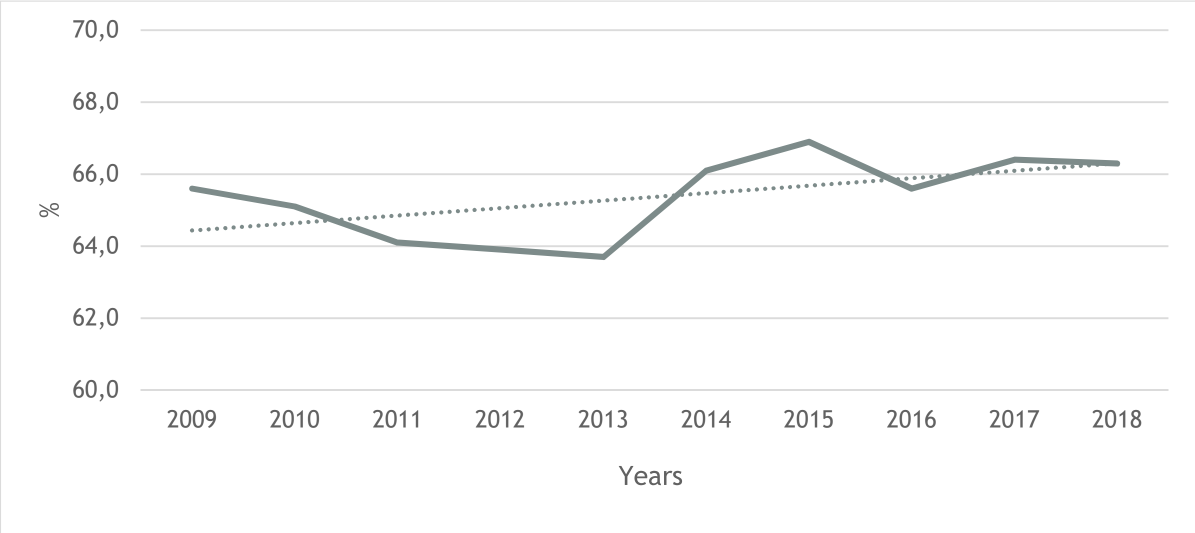
Table 1: Working age population, by activity

	2017	2018
Working-age population (15+)	3 546 000	3 531 000
Labour force	1 830 000	1 807 000
Persons in employment	1 625 000	1 655 000
Unemployed persons	205 000	152 000
Inactive population (15+)	1 716 000	1 724 000
Activity rate (%)	51.6	51.2
Employment/population ratio (%)	45.8	46.9
Unemployment rate (%)	11.2	8.4

Source: Croatian Bureau of Statistics (2019)

The graph below displays the movement of the active population rate in Croatia through the period from 2009 to 2018.

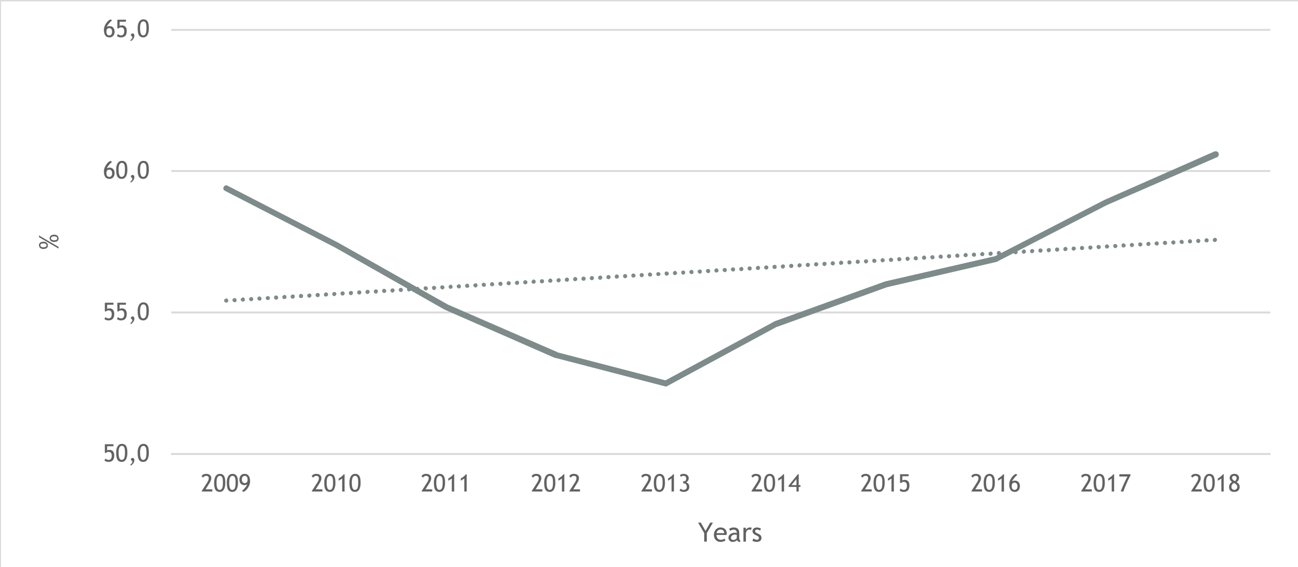
Figure 1. Active population (from 15 to 64 years), 2009-2018



Source: Eurostat (2019)

Registered employment covers the following categories: people employed in legal entities, tradesmen and freelance professions, and individual farmers who are active social security insurers. Registered employment in 2018 was 1.655.000, which is a 1.81% increase compared with the previous year, i.e. 30.000 people more. The World Economic Crisis in 2008 has caused a drastic decline in the employment rate of the population in Croatia, nearly 7% in a period from 2009 to 2013. After 2013, when Croatia becomes a member of the EU, the employment rate starts to rise and increases in total of 8% by 2018.

