

# **OECD Reviews of Labour Market and Social Policies: Croatia 2025**





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# Foreword

The OECD Council decided to open accession discussions with Croatia on 25 January 2022. On 10 June 2022, the Council adopted the Roadmap for the accession of Croatia to the OECD Convention [C/MIN(2022)23/FINAL] (the Roadmap) setting out the terms, conditions and process for accession to the OECD. The Roadmap provides that in order to allow the Council to take an informed decision on the accession of Croatia, Croatia will undergo in-depth reviews by the OECD technical committees listed in the Roadmap, including the Employment, Labour and Social Affairs Committee.

The background report that follows was prepared by the OECD Secretariat to support the accession review discussion of the Employment, Labour and Social Affairs Committee with Croatia. The policy analysis presented in this report reflects the situation at the time of the accession review discussion of Croatia in the Employment, Labour and Social Affairs Committee in October 2023. The statistical analysis presented in this report has been updated after the Committee discussion to reflect the latest data available at the time of publication.

The report was prepared by Sebastian Königs (project lead, Chapters 1, 2, 3 and 5) and Sara Mouhoud (Chapters 1, 2 and 4), with statistical support provided by Dana Blumin and Jongmi Lee. Editorial assistance was provided by Hanna Varkki. Valuable comments were provided by Stefano Scarpetta, Mark Pearson, Jean-Christophe Dumont, Tim Bulman, and several other colleagues at the OECD.

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In accordance with paragraph 28 of the Roadmap and upon request of Croatia, the Employment, Labour and Social Affairs Committee agreed to declassify this report and publish it under the authority of the Secretary-General, in order to allow a wider audience to become acquainted with its content. Publication of this document and the analysis and recommendations contained therein do not prejudice in any way the outcome of evaluations conducted as part of Croatia's accession process to the OECD.

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# Executive summary

Croatia's economy and society have been marked by two major trends over the last decade: an impressive labour market recovery, and a mounting demographic challenge. After a long and painful recession following the global financial crisis, with a real GDP drop of nearly 11% and a peak unemployment rate of 17.5% in 2013, labour market outcomes in Croatia have steadily improved. The COVID-19 pandemic dealt a short but heavy blow to Croatia's important tourism sector, but thanks to the massive use of job retention support open unemployment only rose by little. In the second quarter of 2025, the unemployment rate in Croatia stood at 4.9%, and the number of registered jobseekers is currently at an all-time low. Rapid population shrinking and ageing are increasingly contributing to labour market tightening. Over the decade to 2024, Croatia's population declined by 8%, and it is projected to shrink by a further 17% by 2060. Meanwhile, the old-age dependency ratio is forecast to rise from 41% to 59%. Besides low fertility, high emigration has been a major driver of population decline, as particularly young and highly skilled people have left the country in large numbers after Croatia joined the EU in 2013.

Given these demographic trends, Croatia's low employment rate is a major concern, at 68.8% in the second quarter of 2025 (OECD average of 70.5%). Employment is particularly low among young people and older workers, low-educated workers, and people with a disability. Growth in high-skilled employment has been relatively weak in Croatia over the last decade, and productivity and wage growth have been rather sluggish. Non-standard work is not particularly widespread, though the share of workers with contracts of very short duration is comparatively high. Estimates of informality vary greatly, but a recent micro-level study put the share of undeclared work in the private sector in Croatia below that in the EU on average.

Inequalities in earnings, disposable incomes and household wealth are relatively modest in Croatia, but challenges remain for the labour market and social inclusion of some groups. Croatia has narrower gender gaps in employment and pay than many OECD countries, but disparities in the amount of *unpaid* work done by women and men are larger than in any other European country. The share of young people not in employment, education and training (NEET) in Croatia has dropped substantially, to 10.6% in 2024, but it remains higher than in neighbouring Slovenia. And Croatia has one of the widest disability employment gaps across European countries. The poverty rate is broadly in line with the OECD average, and material and social deprivation has strongly declined, but many seniors and people in rural areas live on very low incomes. Croatia's Roma population still faces major structural challenges in the labour market and in society at large, and negative attitudes towards Roma people as well as the LGBTQI community are relatively widespread.

Croatia has been taking a series of steps in recent years to address key labour market challenges. A number of legislative reforms have focussed on improving job quality: Croatia amended its Labour Act in 2022 to tighten the hitherto very liberal regulation of fixed-term contracts and introduce far-reaching regulations of platform work. The country also introduced a new Act on the Elimination of Undeclared Work. Increasing workers' employability and improving the supply of skills has been a second priority area: Croatia has begun modernising its outdated upper-secondary vocational education and training system, improving its alignment with the labour market and strengthening work-based learning. A new Adult

Education Act improves quality assurance and harmonises training programmes with the Croatian Qualification Framework. In the context of declining unemployment, the Croatian Employment Service has been shifting the focus of its active labour market programmes towards education and training (including through a promising new voucher-based training system) as well as activation and support for the hardest-to-employ jobseekers (through the intensive Job+ activation and education programme). To reduce the high incidence of low pay, Croatia significantly increased its statutory minimum wage in recent years, to now EUR 970 gross per month, or about 50% of the average wage.

Croatia has also started modernising its migration policy with a view to better addressing labour shortages and alleviating pressure on the social protection system. With the new Aliens Act of 2021, Croatia replaced its rigid quota system through a more responsive labour market testing regime. However, this system suffers from insufficient administrative capacity given rapid rise in the demand for work and stay permits, increasingly also from migrants from Asian countries. Croatia also lacks an immigration strategy that would define the role that immigration can play for the country's longer-term economic, labour market and social development, though the recently adopted Demographic Revitalisation Strategy foresees the development of a national migration plan. Since previous generations of immigrants have mainly originated from culturally and linguistically similar neighbouring countries, Croatia never had to systematically invest in integration policies. A comprehensive integration strategy is now urgently needed to exploit the potential of the rapidly growing number of immigrants from more diverse origins. Croatia's diverse and highly skilled diaspora has a large potential for the country's economic development as a source of remittances, knowledge transfer, and return migration, and diaspora outreach has been a policy priority for Croatia.

