

NEETS in Croatia - not in employment, education or training - but where are they?

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Mutual Learning Programme

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**Peer Review on “Targeting NEETs – key ingredients for
successful partnerships in improving labour market
participation”**

NORWAY (Oslo), 24-25 September, 2015



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Table of Contents

1	National approach to tackling NEETs.....	1
2	Assessment of the policy measure.....	2
3	Assessment of the success factors and transferability	5
4	Questions	6
5	Annex 1: Summary table	7

1 National approach to tackling NEETs

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Croatia's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

The Croatian labour market is characterized by rather low activity and employment rates, accompanied with high unemployment rates, especially for younger population. The ongoing recession, which started back in the second half of 2008, only aggravated the existing issues.

According to Eurostat, the activity rate for the population aged 20-64 stood at 66.1% in 2014, in comparison to 72.3% in the EU-28 and 78% in Norway. The employment rates suggest similar situation: total employment rate in the 20-64 age-group stood at 59.2%, which is a decrease of almost 6 pp from 2008, and substantially lower than the employment rate for the EU-28 as a whole or Norway, by 10 and 20 pp, respectively. The labour market situation looks even more disturbing if we look at unemployment figures. Total unemployment rate (population aged 15-74) recorded the level of 17.3% in 2014, which is more than double the unemployment rate in 2008 (8.6%).

The main issue on the Croatian labour market is youth unemployment. Eurostat data indicate that the unemployment rate for the population aged 15-24 was 45.5% in 2014, 21.8 pp higher than in 2008. This figure is more than double the youth unemployment rate for the EU as a whole (22.2%) and significantly higher than the one in Norway (7.9%). In this case, the rates for both genders were rather similar, 44.9% and 46.4% for males and females, respectively. The unemployment rates for different young cohorts of the population were diverse, but still high: 65.6% for those aged 15-19, 40.3% for 20-24-aged, and 24.2% for 25-29-aged. Eurostat LFS data indicate that NEET rates for the Croatian youths are also remarkably high. In 2014, the NEET rate for youths aged 15-24 was 19.3%; almost 7 pp higher than in the EU-28 (12.4%) and almost 14 pp higher than in Norway (5.5%). An increase of more than 7.5 pp occurred between 2008 and 2014. The majority of NEETs in the 15-24 age group are unemployed: NEET rate of 14.5% for the unemployed people in comparison to 4.8% for those inactive. NEET rate amounted to only 12.5% for the age-group 15-19 in 2014, but 21.8% for those aged 15-29, whereas it was the highest in the age-group 25-29 - 26.2%. NEET rates show remarkable difference between genders in Croatia; while the NEET rate for females in the age-group 15-24 stood at 16.7% in 2014 (12% in 2008), the one for males amounted to 21.9% (11.2% in 2008). As for the education level, the NEET rate for those with upper secondary, post-secondary and tertiary education amounted to 16.8%, while the NEET rate for those who have less than primary, primary and lower secondary education stood at only 2.3%. This is no surprise given that the drop-out rate for the population aged 18-24 in Croatia is the lowest among the EU countries: 2.7% in comparison to 11.1% for EU-28 and 11.7% for Norway in 2014.

Unfortunately, administrative data does not provide a measure of neither the youth unemployment rate nor the NEET rate. Croatian Employment Service (CES), however, provides the number of registered unemployed by different age cohorts. Their data suggest that out of the average 328 000 registered unemployed in 2014, more than 18% were those aged 15-24 and more than 31% were those aged 15-29. These shares increased only mildly from 2008 (17% and 29%, respectively), but their number has increased substantially, by more than 19 000 and 34 000, respectively. Out of youth (15-29) registered unemployed in 2014, more than 70% had finished some type of secondary education, while more than 18% had finished (non-university or university) higher education. Less than 3% of them had reported some kind of disability¹.

¹ Data on those receiving social assistance (in charge of the Ministry of social policy and youth and Centres for Social Work) by different age-groups is inaccessible.