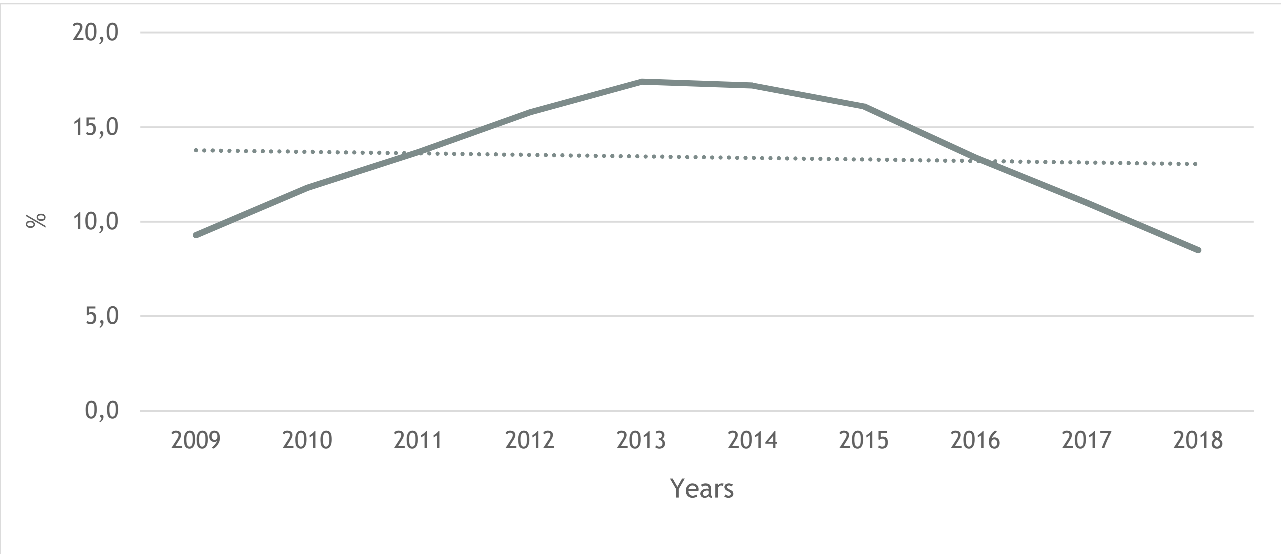
Figure 2. Total employment rate (from 15 to 64 years), 2009-2018



Source: Eurostat (2019)

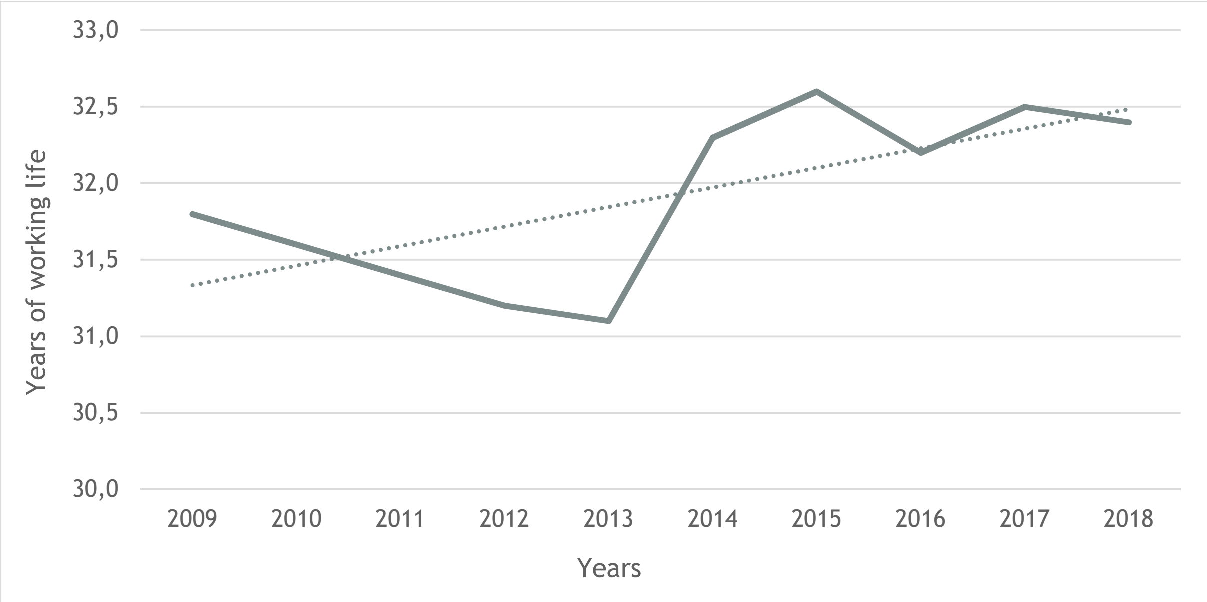
Registered unemployment includes persons registered at the Croatian Employment Service, and the total registered unemployment for 2018 is 152.000, which is 53.000 unemployed persons, or 25.8% less, when compared to year 2017.

Figure 3. Total unemployment rate (from 15 to 64 years), 2009-2018



Source: Eurostat (2019)

Figure 4: Duration of the working life (2009-2018)



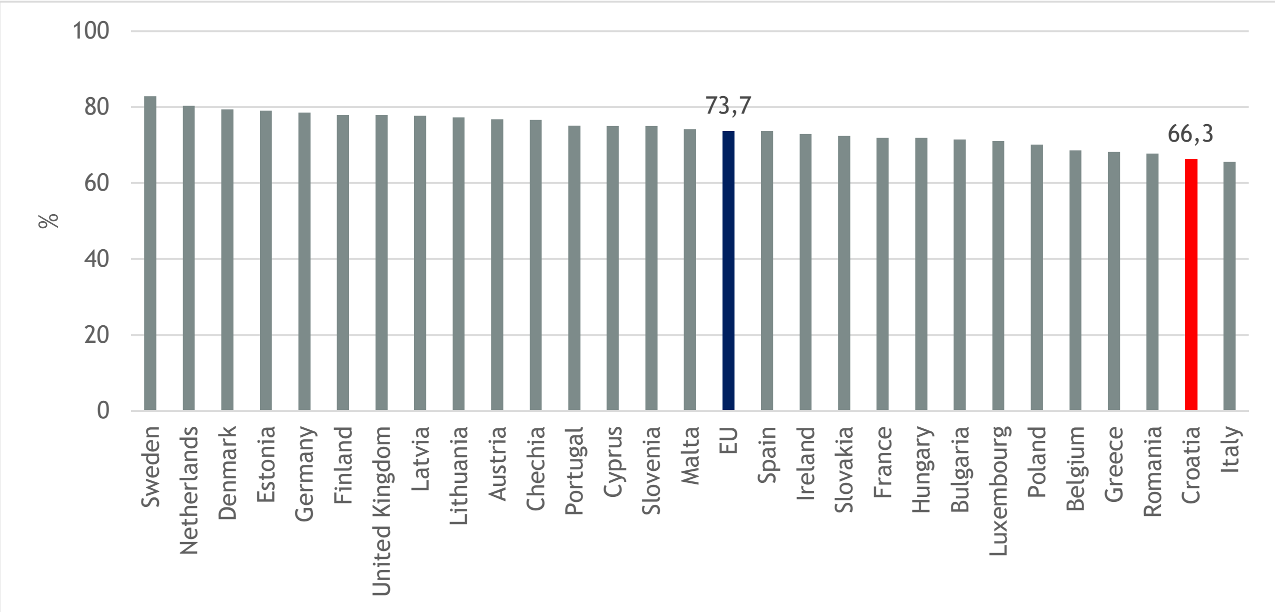
Source: Eurostat (2019)