In the area of social policies, one of Croatia's priorities has been to improve the accessibility and adequacy of social services. Particularly rural and remote localities struggle to provide social support and care for vulnerable groups because of a lack of resources, service fragmentation, and a shortage of providers and care professionals. This partly reflects that a relatively large share of Croatia's public social expenditures – which are higher relative to GDP than in the OECD on average – go to pensions and incapacity benefits, with few resources dedicated to minimum-income support and unemployment benefits. With a new Social Welfare Act, adopted in 2022, Croatia took first steps towards reorganising the welfare system, consolidated different social benefits, and introduced a new social mentoring service for highly disadvantaged groups, and further reforms have taken place since. A recent amendment to the Labour Market Act improves the coverage and adequacy of unemployment benefits, notably for young people. The *Make-a-Wish* public-works programme has been successfully employing jobless women with no more than upper-secondary education for the provision of local care services. Croatia's high rates of old-age poverty reflect low pension payments for the current pensioner generation, many of whom have contributed too few years. The future adequacy of the Croatian pension system is broadly in line with that of many OECD countries; also pension expenditures are comparable to those of many other European countries, and they are forecast to decline relative to GDP. In June 2025, Croatia adopted a new Pension Insurance Act that will raise average pensions while improving incentives to work for longer.

# 1 Main assessment

## 1.1. The labour market and social situation in Croatia

### 1.1.1. An impressive labour market recovery and a mounting demographic challenge

After a long and painful recession following the global financial crisis, which brought a drop in real GDP of nearly 11% and peak unemployment rates of 17.5%, Croatia has been experiencing a remarkable labour market recovery. Since the peak of the crisis in 2013, the unemployment rate has declined by over 12 percentage points (p.p.), while labour force participation has risen by over 8 p.p. The COVID-19 pandemic dealt a short but heavy blow to Croatia's important tourism sector, but only had a relatively mild impact on open unemployment and employment, thanks mainly to the massive use of job retention support, which at its peak covered nearly 40% of workers. In the second quarter of 2025, unemployment in Croatia stood at 4.9%, a rate lower than before the COVID-19 crisis.

Croatia has therefore been heading into a tighter labour market. The number of jobseekers registered with the Croatian Employment Service (CES) stands at an all-time low, at 95 300 in 2024, down 72% from the value reached in 2013. In 2022, more than half of employers in the construction sector reported shortage of suitable workers to be a limiting factor for business, and growing shortages were being reported also in industry and services. However, job vacancy rates remain low in international comparison.

Croatia's labour market and economy are already deeply affected by the very rapid population decline, which is increasingly contributing to labour market tightening. Over the decade to 2024, Croatia's population shrank by 8%, dropping below the mark of 4 million inhabitants for the first time since Croatia's independence. It is projected to continue declining to only about 3.1 million in 2060. Croatia's working-age population is falling even faster and is forecast to shrink from 63% to 54% of the total population by 2060.

High emigration – a significant phenomenon throughout Croatia's history – has been a major driver of this rapid population decline. After Croatia joined the European Union in 2013, at the height of the economic crisis, particularly the young and highly skilled left the country in large numbers in search for better employment opportunities and higher wages abroad. While initially contributing to driving down high unemployment, this trend is now contributing to labour shortages. Croatia has responded by opening up to workers from abroad. Traditionally low immigration flows to Croatia have started rising and exceeded emigration flows in 2022 and 2023. For the first time, immigrants are also not just coming from neighbouring Balkan countries, but from Asian countries such as Nepal, India and the Philippines.

### 1.1.2. Employment, productivity and wages remain low

Given these demographic trends, it is particularly worrying that employment rates remain low in Croatia. In the second quarter of 2025, 68.8% of 15-64 year-olds in Croatia were in work, a substantially lower share than in neighbouring Hungary (74.9%) and Slovenia (72.5%) and below the OECD on average (70.5%). This reflects on average very short working lives, with low employment rates both for young people (25.7% among 15-24 year-olds in 2024) and older workers (53.9% among 55-64 year-olds). Working lives tend to be particularly short for women, but as employment is low for both women and men,

the gender employment gap is relatively narrow in Croatia, at around 6 p.p. In addition, Croatia has ample margin for raising employment among disadvantaged groups of workers, notably low-educated workers and people with a disability. The positive labour market trend has also not yet benefited all parts of the country equally, with unemployment still high in the economically lagging parts in the north-east of the country.

Growth in high-skilled employment has been relatively weak in Croatia compared to European OECD countries. Labour productivity and wages have also grown slowly, and their levels are low in Croatia, though in line with those in Central and Eastern European OECD countries. The distribution of earnings is relatively equal, and the gender pay gap is comparatively low.

Job quality in Croatia is in line with that in European OECD countries. About one-in-eight workers in Croatia experience high or extreme job strain, a slightly greater share than across European OECD countries on average. The incidence of job strain is of the three dimensions of the OECD Job Quality Framework, measuring the quality of the working environment. The incidence of non-standard work in Croatia is in line with levels observed in many OECD countries, though a comparatively large share (2%) of workers in Croatia were employed on contracts with at most three months duration. This reflects frequent use of such contracts in Croatia's tourism industry, but such contracts are widespread also in industry and construction. Temporary work in Croatia has a gender dimension, with women being more likely than men to be employed on temporary and very short contracts.

Estimates of informality in Croatia vary greatly and have at times been heavily contested, but studies seem to point to a decline in its incidence. While macro-level research suggest that Croatia's shadow economy is among the largest in the EU, with estimates using a macro-level approach reaching as high as around 30% of GDP, micro-level estimates suggest that undeclared work in the private sector accounted for about 13.5% of gross value added in Croatia in 2019. This estimate is below the EU average and comparable estimates for European OECD countries such as Hungary, Italy and Lithuania. However, the share of people reporting having paid for goods or services that likely included undeclared work in the last 12 months is one of the highest across European countries, at 18% in 2019 (EU average of 10%).

### ***1.1.3. Living standards are rising, and deprivation has declined, but challenges remain for the social inclusion of some vulnerable groups***

Economic inequalities are low in Croatia, and material deprivation has declined substantially since the peak of global financial crisis. With a Gini Index of 0.30, inequality in disposable incomes in Croatia is comparable to that in Hungary and Poland, and below the OECD average (Gini of 0.32). Inequalities in household wealth are also relatively low because of widespread homeownership. Thanks to declining unemployment and rising wages and incomes, Croatia has considerably reduced material and social deprivation, with the proportion of people facing an enforced lack of necessary and desirable items to lead an adequate life having dropped by a factor of four since 2015, from 8.4% to 2.0% in 2024. Relative poverty rates are a little above the OECD average, but old-age poverty is widespread because of short working lives and low pensions. Poverty and material deprivation are also much larger in rural and remote areas than in the rest of the country, though precise data are lacking.