2 Assessment of the policy measure

Given that there is no administrative data on the NEET population in Croatia, there are no specific measures aimed explicitly at this population group. Until this happens, the NEET population in Croatia is considered to be the one registered at CES, i.e., the officially unemployed. All of the measures intended for young unemployed people are considered to cover NEET population as well. This means that the main institution responsible for identifying young people at the risk of unemployment and to reach out to them and help reintegrate them back into education or into the labour market is CES². CES cooperates with other institutions in this process, mainly on the local level.

For example, CES collaborates with educational institutions in career guidance from the final years of compulsory school³, with special focus on particularly vulnerable (“hard-to-employ”) groups, which continues during the secondary school as well. This long-standing process of career guidance within schools could be, at least in part, responsible for rather low drop-out rates in Croatia. Sometimes, the collaboration is needed not only with schools, but also with local authorities, Centres for Social Work (CSW)⁴, private sector or even NGOs. However, the main responsibility for the career guidance lies within the educational system, especially non-teaching staff in schools; such as pedagogues, psychologists, special education teachers and social workers. For example, career guidance usually begins with *the Survey of career intentions* of all final years’ students, in both primary and secondary schools. The results of the *Survey* are then dispatched to partners in the field of education and employment (CES), while students with disabilities are referred to psycho-diagnostic analysis and possibly medical examination. This is somewhat similar to the Norwegian program of NAV supervisors placed in upper secondary schools, but with much more limited outreach. Additional forms of career guidance include job fairs, career guidance events and other events related to providing information to students⁵.

Historically, there is a lack of coordination and collaboration between institutions in charge of unemployment (CES) and social welfare (CSW). However, after the introduction of the so-called Guaranteed Minimum Income (GMI), entitled to single people or households which do not have sufficient resources to meet their basic needs, at the beginning of 2014 a formal partnership between the CES and the Ministry of Social Policy and Youth has been established⁶ as a condition of receiving the GMI is that the recipient has to be registered at CES. Cooperation is organised between the 22 CES regional offices and the 81 CSWs which should exchange information about GMI claimants on a daily basis. Unfortunately, this information exchange involves neither detailed data exchange nor access to a common database. There are plans for further reform of the social welfare system, with the intention of more coordinated activities between the CES and CSWs, as well as some other institutions, by establishing “one-stop-shop” offices which should administer all welfare benefits (including social welfare,

² CES is public institution organised in 22 regional offices, mainly corresponding to Croatian counties, and 99 local sub-offices. It is responsible for all the unemployment-related issues, including unemployment benefits and ALMPs, which are determined at a national level.

³ In Croatia, compulsory education covers one year of preschool education and eight years of primary education, i.e., there are nine years of compulsory schooling before enrolling into gymnasiums, vocational or art school programmes, as the main forms of secondary education. Data on the share of students who enrol secondary schools, after finishing compulsory education, is unavailable.

⁴ Centres for Social Work (CSW) are decentralized national state agencies composed of 81 centres for social work and 38 sub-offices, under the Ministry of Social Policy and Youth. They are responsible for administering social welfare benefits and services.

⁵ More on the educational system and lifelong career guidance in Croatia is available in the publication by the Agency for Mobility and EU Programmes “Lifelong Career Guidance in Croatia”: http://www.mobilnost.hr/prilozi/05_1435836707_Publikacija_LLCCG_in_Croatia_final.pdf

⁶ Social Welfare Act came into force on January 1st, 2014. More on this in: Stubbs, P. & Zrinščak, S. (2014), *Flash Report: Croatia – Law on Social Welfare*, DG Employment, Social Affairs and Inclusion.

unemployment benefits, child allowances, and similar). In a way, this should resemble to the Norwegian NAV in the future, but the implementation of this is still at an early stage and it is unknown when exactly this will function in full capacity in Croatia.