Economic growth in the Republic of Croatia continued for the fourth year in a row. Namely, in 2018 gross domestic product recorded a positive growth rate of 2.6%, although this growth was slightly slower compared to 2017 (when it was 2.9%). In the first three quarters, relatively higher GDP growth rates were achieved (2.5% in the first, 2.9% in the second and 2.8% in the third quarter), but there was a significant slowdown in growth in the fourth quarter to 2.3%, which ultimately resulted in a lower growth rate on the total annual level.

The continuation of the positive trend of movement, apart from industrial production, shows all other economic indicators, from construction to tourism, trade to the labour market. The average monthly net earning per person in employment in 2018 was 6.242 HRK, which is by 4.3% higher than in 2017, and in real terms by more than 2.8%.

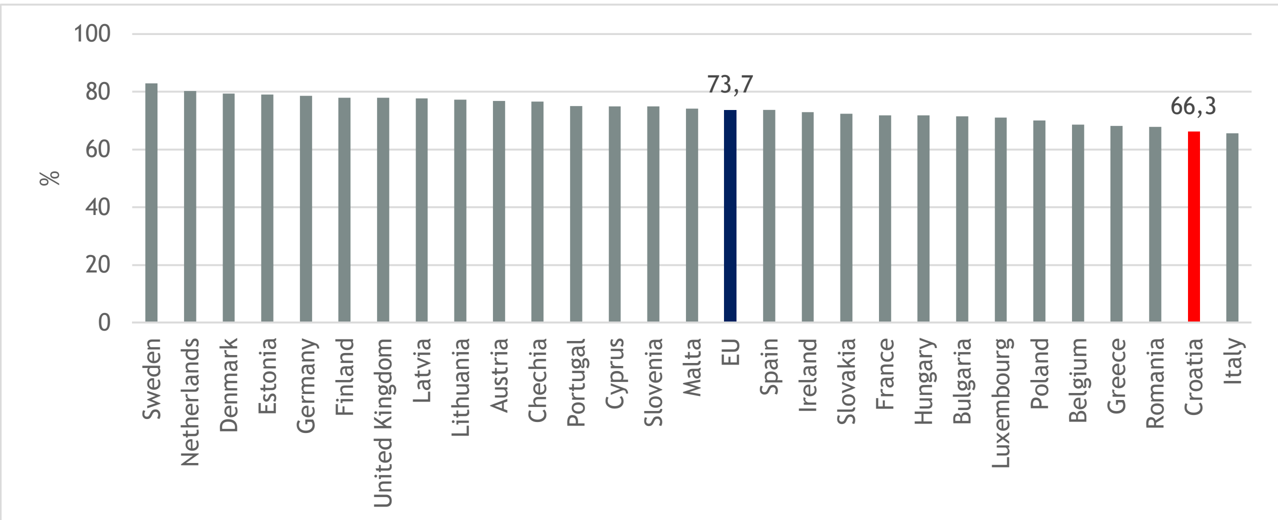
Below are the graphs showing the comparison of the current situation of the Croatian labour market with the other EU members, taking into account the basic labour market indicators: the active population rate, the employment rate and the unemployment rate of the population aged 15-64.

Figure 1: Active population (from 15 to 64 years), 2018



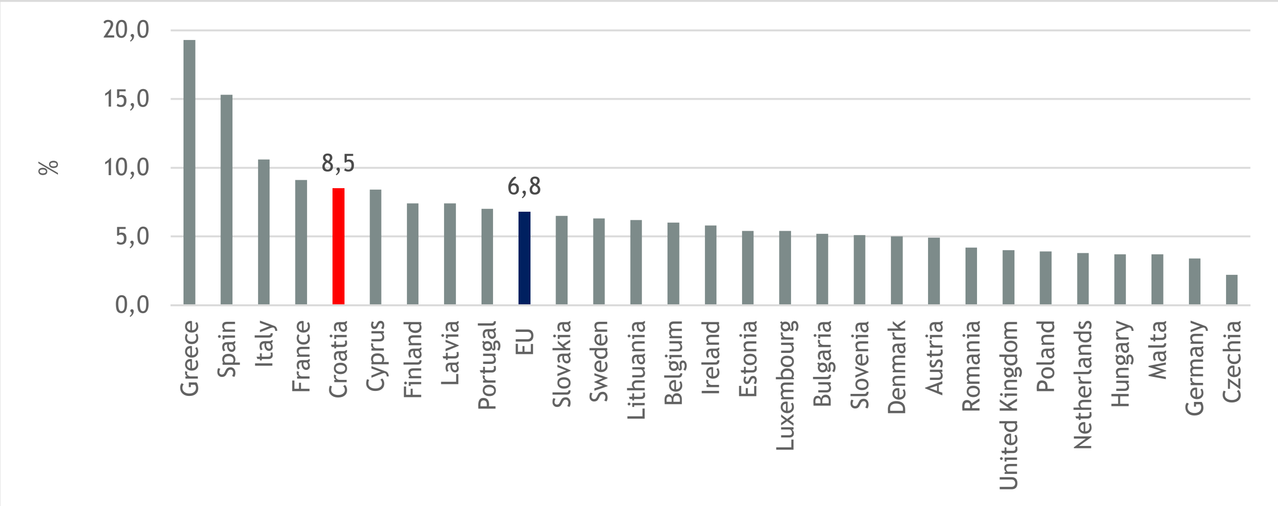
Source: Eurostat (2019)

Figure 2: Total employment rate (from 15 to 64 years), 2018



Source: Eurostat (2019)

Figure 3: Total unemployment rate, 2018



Source: Eurostat (2019)

When comparing the current state of the Croatian labour market with the labour market indicators of other EU member states, it is evident that Croatia is among the worst ranked member states according to the rate of employment, the rate of unemployment (in total population) and the rate of active population. From the graphs shown above it is obvious that Republic of Croatia lags behind the EU average, indicating the unfavourable structure of the Croatian labour market. In general, aging of the population and emigration of young people reduces the potentials of the volume of working-able and working-active population in Croatia, and negatively determines the overall population activity and socio-economic development of the country.