Some minorities face disadvantage and discrimination, but minority outcomes in Croatia are not an outlier relative to those in OECD countries. Croatia has narrower gender gaps in employment and pay than many OECD countries, but very large disparities in the amount of *unpaid* work done by women and men (see discussion further below). The share of young people in Croatia who are NEET has declined substantially, but remains higher than in neighbouring Slovenia, and youth employment rates are low; the disability employment gap in Croatia is one of the widest across European countries, though this partly reflects a large number of veterans with a disability from Croatia's War of Independence. Croatia is a largely ethnically homogenous country, with over 91% of the population identifying as ethnic Croat. However, various surveys show that the Roma population still faces major structural disadvantages in the labour

market and in society at large. Croatia has been taking very active steps to promote the socio-economic inclusion of national and ethnic minorities, including through the Operational Programmes of National Minorities 2021-2024, and to address the specific challenges of the Roma minority (see Box 5.1). In Croatia's Parliament, the Roma minority, as other national minorities, is represented through their own Member of Parliament, and the annual state funding allocated to umbrella associations of national minorities has increased over tenfold between 2017 and 2022. LGBTI people are another minority that likely faces discrimination in different areas of life in Croatia. In a recent Eurobarometer survey, one-in-four (25%) respondents indicated that they would feel “uncomfortable” working alongside a person who is transgender or gay, lesbian or bisexual, and according to a different study more than half of surveyed LGBTI people in Croatia recently felt discriminated against based on their sexual orientation. In January 2025, the Croatian Government adopted two Action Plans on the Protection and Promotion of Human Rights and on the Prevention of Discrimination. These were drafted by a cross-sectoral working group composed of representatives from ministries and government offices, academia, and non-governmental organisations, including an LGBTQI association. Proposed draft measures focus on raising awareness of the various types of discrimination faced by different discriminated groups, including the LGBTQI minority; strengthening prevention through training for public servants, teachers, and health workers; promoting access to free legal support for the LGBTQI minority; capacity building for LGBTQI-rights' associations; improving support for victims of discrimination; and cross-sectoral co-operation for more efficient prevention of hate speech and hate crimes.

## 1.2. Making best use of Croatia's labour force potential

### 1.2.1. Recent initiatives to raise employment and improve job quality

Croatia passed a series of important changes to its labour market legislation in 2022 that address some of the challenges outlined above. Through an amendment to the Labour Act, Croatia tightened the hitherto very liberal regulation of fixed-term contracts. Under previous legislation, there had been no limit to the number of short contracts that an employer could give to a worker during a period of up to three years. The amendment restricts the maximum number of successive fixed-term contracts to no more than three over a three-year period and ties the use of fixed-term contracts to strict criteria. A second notable amendment, which entered into force in 2024, introduced far-reaching regulations of platform work. This includes the mandatory registration of all digital labour platforms and intermediaries; regulations on the mandatory content of employment contracts; and the collection of personal data of everyone working through a digital platform, their hours worked, and any financial transactions made, and the transmission of these data to financial and social security authorities. Croatia also stepped up the fight against undeclared work with the adoption of a new Act on the Elimination of Undeclared Work. This new law increases penalties for employers who do not declare their workers, requiring them to pay workers a compensation equivalent to six months of wages plus social insurance contributions irrespective of the actual duration of their undeclared activities.

### 1.2.2. A training system ill-equipped to satisfy the growing skill needs

One key challenge for raising employment, productivity and wages in Croatia is that Croatia's training system is currently ill-equipped to provide workers with the skills needed in the labour market. Vocational education and training plays an important role in Croatia, with 70.6% of all upper-secondary students enrolled in vocational programmes. But these programmes are largely school-based, poorly aligned with the needs of Croatia's changing labour market, and despite of their high enrolment rates generally perceived as unattractive. Particularly young people growing up in more rural parts of Croatia often need to choose from a very limited set of vocational training options that may not suit their interests and for which there is not much local labour demand. This is one reason for why many young people in Croatia have

struggled to find work after graduation, ended up working in low-skilled jobs or have left the country. And while the low quality of vocational education increases the need for adult learning, participation rates are very low in Croatia, with only 6.6% of adults reporting having participated in formal or non-formal education and training activities in the last four weeks in 2024. Croatia has invested significant efforts in recent years into modernising its VET system, with the focus on improving the alignment of the education system with the labour market, moving to a system that focusses on learning outcomes, and strengthening work-based learning.

A new voucher system, financed under Croatia's National Recovery and Resilience Plan, has been a promising new instrument for promoting adult learning and upskilling since 2022. This system, administered through the CES, permits both employed and unemployed workers to participate in training of six to ten months duration in fields related to the digital and green transition. Initial uptake has been very encouraging with about 11 000 vouchers approved within the first year, and current targets foresee the use of 40 000 vouchers by mid-2026, 12 000 of which through long-term unemployed, inactive people or NEETs. In May 2023, the Croatian Government broadened the programme with support from the ESF+ to cover a wider range of skills for an additional 75 000 users by the end of 2029.

### ***1.2.3. Employment support in a tightening labour market***

Croatia provides employment support for jobseekers through the CES, and spending on active labour market programmes (ALMPs), at 0.5% of GDP, is comparable to that of many OECD countries. ALMP spending has nearly tripled relative to 2013, which, against the background of rapidly declining unemployment, implies a very substantial increase in the resources available per jobseeker. EU funds have been playing a key role in financing employment support to jobseekers in Croatia, accounting for a little over two-thirds (69%) of the total funds dispersed for ALMPs in 2025. In response to the recent labour market trends, the CES has been taking steps to adjust its programme mix, increasing the provision of education and training and further prioritising activation and support of hard-to-employ jobseekers. This has included the introduction of a new programme under the name of Job+, which provides disadvantaged participants with a sequence of activation, individualised support including work practice, and education and training over a duration of 12 and 24 months.

### ***1.2.4. Improving social dialogue and worker representation***

Social dialogue and collective bargaining have an important role to play in raising employment, increasing job quality, and improving the skills and productivity of the Croatian workforce. The institutional framework for involving the social partners in promoting better labour market outcomes in Croatia is fundamentally solid. The Croatian social partners discuss key economic and social issues with government representatives in the Economic and Social Council (ESC), which is supposed to meet monthly under participation of ministers or their state secretaries and serves as a consultative and advisory body to the government. At the start of each year, the government submits a list of planned legislative initiatives to the ESC giving the social partners the opportunity to indicate which issues they would like to see discussed. However, the day-to-day quality of tripartite dialogue is rather mixed. The government generally involves the social partners in important legislative process, often from a relatively early stage, and the Ministry of Labour in particular tries to ensure regular high-level participation in the ESC. Nonetheless, the trade union representatives voiced their frustration about the ESC's functioning, criticising the growing irregularity of meetings and insufficient or late information flows.