As of the start of the crisis, and especially after 2011, active labour market policies (ALMPs) have gained more importance within CES's work, with special emphasis on solving the problem of youth unemployment⁷. For example, out of more than 56 000 participants in different ALMPs during 2014, more than 65% were young people up to 29 years of age. Additionally, more than half of the participants were included in educational programmes, with the most popular measure being vocational training without commencing employment (49.5%). This is intended for young people without work experience and functions in a form of one (or two) year internship for which the Government pays reimbursement in the amount of (approximately) the minimum wage⁸. The share of the disabled people that participated in ALMPs was 2%. Unfortunately, evaluation of ALMP measures in Croatia is currently in progress and the results should be available at the beginning of the next year⁹. However, despite the increase in both the financing and the number of participants, the coverage still remains rather low (below 20% of unemployed people are participating in some of the offered ALMP programmes), with most of the resources, as well as beneficiaries, sticking to a specific measure intended for young people - vocational training without commencing employment. This trend will probably continue in the future as well, through more EU financing within the *Youth Guarantee*.

Besides career guidance in schools and ALMPs intended for registered unemployed, there are additional actions taken by CES recently that are mainly aimed at youths. For instance, Youth Centres (Centar za mlade) were established in two biggest cities, Zagreb and Split, with the intention of establishing one in every county in the future. In each centre, specially trained counsellors are available. They have been trained to effectively communicate with young people, working in groups and workshops. Young people are provided with space, experts and information tailored to their needs in strengthening their competitiveness in the labour market. Additionally, there are also Centres for life-long career guidance (LLCG or CISOK - Centar za informiranje i savjetovanje o karijeri) which represent a central place where individuals can get free information on lifelong guidance and career development. The specificity of CISOKs is that they are intended for all citizens, not only the registered unemployed, thus possibly covering inactive NEETs as well. They are the result of collaboration between different institutions (local chambers, universities, adult education institutions, schools and NGOs), on both national and local level. Up to now, 11 CISOKs have been established in ten regions in Croatia. Early evaluation (in 2011 when eight CISOKs were established) of CISOKs' service suggests that the decentralisation and democratisation of career guidance in Croatia has had wider impacts on regional development as well as that that professional practice is developing new and creative

⁷ Besides youths up to 29 years of age, ALMP measures are directed to other specific target groups of unemployed and employed people at risk of losing jobs: long-term unemployed; people over 50 years of age; people with disabilities; special groups of unemployed, such as single parents, young people who have left the institutional child care system, victims of domestic violence, Croatian war veterans, parents of four or more minor children, parents of children with special needs, asylum seekers, former addicts and other groups of unemployed threatened by social exclusion and persistent unemployment; members of the Roma minority; and employers in difficulty so as to preserve jobs.

⁸ This amount has increased to HRK 2,400 in 2015, while previously it was twice lower, HRK 1,200.

⁹ Evaluation of earlier (2009 and 2010) ALMPs is available (in Croatian with summary in English) in Matković, T., Babić, Z. & Vuga, A. (2012), "Evaluacija mjera aktivne politike zapošljavanja 2009. i 2010. godine u Republici Hrvatskoj", *Revija za socijalnu politiku*, 19(3), 303-336, <http://www.rsp.hr/ojs2/index.php/rsp/article/view/1100>. The main conclusions suggest that participation in ALMPs does not bear particularly strong effect with respect to the observed outcome.

approaches¹⁰. In addition to this, different brochures, leaflets, web pages and online social networks¹¹ are used more extensively by CES in order to reach to young people. Although mainly intended for sharing information about different programmes and initiatives, there is a possibility for young people to ask questions, especially through the CES Facebook page. Also, there is a programme for career guidance called *Moj izbor (My choice)* that includes a database of occupations, information on education and employment opportunities, as well a possibility for self-assessment through an interactive questionnaire. It is used in CISOKs, as well as primary and secondary schools.