3. OCCUPATIONAL AND SECTORAL TRENDS

According to the National Classification of Economic Activities, the largest number of people are employed in the manufacturing industry (17.3%), wholesale and retail trade, motor repair vehicles and motorcycles (13.6%) and education (7.9%).

According to the sector of activity (agricultural, non-agricultural and service), the structure of employed persons in 2018 shows that 69.8% of them were employed in service, 26.6% in non-agricultural and 3.6% in agricultural activities.

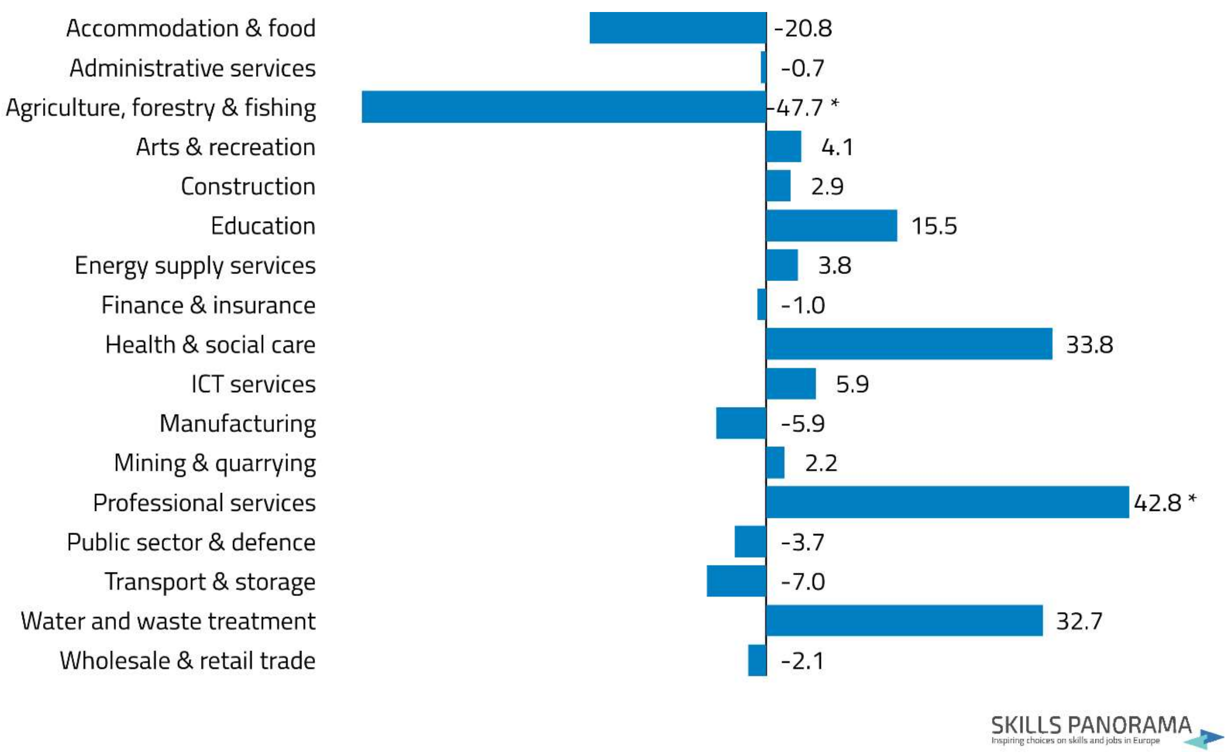
Table 2: Persons in employment, according to NKD 2007 (%)

	2017	2018
A Agriculture, forestry and fishing	7	6.2
B Mining and quarrying	0.5	0.4
C Manufacturing	17	17.3
D Electricity, gas, steam and air conditioning supply	0.6	0.9
E Water supply; sewerage, waste management and remediation activities	1.7	1.9
F Construction	6.6	6.9
G Wholesale and retail trade; repair of motor vehicles and motorcycles	14.3	13.6
H Transportation and storage	7	6.4
I Accommodation and food service activities	7.3	7.2
J Information and communication	2.7	3.5
K Financial and insurance activities	2.8	2.6
L Real estate activities	0.5	0.4
M Professional, scientific and technical activities	4.4	4.3
N Administrative and support service activities	2.6	2.8
O Public administration and defence; compulsory social security	7.2	6.7
P Education	7.5	7.9
Q Human health and social work activities	6.2	6.5
R Arts, entertainment and recreation	1.8	2
S Other service activities	2.2	2.2
T Activities of households as employers; undifferentiated goods – and services – producing activities of households for own use	-	-
U Activities of extraterritorial organisations and bodies	-	-

Source: Croatian Bureau of Statistics (2019)

Although most employment is in the services sector, the manufacturing sector also accounts for a relatively large share of employment in Croatia - including industries such as shipbuilding, food processing or pharmaceuticals. The country's labour market was struggling in recent years, characterized by low employment rate, slow job growth and aging. Almost one third of Croatia's working age population is 50 or more years old. over the period to 2030, employment is projected to stagnate and working age population (15-64) will shrink a bit more. Most positive employment trends are expected in professional services and health and social care sectors; teaching professionals and personal service workers shall be fastest growing occupations. In total number of all job openings (including replacements for vacated jobs) till 2030, Croatia is expected to have highest share of those requiring medium level qualifications in Europe (60%), but also the lowest share of those requiring low qualifications (only 4%).