Collective bargaining in Croatia usually takes place at the company level. However, there also exist 12 sectoral-level agreements, including in commerce, hospitality, construction and wood processing where they extend by law to all employees. While many workers are currently not represented through collective bargaining, the coverage rate is higher in Croatia than in most Central and Eastern European OECD countries, at an estimated 65%. Trade union membership is also slightly higher than in most Central

and Eastern European OECD countries, at 21% of workers in 2018. In line with the EU 2022 Directive on adequate minimum wages, Croatia, as an EU Member State with a collective bargaining coverage below 80%, will have to develop an action plan that sets out a clear timeline and concrete measures to progressively increase coverage rate. A working group tasked with drafting a proposal for such a plan was established in June 2023 and includes representatives of government and social partners.

Croatia has had a statutory national-level minimum wage in place since 2008, which since 2018 is set annually through government decree. A single rate applies to all workers, except in construction and hospitality, where the extended collective agreements foresee higher minimum wages for all employees depending on job complexity. The minimum wage was relatively low for many years but has been increased significantly over the last few years. Since January 2025, it stands at EUR 970 per month gross – close to 50% of the average wage, one of the suggested reference values to assess the adequacy of the minimum wage in the EU 2022 Minimum Wage Directive. The incidence of low pay, defined as the share of workers earning less than two-thirds of median earnings, was higher in Croatia in 2023 than in nearly all OECD countries.

### **1.3. A migration strategy that addresses Croatia's demographic challenges**

#### **1.3.1. Modernising migration policy to address growing skill shortages**

An effective migration policy is needed as part of Croatia's strategy to address structural labour market shortages, promote innovation and productivity, and alleviate the financial pressures on the social protection system. Recent legislative changes have made immigration more responsive to labour market needs. Croatia passed the new Aliens Act in 2021 to replace the previous quota system with a labour market testing regime, because the old system had been too rigid to effectively respond to a rapidly evolving labour market. Although the new labour migration model is more responsive to labour market needs, it places a high administrative burden on public authorities, and the rapid increase in the demand for work and stay permits since 2017 has met insufficient administrative capacity. Croatia currently does not have a well-defined strategy in place that would spell out the role that immigration can play for the country's longer-term economic, labour market and social development, i.e. beyond just addressing the countries' immediate skill shortages. However, the Demographic Revitalisation Strategy up to the year 2033, adopted in March 2024, foresees the development of a national migration plan. A new migration policy could form the basis for a new immigration system and allow Croatia to better anticipate skills needs and actively steer migration flows.

#### **1.3.2. Developing a comprehensive integration policy**

As previous generations of immigrants have mainly originated from neighbouring countries and shared cultural and linguistic similarities with Croatians, Croatia has never had to invest in more comprehensive integration policies targeted to the whole migrant population. Current integration measures for migrants are therefore very limited and targeted towards beneficiaries of international protection. Given the large recent inflows of migrants from Asian countries, Croatia urgently needs a comprehensive integration policy to be able to fully exploit the skills and potential of its growing number of immigrants from diverse origins and ensure that they can integrate and contribute to Croatian society. Priorities should include offering language and orientation courses to new arrivals, developing mechanisms to inform all migrants of their rights, and facilitating and accelerating the recognition of foreign qualifications. As Croatia is experiencing a shift in the ethnic composition of its foreign-born population, policies to combat discrimination and racism will also become essential.

### **1.3.3. Attracting and retaining Croatian emigrants and their descendants**

Croatia's diverse and highly skilled diaspora has a large potential for the country's economic development as a source of remittances, knowledge transfer, and return migration, and recent governments have made diaspora outreach a policy priority. Personal remittances received by Croatian households have increased, reaching a high of 7.5% of GDP in 2022 and declining slightly to 6.9% in 2023, well above the levels in any OECD country. Croatia has adopted a strategic diaspora policy with a primary focus on engaging and connecting with its diverse diaspora and encouraging and facilitating their return. To that end, Croatia recently facilitated the acquisition of Croatian citizenship for the descendants of emigrants and implemented various programmes and subsidies, particularly targeted towards the young and highly educated. Although some members of the diaspora have been starting to return, potential return migrants still encounter obstacles to return and (re)integrate. There remains some potential for Croatia to further improve its well-developed diaspora policies along several dimensions, including by strengthening outreach efforts, raising the efficiency of administrative procedures, facilitating access to (re-)integration programmes, and improving data collection on emigration and the diaspora to permit a better targeting of policies.

## **1.4. Adequate and accessible social support for vulnerable groups in Croatia**

Public social expenditures in Croatia are comparable to those in OECD countries. In 2021, Croatia spent 22.5% of its GDP on cash benefits and social and health services, slightly above the OECD average of 22.1%. Croatia dedicates a relatively high share of this spending to pensions (8.9%, compared to an OECD average of 8%). Also spending on income support for the working-age population is relatively high. This reflects primarily large spending on incapacity benefits, including disability pensions for War Veterans, while spending on unemployment and minimum-income benefits is low. The overall redistributive capacity of the tax and benefit system in Croatia, as measured by its impact on the Gini Index, is in line with the OECD average. Increasing benefit coverage, improving social services and reducing fragmentation of minimum-income benefits would help increase the effectiveness of the system in reducing poverty.

### **1.4.1. Addressing the low coverage and adequacy of support for jobseekers and vulnerable households**

Workers in Croatia who lose their job are protected against income losses through a single-tier unemployment benefit. However, benefit coverage is very low, with only an estimated 23% of jobseekers (according to ILO definition) receiving benefits. This reflects a comparatively short maximum benefit duration, and a large share of jobseekers who do not qualify, such as young people and those with short previous employment spells. The payment level is initially high, with a net replacement rate of 70% in the first three months of a benefit spell, but sharply drops for benefit recipients with longer spells. In 2025, an amendment to the Labour Market Act improved coverage and adequacy of unemployment benefits, somewhat reducing the degressivity of payments after the third month and shortening the minimum employment requirement for young people from nine to six months.