An agreement for data pairing and sharing between different ministries, and institutions within those ministries, has been established and is planned to be signed this autumn. The main goal of the agreement is to link different databases and exchange information between educational institutions (compulsory schools, secondary schools, and universities), public employment service (CES) and other institutions, such as Croatian Pension Insurance Institute (HZMO) or Tax Administration (PU). Once this is achieved, it will be feasible to track young people from their early age to their labour market experience and much easier to identify drop-outs from different stages of education. Hence, the need for different measures and their design will be more achievable.

Although Croatia has a rather serious problem regarding high youth unemployment and, consequently, high youth NEET population, everything needed for identifying young people at risk of being NEET, to reach out to NEETs and to help reintegrate them back into education or into the labour market – including reliable statistics, collaboration between different institutions, and measures in place – is rather limited. This is even more evident if we compare Croatia to Norway, which has a lot less to worry about concerning this issue but a lot more to offer for those in need. When comparing Croatia and Norway, there are more divergences than similarities in their approach to NEET population. Similarities appear only at the margin in the work of CES, including career guidance by the CES staff in schools and, to some extent, ALMP measures. In addition, intentions to exchange information between different institutions in charge of the NEETs' issues, as well as establishing a "one-stop-shop" for all welfare services, in the future should bring Croatia closer to Norway. But the divergences are more striking. In Norway, it is clearly established which institutions are responsible for "assisting, providing counselling and support and contributing to the development of human capital of youth segment of the society". In Croatia, this is not strictly formally determined. Further, cooperation with health services is not sufficient, while cooperation with educational institutions is mostly based in compulsory elementary schools. Follow-up services are also rarely present in practice, at least in the form described to work in Norway. Differences also emerge within the *Youth Guarantee*. Although both Croatia and Norway extended the programme to those up to the age of 29, Norway did so only for the work impaired youths, whereas in Croatia the highest share of those participating in *Youth Guarantee* measures are highly educated. Furthermore, unlike in Norway, too little attention is given to young people with different physical and especially mental health issues in Croatia. This is probably a consequence of the overall labour market situation in these two countries since young people with difficulties are only a negligible share of the overall youth unemployment in Croatia, while in Norway they constitute a greater part of the NEET population.

¹⁰ More on CISOKs can be found in Moore, N., Zečirević, M. & Peters, S. (2014), "Establishing Croatia's lifelong career guidance service", *Journal of the National Institute for Career Education and Counselling*, 32, 19-26.

¹¹ For instance, web pages: <http://www.e-usmjeravanje.hr>, <http://www.gzm.hr>, <http://www.cisok.hr>, or CES Facebook page: <https://www.facebook.com/HrvatskiZavodZaZaposljavanje>.

3 Assessment of the success factors and transferability

As mentioned in the previous section, there are some initiatives in Croatia, such as data sharing between different institutions or establishment of the "one-stop-shops", that are going in the direction of more reliable and easier identification of the NEET population as well as more efficient targeting of those really in need. However, current economic and institutional situations prevent successful transferability of many elements that are proved to function well in Norway.

As a start, a huge amount of the overall unemployment in Croatia in comparison to Norway prevents the CES, as the chief institution for identifying and targeting NEETs in Croatia, to be more effective in its work. Namely, the average caseload of CES counsellors is incomparable to those in some other countries, as it often exceeds 700 people per one counsellor. Institutional setting, where different institutions in charge of different aspects of the NEET population issues do not collaborate or do so in an ad-hoc manner, is an additional stepping stone in successful transferability of the Norwegian features. On top of that, without any reliable statistics on the size and the structure of the NEET population, it is very hard to discuss which success factors from the Host Country could be applied and transferred to Croatia.