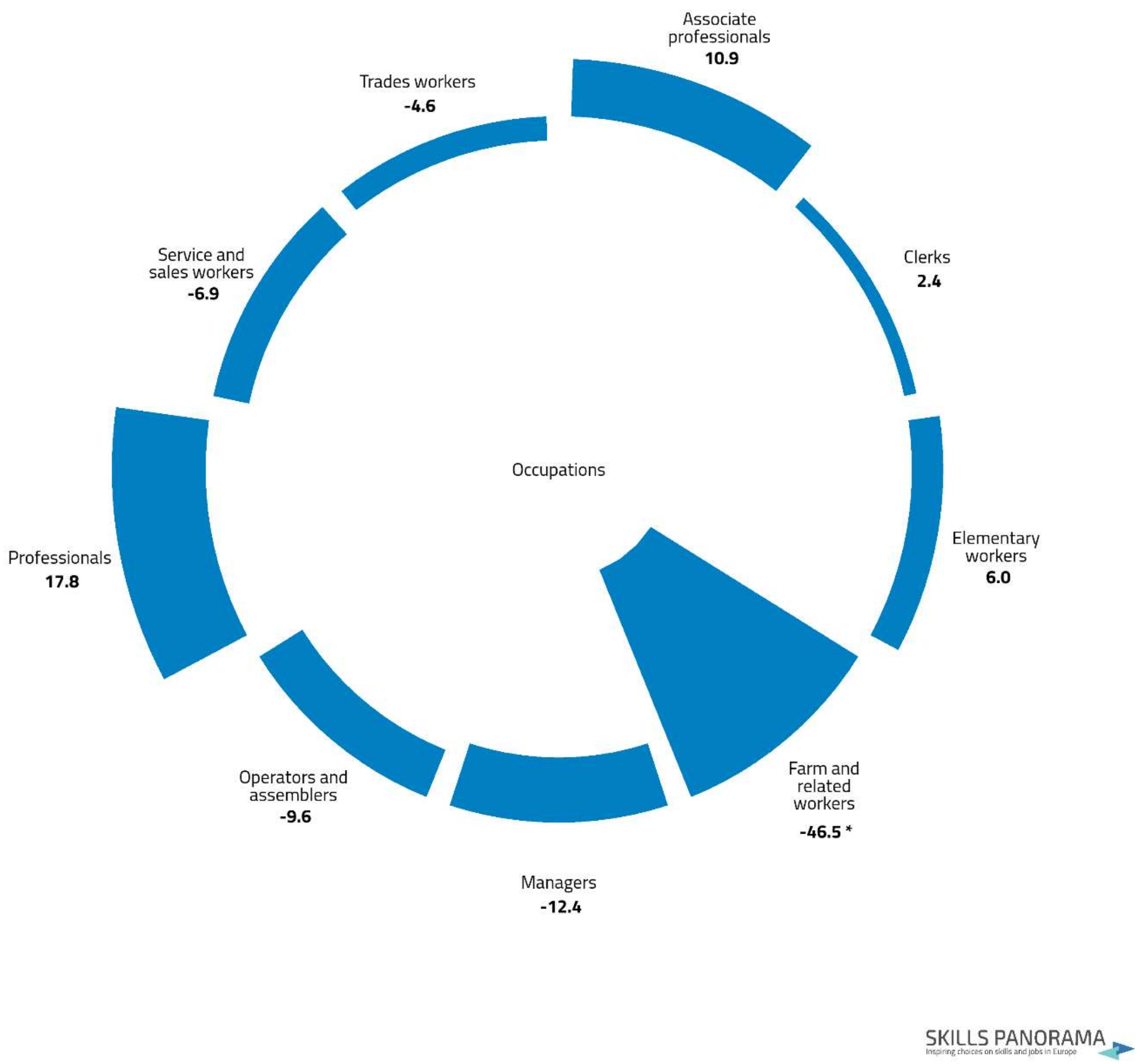
Figure 9: Future employment growth (in %) in Croatia in 2018-2030 across sectors



Source: Skills Panorama (2019)

Future employment growth mean in Croatia over the period 2018-2030 is estimated at 3.2. The minimum is -47.66 for Agriculture, forestry and fishing, while the maximum is 42.8 for Professional services. Along with Professional services, in the lead are also Health and social care and Water and waste treatment. Apart from Agriculture, forestry and fishing, well below the average is Accommodation and food.

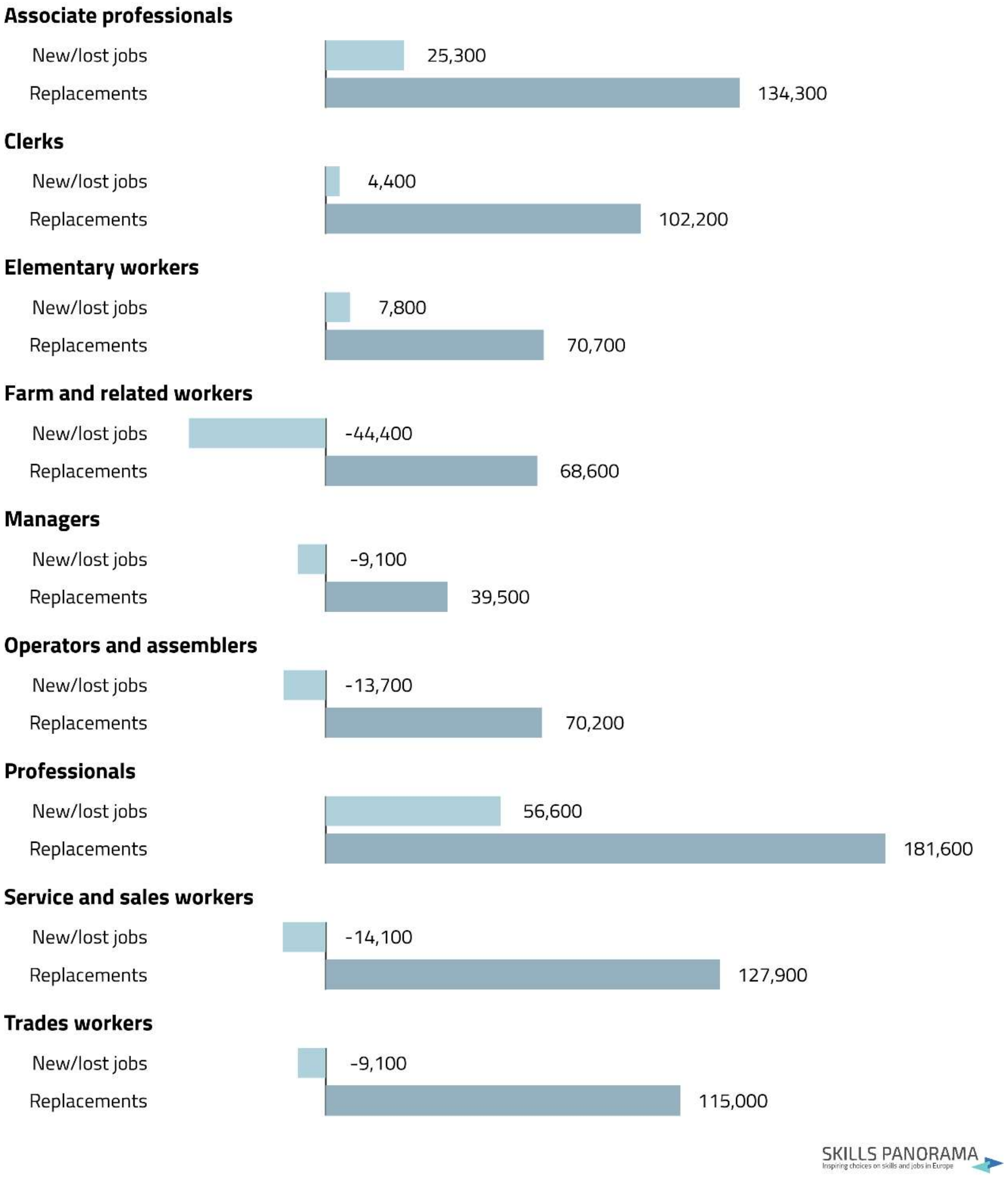
Figure xy: Future employment growth (% change) across occupations in Croatia in 2018-2030