Minimum-income support in Croatia is fragmented, and benefit adequacy is very low. Low-income households who struggle to make ends meet from own resources may be entitled to support from different national and local schemes, the most important one being the means-tested Guaranteed Minimum Benefit (GMB). However, these schemes often do not effectively prevent poverty for the most vulnerable, because payment levels are low and because different schemes are insufficiently integrated and lack predictability and consistency across localities. After its introduction in 2014, GMB payment levels continuously declined relative to the median household income, and hence the relative poverty line, until rates were increased for some households in 2023. Still, for a single working-age adult, GMB plus top-up in the form of a housing

cost allowance provide a combined income of less than 20% of the median equivalised household income, i.e. not even half of the amount needed to reach the poverty line.

A further major challenge for the support of vulnerable groups in Croatia is the very patchy provision of social services. Particularly rural and remote localities struggle to organise an adequate provision of social support and care for older people and those with disabilities, at-risk families, children and young people, disadvantaged minorities, and other vulnerable groups. This reflects a lack of financial resources, a shortage of local providers and care professionals as well as insufficient public capacity. Supported by EU funding, Croatia has been launching a number of initiatives to improve social service provision, including by streamlining administrative structures and introducing a new social mentoring service for highly disadvantaged people.

### **1.4.2. Tackling gender inequalities**

Croatia has been making progress in reducing gender inequalities, but there is more work to be done. Croatian women and girls do well in education at all levels, with tertiary enrolment rates of women clearly surpassing those of men. Nonetheless, women in Croatia lag men in both employment rates and earnings, even if these gender gaps are narrower than in many OECD countries. Differences in job quality remain a concern, including the greater share of employed women working on temporary contracts, notably on very short contracts. And while the gender pensions gap is lower than in the EU on average, particularly single older women face a very high poverty risk.

The high burden from unpaid work for many women is a major source of gender inequalities in Croatia. While the gender gap in *paid* work is relatively low, women in Croatia spend nearly 20 hours more per week than men on *unpaid* work – the highest value across European countries. The low availability of formal care services is one main reason for this. Early childhood education and care (ECEC) services suffer from insufficient capacity, both in infrastructure and staffing, and ECEC participation rates among 3-5 year-olds are low (71%, compared to an OECD average of 87%). Croatia has been increasing the capacity of childcare institutions with the target of raising the participation rate of above-3-year-olds to 90% by 2026, and further to 96% by 2030. The long-term care system in Croatia is also strongly underdeveloped, with most care being provided informally by families and relatives. Geographic inequalities in the availability of care services are large, with access being much lower in rural and less developed parts of the country. The resulting care burden is mainly picked up by women: more than one-in-four (27%) women who were inactive but wanted to work in 2023 did not do so because of caring duties.

An effective and innovative solution for bringing basic home care services into underserved rural communities in Croatia has been the Make-a-Wish programme, rolled out in 2017 with EU funding. Make-a-Wish provides funding to local and regional authorities and NGOs to employ lower-educated unemployed women – who in many cases are vulnerable or hard to place – for the provision of care services to the local population of seniors and infirm. These women receive a full-time contract at the minimum wage, and can receive formal vocational training. While the main aim of the programme had initially just been to promote employment of lower-educated jobless women, Make-a-Wish has been making a substantial contribution to delivering care services and supporting the independent living of vulnerable seniors. Demand for participation in the programme is high, with by now long waiting lists, and Make-a-Wish was recently extended by a further four years up to 2027.

Croatia has been taking important steps to prevent and combat violence against women. As a signatory of the Istanbul Convention, Croatia recently underwent a first comprehensive assessment of its implementation of the Convention, which highlighted the many Croatian initiatives to prevent and combat violence against women. The report positively acknowledged authorities' commitment on gender equality and the combating of violence against women, and highlighted crucial recent legislative changes, including the introduction of a consent-based definition of rape into the Criminal Code. It notes room for improvement

in the absence of comprehensive policies to address stalking, female genital mutilation, forced marriage, or forced sterilisation and forced abortion, as well as pointing to an insufficient number of domestic-violence shelters. The prevalence of violence against women remains difficult to assess, and available statistics may not be very reliable and are often not easily comparable across countries. A recent EU-level survey, 28% of ever-partnered women in Croatia report having experienced psychological, physical or sexual violence by an intimate partner; in about two-thirds of EU countries the rate is even higher than this. In the same survey, over one-in-three (36%) women in Croatia report having experienced sexual harassment at work, a share that is somewhat higher than across EU countries on average.

### ***1.4.3. Ensuring pension adequacy and sustainability in a rapidly ageing society***

Croatia operates a three-tier pension system, which consists of a pay-as-you-go public pension scheme, created in its current form through a comprehensive reform of Croatia's previous public scheme in 1998, a mandatory and a voluntary private funded scheme, both introduced in 2002. The statutory retirement age in Croatia is broadly in line with the average across OECD countries. The normal retirement age is 65 years for men and 63 years and nine months for women, with women's retirement age currently increasing by three months each year to reach 65 years in 2030. Workers with long contribution records of at least 41 years can retire at age 60 without penalty. Early retirement is permitted five years before the normal retirement age for workers who have contributed for at least 35 years. A major reform of the pension system, which raised the retirement age to 67 years, was passed in 2018, took effect in January 2019, but was largely taken back only nine months later under huge public pressure, leaving the retirement age unchanged. In June 2025, Croatia adopted a new Pension Insurance Act that will raise average pensions while improving incentives to work for longer.

Pension adequacy is low in Croatia because working lives are short. The gross median pension income of 65-74 year-olds equalled only about 35% of gross median earnings from work of 55-64 year-olds in 2024, one of the lowest Aggregate Replacement Ratios among EU countries (EU average of 60%). Only a relatively small share of pensioners (19.6% in August 2025) receive a pension based on 40 or more qualifying years, though this figure has been rising; nearly 40% have fewer than 30 years of contributions. While women are overrepresented among pensioners with shorter qualifying periods, the gender gap in pension payments substantially lower than in the EU on average. Croatia's funded private pension schemes have had little impact on adequacy so far, though this should start changing for coming pensioner generations. The future adequacy of the Croatian pension system under the rules in place up to the 2025 pension reform was broadly in line with that in many OECD countries. According to simulations from the OECD pensions model, a person entering the labour market in 2022 at age 22, working at average earnings throughout their career, and retiring at the earliest possible age without penalty was entitled to a pension corresponding to 60% of their previous net earnings. This net replacement rate was slightly below the OECD average (61% in 2022), but above those in many OECD countries. The recent pension reform should increase adequacy through a more favourable pension adjustment formula, increases in the minimum pension, the introduction of an annual pension supplement tied to years of service, and additional credited service to mothers for raising children.