Nevertheless, there are some examples of the Norwegian approach that are worth considering for implementation in Croatia. Although CES collaborates with educational institutions and municipalities, cooperation could be further strengthened beyond compulsory education, as well as with CSWs, and health authorities. This seems to function rather well in Norway, despite all of its drawbacks. Collaboration between CES and health authorities in Croatia is almost non-existent in the case of young people, whereas, as already pointed out, cooperation with CSWs is often informal and more than inadequate at the moment. Placing a NAV supervisor in upper secondary schools also seems like a good example of the Norwegian practice that could further strengthen already existing career guidance in Croatian schools. Of course, if a CES representative would need to be present in schools all the time, such as the case with non-teaching school staff, this would require additional staff from the CES, which is currently a financial challenge.

However, there is a chance for Croatia to use the privilege of its EU membership regarding the accessibility of structural funds, especially ESF, for financing projects that could help in dealing with the issue of NEET population. Developing Centres for life-long career guidance (CISOKs) or *Youth Guarantee* are nice examples of how this functions in practice. Establishing reliable statistics should be at the top of the agenda. Only after it is known what is the exact number of the NEET population in Croatia and what are its main characteristics, we can discuss the appropriateness of different measures, or tracking and follow-up services. Without any administrative data on the NEET population, apart from those who are registered as unemployed, nobody actually knows what is the structure of this population in Croatia, what are their reasons for inactivity, if they experiencing some kind of "reduced working ability", if they receive some kind of non-work-related benefit and similar. Reaching out to the part of the NEET population who are not registered at CES should be put higher on the agenda of policy makers, since this group is highly vulnerable and probably has more need for the help in acquiring skills or searching for a job. After establishing a reliable database, EU funds could be used to finance other projects intended for the most vulnerable groups of the NEET population, such as NAV development projects in Norway.

4 Questions

- Do some of the measures/programmes in place overlap with respect to their main target group as well as the desired outcome?
- Is there a formal agreement, or law, that defines the cooperation between four main public actors in Norway that 'share the responsibility of assisting, providing counselling and support and contributing to the development of human capital of this segment of society, youth'?
- What are the main sources of funding for each of the mentioned measures/programmes?

5 Annex 1: Summary table

National approach to tackling NEETs

- Rather low activity and employment rates, accompanied with high unemployment rates
- Enormous youth unemployment (45.5% for 15-24-aged in 2014)
- High NEET rates, with the majority of the NEET population being unemployed
- Drop-out rate (18-24-aged) in Croatia is the lowest among EU countries
- Administrative data does not provide a measure of the NEET rate (more than 30% of the registered unemployed in 2014 were in the age-group 15-29)

Assessment of the policy measure

- The main institution responsible for the NEET population (=officially unemployed) in Croatia is the Croatian Employment Service (CES), which cooperates with other institutions (schools, local governments, Centres for Social Work – CSWs, etc.), but mostly on an ad-hoc basis
- Career guidance in schools and ALMPs are core measures within CES intended for youths in Croatia
- Centres for lifelong career guidance (LLCGs or CISOKs), within CES authority, are the only place where non-registered (all) citizens can get free information on lifelong guidance and career development
- Plans for the future: an agreement for data sharing between different institutions has been drafted plus a plan to establish “one-stop-shops” which should administer all welfare benefits
- More divergences than similarities between Croatia and Norway in approaching the NEET population

Assessment of success factors and transferability

- Current economic and institutional situation prevent successful transferability of the many elements that proved to function well in Norway
- Absence of any reliable statistics on the size and the structure of the NEET population in Croatia further prevents transferability
- Cooperation of CES could be advanced beyond compulsory education, as well as with CSWs, and not-to-mention health authorities
- Placing a NAV supervisor in upper secondary schools or NAV development projects seem like a good examples of the Norwegian practice
- A chance for Croatia to use EU funds for financing projects that could help in dealing with issues of the NEET population

Questions

- Do some of the measures/programmes in place overlap with respect to their main target group as well as the desired outcome?
- Is there a formal agreement, law that defines the cooperation between four main public actors in Norway that deal with the NEET population?
- What are the main sources of funding for each of the mentioned measures/programmes?



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