Source: Skills Panorama (2019)

Future employment growth average in Croatia over the period 2018-2030 is estimated at -4.78. Professionals exhibit the highest value equal to 17.8, while Farm and related workers the lowest equal to -46.49.

Figure xy: Future needs (total job openings) by occupation in Croatia in 2018-2030



Source: Skills Panorama (2019)

Previous figure shows a forecast for future job openings in Croatia over the period 2018-2030. The maximum is for Replacements in Professionals, while the minimum is for New/lost jobs in Farm and related workers.

4. SKILLS: DEMAND AND SHORTAGES

Looking at past, current and future trends (3-4 years), a number of occupations have been identified as mismatch priority occupations for Croatia, i.e. they are either in shortage of surplus.

The list below is based on an assessment of the labour market of Croatia.

Table 9: Mismatch priority occupations

Shortage occupations	Surplus occupations
ICT Professionals	Political scientists
Mechanical engineers	Journalists
Medical doctors	Philosophers
Nursing associate professionals	
Secondary education teachers (mathematics)	

Source: Skills Panorama (2019)

Skills anticipation is in a process of development in Croatia. Overall, there is a consensus between the various authorities on the direction of policy, but at the moment there is no systematic and coordinated Skills anticipation process. The impact of various anticipation exercises has been limited; for example, there has been a lack of influence of the activities on students and educational institutions. In this respect there is a recognised need to improve overall coordination of the various organisations engaged in the process of Skills anticipation It should be noted in this regard that the analyses of current and projected Skill needs are still under-developed, meaning that neither the education system nor future students are adequately informed. The efforts to tackle Skill mismatches through improved Skill anticipation measures were still at a nascent stage at the end of 2016.

Skills anticipation exercises largely fall under the remit of the public employment service (Hrvatski zavod za zapošljavanje, HZZ, hereafter PES). The PES has developed a process for assessing which occupations are and will be in surplus and which in shortage. This information mainly affects the recommendations of the PES regarding education and training enrolment quotas in secondary and tertiary education. The assessment of surplus and shortage occupations also aims to guide education and training providers on the future provision of secondary and tertiary education programmes and formal adult education programmes. The National Council for the Development of Human Potential (Nacionalno vijeće za razvoj ljudskih potencijala) is also assessing what is needed to ensure that skills supply meets demand. However, the Council's recommendations (made on the basis of Skills anticipation activities) are not binding for education and training providers.

In addition to the activities of the PES there have been attempts to develop a formal Skills forecasting tool. They are still at an early stage of development. At the sectoral level, skills assessments are under way, and these are likely to be further developed by the emerging network of sector councils (Sektorska vijeća).

The introduction of the Croatian Qualifications Framework (Hrvatski kvalifikacijski okvir, HKO) in 2013 has provided a framework for analysis of the supply of, and demand for, skills and is expected to further enhance the development of Skills anticipation activity and its relevance to stakeholders. It is notable that the Framework contains a description of occupational standards; this is considered important in planning future provision of skills training. Overall, Skills anticipation in Croatia is at an early development stage.[1]

[1] Source: Skills Panorama (2017), Skills anticipation in Croatia. Analytical highlights series. Available at http://skillspanorama.cedefop.europa.eu/en/analytical_highlights/skills-anticipation-croatia

5. IMMIGRANTS ON CROATIAN LABOUR MARKET

In general, Croatia has traditionally been a country of emigration. Throughout history, emigration, driven by a combination of economic and political factors, has slowly but surely, become permanent.

Through history, emigration from Croatian territory took place in several waves: through the second half of the 19th century to the First World War; then between the two world wars; right after the Second World War; then after 1965; and finally, after establishing independence of the Republic of Croatia, or during the 1990s. In 1990, Croatia also had strong immigration flows, mostly from Bosnia and Herzegovina, and less from Serbia, Montenegro and Kosovo, most of the immigrants being of Croat ethnicity or descent. The latest strong emigration wave began with the global economic crisis in 2008 and was intensified by Croatia's accession to the European Union in 2013. That wave is perhaps the most unfavourable so far, as it is taking place in the context of reduced gender, natural decline, total depopulation and accelerated aging process.

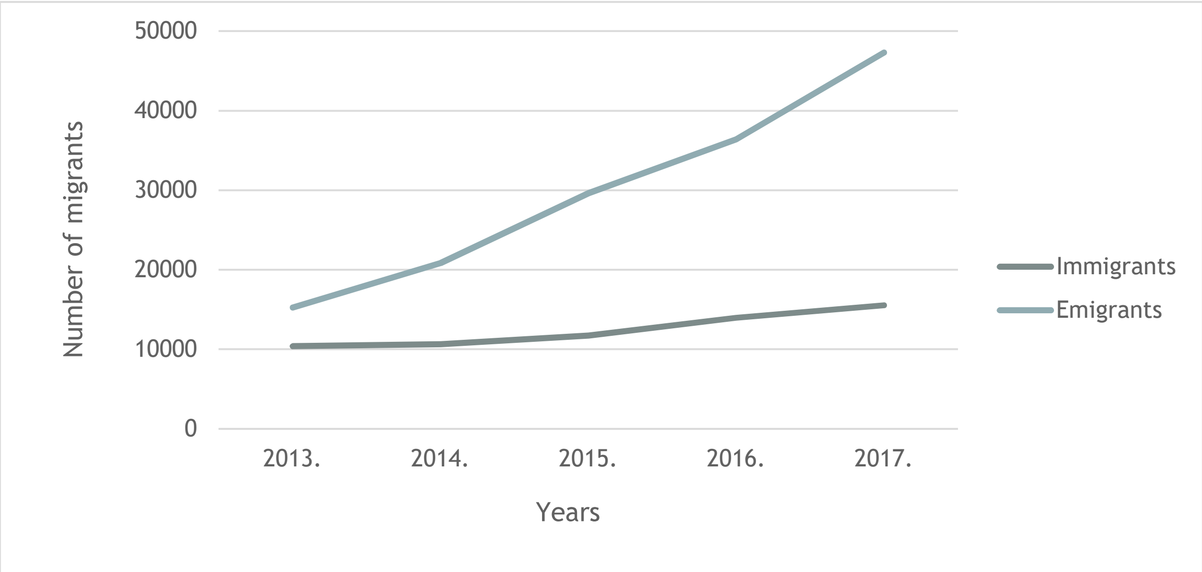
In regard to international migration, in the period from 2013 to 2017, 149.559 persons emigrated from the Republic of Croatia and 62.260 persons immigrated to the Republic of Croatia. Thus, in the period from 2013 to 2017, the Republic of Croatia had a negative net migration, which is steadily increasing. In 2017, in the Republic of Croatia have immigrated 1.568 people more than 2016 and even 3.847 people more than 2015.