Public pension expenditures in Croatia are much in line with those in other European countries, and – up to the recent pension reform – were forecast to decline relative to GDP. According to the EU Ageing Report 2024, total gross public pension expenditure in Croatia equalled 9.0% of GDP in 2022, 2.4 p.p. below the EU average of 11.4%. Total expenditures were projected to continuously decline over the next decades to reach 8.8% of GDP by 2070, which reflects primarily a fall in the expenditures for disability pensions. Expenditures on old-age and early pensions alone were projected to rise until 2033 before starting to decline.

Nonetheless, Croatia's public pension system runs a major deficit, as the number of contributors to the system is very low. In March 2023, the public pension scheme counted only about 1.3 employees for each

pensioner, a dependency ratio of 78%. This reflects not so much demographics, but primarily the high share of pensioners per *employed* person. As a consequence, with pension contribution rates similar to other countries, Croatia finances nearly half of its public pension expenditures from the state budget. There remains scope for Croatia to promote longer working lives by taking further steps to discourage early retirement, which remains relatively attractive in international comparison, encourage deferred retirement, and by further reducing, or entirely lifting, the restrictions on combining receipt of old-age pensions and work.

### Box 1.1. Main policy recommendations for Croatia

The Croatian Government is invited to consider the following items as part of its strategy to cope with the demographic challenge, raise employment, job quality and wages, and improve inclusiveness and living standards, including for vulnerable groups:

#### Raising employment and job quality

- *Monitor the evolution of non-standard and informal work*, notably the incidence of contracts of very short duration and the development of platform work following the recent amendments to the Labour Act and the adoption of the New Act on the Elimination of Undeclared Work;
- *Reinforce efforts to promote the employment of people with a disability*, including by carrying out the planned changes to work capacity assessments, and by prioritising activation and support for out-of-work people with partial work capacity.

#### Upskilling Croatia's workforce

- *Continue ongoing efforts to modernise the upper-secondary vocational education and training system*, notably by strengthening work-based learning, raising the responsiveness of the VET programme offer and contents to local labour market needs, and involving the social partners in the design, implementation and assessment;
- *Reinforce efforts to raise low participation rates in adult learning*, particularly for lower-skilled workers. The recent expansion and broadening of the voucher-based training system beyond digital and green skills is a welcome step.

#### Developing a migration strategy

- *Develop an immigration strategy* that clearly defines the role that immigration can play for Croatia's longer-term economic, labour market and social development;
- *Work towards a comprehensive integration policy* that permits Croatia to fully exploit the skills and potential of its growing number of immigrants from diverse origins;
- *Further strengthen diaspora policies*, including possibly by reinforcing outreach efforts, raising the efficiency of administrative procedures, facilitating access to (re-)integration programmes, and improving data collection on emigration and the diaspora.

#### Strengthening social protection and the provision of social services

- *Continue ongoing efforts to expand the availability of quality early childhood education and care and long-term care services* to reduce the high unpaid-work burden on women and improve living standards of frail and senior people;
- *Continue ongoing efforts to reform the social benefit system and to improve social services for the most vulnerable* by consolidating the different minimum-income benefits, improving data exchange and co-ordination between national and local authorities, raising payment rates of

the Guaranteed Minimum Benefit, and building local capacity for social service provision, particularly in rural areas. This will require increasing public spending on minimum-income benefits and social support, which could be matched by a reduction in the high spending on incapacity-related benefits;

- *Strengthen social and mental-health support for disadvantaged young people* by creating low-threshold support options for at-risk students and young people outside the education system, in particular the NEETs;
- *Continue to prioritise the socio-economic integration of the Roma community and other national minorities* through implementation of the Operational Programmes of National Minorities;
- *Continue to prioritise the fight against discrimination of minorities, including LGBTQI people* by implementing the Action Plans on the Protection and Promotion of Human Rights and on the Prevention of Discrimination;
- *Consider further reforms of the pension system* to extend working lives and improve pension adequacy, notably through further steps to discourage early retirement, encourage deferred retirement, or facilitate the combination of pension receipt and work.

# 2 The labour market and social situation in Croatia

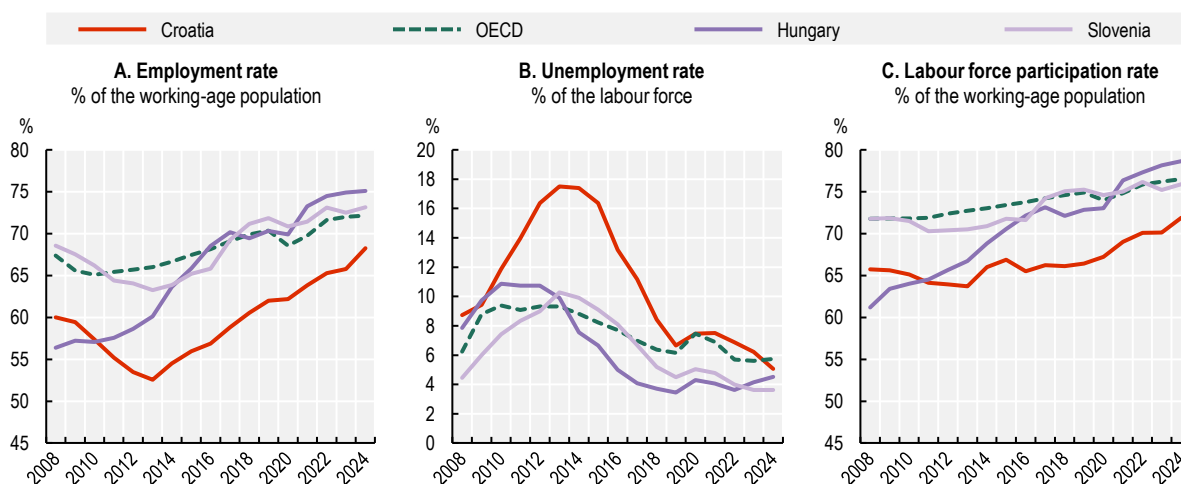
## 2.1. An impressive labour market recovery and a mounting demographic challenge

### 2.1.1. After a long and strong recovery, Croatia's labour market is starting to tighten

After a long and painful recession following the global financial crisis, which brought a drop in real GDP of nearly 11% and a peak unemployment rate of 17.5%, Croatia has been experiencing a remarkable labour market recovery. Since the peak of the crisis in 2013, the employment rate in Croatia has risen by over 15 percentage points (p.p.), while unemployment dropped by over 12 p.p. (Figure 2.1). In the second quarter of 2025, unemployment in Croatia stood at 4.9%; the employment rate had risen to 68.8%, which however remains substantially below the level attained in neighbouring Hungary (74.9%) and Slovenia (72.5%) and across the OECD (70.5%; OECD (2025<sub>[1]</sub>)).<sup>1</sup>

**Figure 2.1. Labour force participation and employment are low in Croatia and unemployment remains relatively high**

Employment, unemployment and labour force participation rates, working-age population (15-64), 2008-2024



Note: OECD is an unweighted average.