Table 3: International migration of population of Republic of Croatia from 2013 to 2017

Years	Immigrants	Emigrants	Net migration
2013	10 378	15 262	-4 884
2014	10 638	20 858	-10 220
2015	11 706	29 651	-17 945
2016	13 985	36 436	-22 451
2017	15 553	47 352	-31 799

Source: Eurostat (2019)

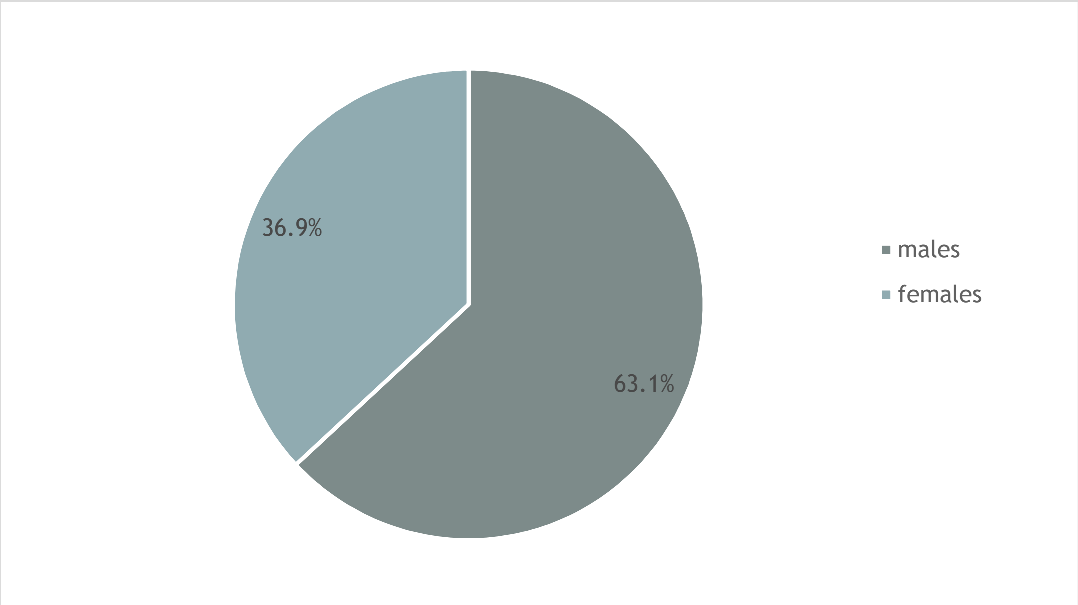
Figure 10: International migration of population of Republic of Croatia from 2013 to 2017



Source: Eurostat (2019)

In 2017, in regard to sex, in the total number of an external immigrants (15.553) there were more men (63.1%). Also, there were 50.9% of Croatian citizens and 49.1% of foreigners who immigrated to the Republic of Croatia. Out of the total number of immigrants, there were 31.8% of persons who arrived from Bosnia and Herzegovina. Furthermore, the greatest share in the total number of persons who immigrated to the Republic of Croatia was recorded in the City of Zagreb (23.9%) and the Split-Dalmatia County (12.8%). The largest number of persons who immigrated to the Republic of Croatia were aged 20-54 (68.7%).

Figure 11: Immigrants by sex, 2017



Source: Eurostat (2019)

Table 4: International migration of population, by country of citizenship

Country of citizenship	2017 Immigrants	2017 Emigrants
Total	15 553	47 352
Croatia	7 911	45 367
Europe	6 891	1 661
European Union	2 187	675
Austria	116	20
Belgium	22	6
Czech Republic	52	12
France	85	51
Italy	304	134
Hungary	99	51
Netherlands	55	8
Germany	462	94
Poland	57	18
Romania	47	36
Slovakia	55	20
Slovenia	513	105
Sweden	63	18
United Kingdom	100	28
Other European countries	4 704	986
Bosnia and Herzegovina	2 946	482
Montenegro	48	20
Macedonia, FYR	205	71
Russian Federation	132	51
Serbia	553	185
Switzerland	44	16
Ukraine	223	76
Asia	401	192
China	72	93
Africa	70	28
North and Central America	165	75
Canada	32	19
USA	115	49
South America	75	16
Europe		
Oceania	34	5
Australia	29	4
Unknown	6	8

Source: Eurostat (2019)

Table 5: International migration of population, by age and sex, 2017

Age	Immigrants			Emigrants		
	Total	Men	Women	Total	Men	Women
Total	15 553	9 819	5 734	47 352	26 214	21 138
0 – 4	363	187	176	1 867	927	940
5 – 9	335	158	177	2 777	1 449	1 328
10 – 14	273	153	120	2 183	1 113	1 070
15 – 19	665	412	253	2 001	1 072	929
20 – 24	1 799	1 156	643	4 450	2 393	2 057
25 – 29	2 000	1 213	787	6 667	3 565	3 102
30 – 34	1 841	1 228	613	6 286	3 642	2 644
35 – 39	1 536	1 063	473	5 333	3 203	2 130
40 – 44	1 294	899	395	4 144	2 415	1 729
45 – 49	1 140	792	348	3 601	2 080	1 521
50 – 54	1 079	748	331	2 794	1 599	1 195
55 – 59	846	516	330	1 719	996	723
60 – 64	807	419	388	1 221	611	610
65 – 69	737	441	296	1 023	518	505
70 – 74	358	216	142	655	342	313
75 and over	480	218	262	631	289	342

Source: Eurostat (2019)

In regard to internal migration, in 2017, there were 71.580 persons who changed their place of residence within the Republic of Croatia. Out of the total of twenty counties and the City of Zagreb, five counties and the City of Zagreb had a positive net migration between counties and the highest one was recorded in the City of Zagreb (4.102 persons). Fifteen counties had a negative net migration between counties, the largest ones recorded in the Vukovar-Srijem County (-1.021 persons) and the Osijek-Baranja County (-964 persons).

The largest positive total net migration of population in 2017 was recorded in the City of Zagreb (1.003 persons). The largest negative total net migration of population was recorded in the Vukovar-Srijem County (-5.665 persons) and the Osijek-Baranja County (-5.460 persons).

Table 6: Total number of immigrants and emigrants, by counties, 2017

County of	*Immigrants*			*Emigrants*			*Total net migration*	*Net migration between counties*	*Net migration with foreign countries*
	Total	*From another county*	*From abroad*	*Total*	*Into another county*	*Abroad*			
Republic of Croatia		30 433	15 553		30 433	47 352		0	-31 799
Zagreb	4 658	3 828	830	6 298	3 097	3 201	-1 640	731	-2 371
Krapina-Zagorje	887	695	192	1 321	728	593	- 434	- 33	- 401
Sisak-Moslavina	1 245	743	502	4 841	1 630	3 211	-3 596	- 887	-2 709
Karlovac	967	546	421	2 054	860	1 194	-1 087	- 314	- 773
Varaždin	1 009	666	343	2 192	846	1 346	-1 183	- 180	-1 003
Koprivnica-Križevci	703	518	185	1 731	742	989	-1 028	- 224	- 804
Bjelovar-Bilogora	794	632	162	2 028	1 012	1 016	-1 234	- 380	- 854
Primorje-Gorski kotar	3 467	1 988	1 479	4 569	1 607	2 962	-1 102	381	-1 483
Lika-Senj	632	454	178	1 189	581	608	- 557	- 127	- 430
Virovitica-Podravina	521	354	167	2 111	789	1 322	-1 590	- 435	-1 155
Požega-Slavonia	567	401	166	2 402	838	1 564	-1 835	- 437	-1 398
Brod-Posavina	962	614	348	4 663	1 392	3 271	-3 701	- 778	-2 923
Zadar	2 187	1 455	732	2 564	1 197	1 367	- 377	258	- 635
Osijek-Baranja	1 763	1 165	598	7 223	2 129	5 094	-5 460	- 964	-4 496
Šibenik-Knin	1 405	918	487	2 182	983	1 199	- 777	- 65	- 712
Vukovar-Srijem	1 156	709	447	6 821	1 730	5 091	-5 665	-1 021	-4 644
Split-Dalmatia	3 755	1 771	1 984	5 029	2 037	2 992	-1 274	- 266	-1 008
Istria	3 516	1 657	1 859	2 517	974	1 543	999	683	316
Dubrovnik-Neretva	1 446	891	555	1 621	833	788	- 175	58	- 233
Međimurje	588	385	203	1 674	487	1 187	-1 086	- 102	- 984
City of Zagreb	13 758	10 043	3 715	12 755	5 941	6 814	1 003	4 102	-3 099

Source: Eurostat (2019)

Unfortunately, more detailed data on demographic and socio-economic characteristics of migrants by counties are not available at this time. However, it is clear from the data above that Croatia is facing unequal regional migration processes. It is well-known that an attractive area for immigration is the area around the capital and other major cities, while rural areas and (formerly) industrial zones are isolated with negative net migration. For this reason, attractive areas such as the capital and some other big cities have positive, while rural and economically less developed areas have negative net migration. Concentration or lack of population in some counties reflects the more monocentric and relative lack of polycentric development of Croatia. Areas of population growth in some counties of Croatia are mostly driven by migrations, which will be even more visible in the future.

6. IMMIGRANT ENTREPRENEURSHIP AND PUBLIC SUPPORT FOR ENTREPRENEURS

Many migrants who have chosen Croatia as their new home are also engaging in entrepreneurship. But both them and local people are struggling with the same problems. The highest administrative barriers are, in some cases, difficult to overcome.

Unlike the domestic population, immigrants are more often and easier to decide on entrepreneurial ventures. However, for an immigrant to start a bussines the share capital needed is 100.000,00 HRK, compared to 20.000,00 HRK that local entrepreneurs need. In addition, banks do not want to approve a job loan until they have a citizenship.

Migrant entrepreneurship has great potential, but this issue in Croatia is inadequately represented in public, which leads to the lack of full use of this kind of entrepreneurship in Croatia. There are many obstacles to its development, such as administrative and financial.

In the EU there are 37 million people born out of it, representing 7 % of the total population. In the UK, every seventh company is held by migrants, and they provide a job to 14 % of the country's employee, while in the US over the last 20 years, the number of migrant companies has risen from 13 to 28 %. Unfortunately, there is a lack of statistical data on migrant entrepreneurship in Croatia.

The main difficulties migrants are facing are lack of strategy and public policies for socioeconomic integration of migrants, bureaucracy unsuitable for foreigners, and administrative barriers, such as obtaining the OIB and the tax number needed to start a job or register at the Employment Service. Problems are highlighted by a restrictive legal and financial environment, lack of resources and information, problems with recognition of qualifications, lack of support from society, and lack of social capital in the sense of a lack of contacts.

In addition, to start commanding and public companies, third-country foreigners must pay a minimum of 100.000,00 HRK in share capital, and in the case of private companies and crafts, it even reaches 200.000,00 HRK.

The advantages of migrant entrepreneurship are the flow of new ideas, the flexibility that is even more pronounced than within domestic people who are starting a business, and besides employing themselves, migrant entrepreneurship can also contribute to the employment of domestic population.

Immigrants can discover new opportunities in the host country, create new markets or niches within existing ones. In doing so, they do not create jobs only for members of their ethnic group, but also for the local population. Their high work ethic, determination and creativity make the economy of the host country more competitive and contribute to the well-being of the entire population.[2]

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[2] Source: https://lider.media/aktualno/biznis-i-politika/hrvatska/temeljni-kapital-od-100-tisuca-kuna-prepreka-je-migrantskom-poduzetnistvu/

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