Source: OECD (2025), *Employment and unemployment by five-year age group and sex – indicators* (dataset), <https://data-explorer.oecd.org/s/34h> (accessed 1 September 2025).

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The COVID-19 crisis only had a relatively mild impact on employment and open unemployment in Croatia, and key labour market indicators have improved relative to their pre-COVID-19 levels. As many OECD countries, Croatia made massive use of job retention support in form of a wage subsidy scheme and a smaller short-time work scheme to protect the jobs and incomes of workers in companies and sectors heavily impacted by the pandemic and the economic lockdowns. At the peak of the crisis, Croatia's job retention schemes are estimated to have supported approximately 40% of workers, primarily in accommodation and food services, manufacturing, and wholesale and retail trade (Drahokoupil and Müller, 2021<sup>[2]</sup>; Jaklin, 2021<sup>[3]</sup>). As a result of these measures, the unemployment rate increased only relatively little, by 1.7 p.p. year-on-year from the Q4 2019 to Q4 2020, and has fallen below its pre-crisis level since. The employment rate continued climbing and surpassed its pre-crisis value by 6 p.p. in Q4 2024 (OECD, 2025<sup>[1]</sup>).

After a decade of sustained labour market recovery, Croatia has therefore been starting to head into a tighter labour market, though data suggest that for the moment there remains substantial labour market slack. The number of jobseekers registered with the Croatian Employment Service (CES) is at an all-time low, at 95 300 in 2024, down 72% from the value reached in 2013 (Croatian Employment Service, 2025<sup>[4]</sup>). Already in 2022, more than half of employers in the Croatian construction sector reported low availability of labour to be a limiting factor for business, and reported labour shortages had grown relative to 2019 also in industry and services (European Commission, 2022<sup>[5]</sup>). However, the job vacancy rate remains lower than in most other EU countries (European Commission, 2024<sup>[6]</sup>). And despite certain structural imbalances of Croatia's economy, notably its very dominant tourism sector<sup>2</sup> and substantial regional disparities, labour market mismatch as measured by the Beveridge curve is not particularly high. Employers' grievances about the difficulty of hiring may therefore still reflect in part a certain unreadiness to consider more disadvantaged jobseekers, even when hiring for lower-skilled occupations, such as in hospitality. Also, not all jobseekers in Croatia may be very keen to take up work: homeownership rates are very high in Croatia, at around 90%, and house prices and rents have strongly risen in recent years. Anecdotally, it is not uncommon for jobseeker to get by well enough just from the rental income they generate if they are lucky enough to own a small flat in Zagreb or somewhere on the coast.

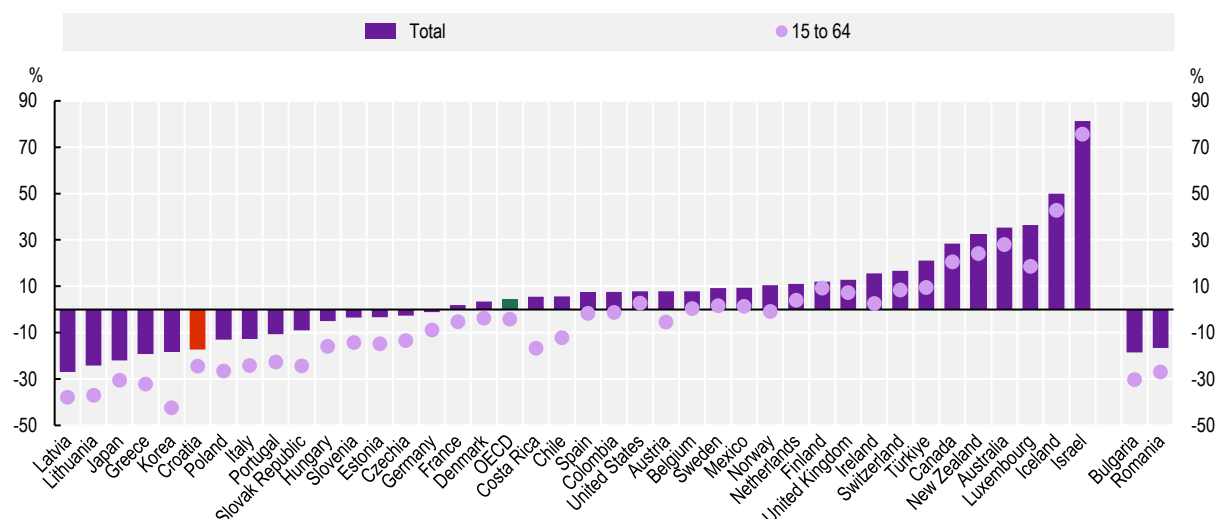
### **2.1.2. Croatia's population is declining rapidly**

Very rapid population decline represents a major challenge for Croatia's economic prosperity and is increasingly contributing to labour market tightening. As a result of low fertility rates and high emigration, Croatia's population is shrinking faster than those of most OECD countries. Over the decade to 2024, Croatia's population declined by 8%, dropping below the mark of 4 million inhabitants for the first time since independence. It is projected to continue declining to about 3.1 million by 2060, a further 17% drop (Figure 2.2). Among OECD countries, only Latvia, Lithuania, Japan, Greece and Korea face larger population declines. As in most countries with shrinking populations, the working-age population (aged 15-64) in Croatia is projected to fall even faster, by -25% between 2025 and 2060, from 2.4 million to 1.8 million.

Population loss has been affecting disproportionately Croatia's mainland central and eastern regions, but even Zagreb and the coastline regions are seeing their population decline. Croatia's lowest-income counties at its north-eastern borders with Bosnia and Herzegovina and Serbia, such as Slavonski Brod-Posavina, Sisak-Moslavina, and Vukovar-Srijem, suffered the largest population losses, at between -17% and -20% between 2013 and 2023 according to Croatian Bureau of Statistics (CBS) data.<sup>3</sup> Sisak-Moslavina was also one of the epicentres of the violent earthquakes that hit Croatia in 2020,<sup>4</sup> which caused substantial economic damage and led more people to leave the county. Zagreb's population declined by less than 3% over the same horizon, while the coastal counties in the south, such as Dubrovnik-Neretva and Zadar, with their flourishing tourism industry, experienced declines of around 6%.

**Figure 2.2. Croatia's population is shrinking rapidly**

Projected change in the total population and working-age population, 2025-2060



Source: Calculations based on OECD (2025), *Population projections* (dataset), <https://data-explorer.oecd.org/s/34j> (accessed 30 July 2025).

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## 2.2. Employment, productivity and wages remain low

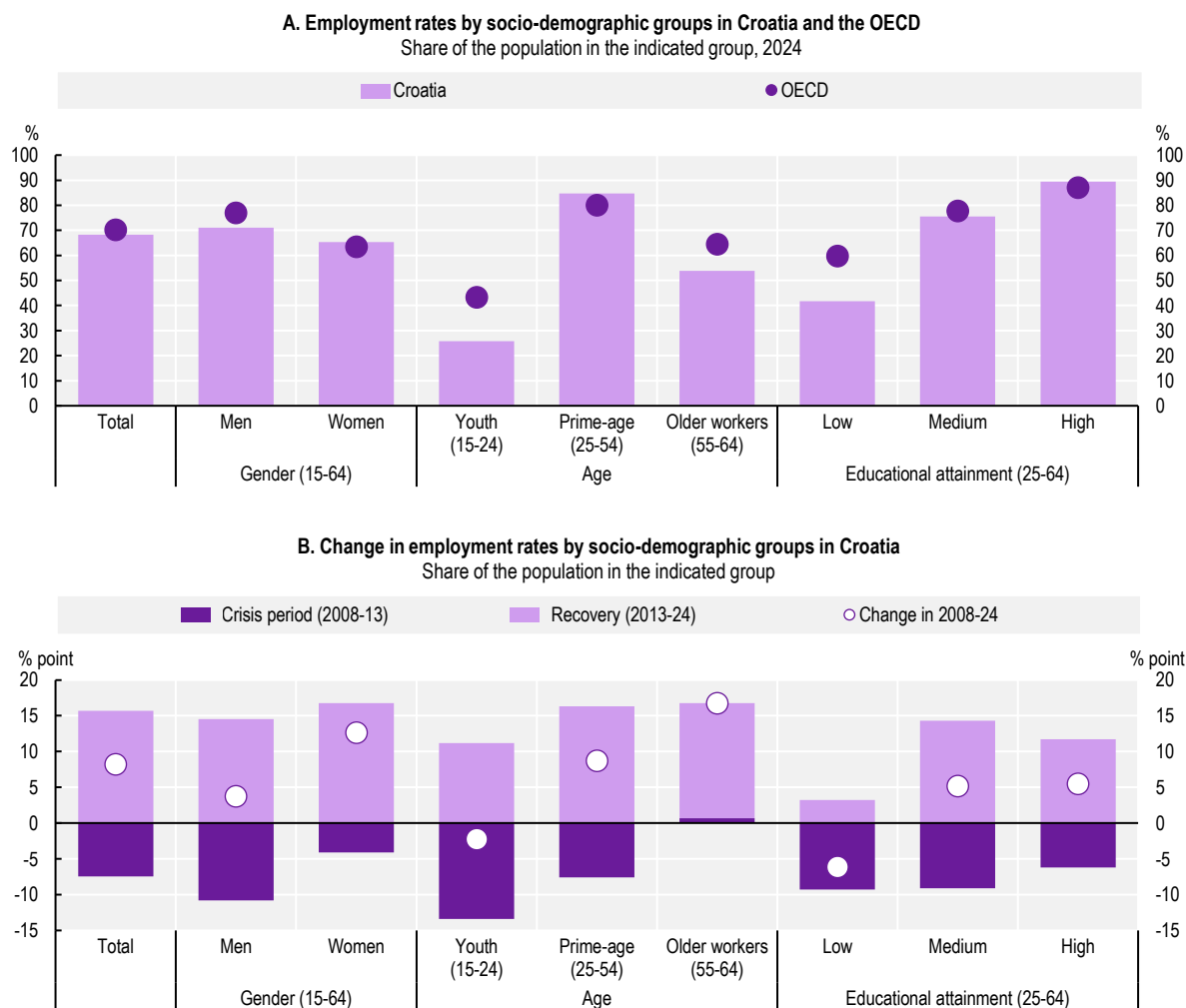
Rapid population shrinking and comparatively low, if rising, employment rates represent a considerable challenge for Croatia's economic prosperity and the financing of the social protection system. A policy priority for the country therefore needs to be to further boost formal employment, which will also require raising job quality, productivity and wages, and reducing informality.

### 2.2.1. Working lives are short in Croatia, and there is much potential to raise employment rates of disadvantaged groups

Low employment rates in Croatia reflect in part that working lives are on average very short. For workers in their prime age, i.e. those between 25 and 54 years, Croatia reached an employment rate a little *above* the OECD average in 2024 (Figure 2.3). However, employment is dramatically below-average both for young people (26% vs. 43% in the OECD on average) and older workers (54% vs. 65% in the OECD on average). In other words, Croatia's low employment rate overall results entirely from difficulties in bringing young people into the labour market and in retaining older workers in employment.

The gender gap in employment is relatively narrow in Croatia, at 6 p.p. in 2024 (OECD average of 14 p.p.). However, this is mostly a reflection of low employment rates for men rather than high employment rates for women. Indeed, the pattern of very short working lives is even more pronounced for women than for men in Croatia: female employment rates surpass the OECD average for prime-age women, but are much below-average for women in their 20s and those in their 50s and 60s (OECD, 2023<sup>[7]</sup>).

**Figure 2.3. There is significant scope for raising employment rates particularly among young people, older workers, and those with low education**



Note: Educational attainment based on ISCED 2011. Low: below upper secondary (ISCED levels 0-2); medium: upper-secondary or post-secondary non-tertiary (ISCED Levels 3-4); and high: tertiary education (ISCED Levels 5-8). OECD is a weighted average, except for educational attainment.

Source: Calculations based on OECD (2025), *Employment and unemployment by five-year age group and sex – indicators* (dataset), <https://data-explorer.oecd.org/s/34k>, OECD, (2025) *National Educational Attainment Classification (NEAC) and labour market status* (full dataset), <https://data-explorer.oecd.org/s/2mc> and Eurostat (2025), *Employment rates by educational attainment level* (dataset) [https://doi.org/10.2908/LFSA\\_ERGAED](https://doi.org/10.2908/LFSA_ERGAED) (accessed 15 September 2025).

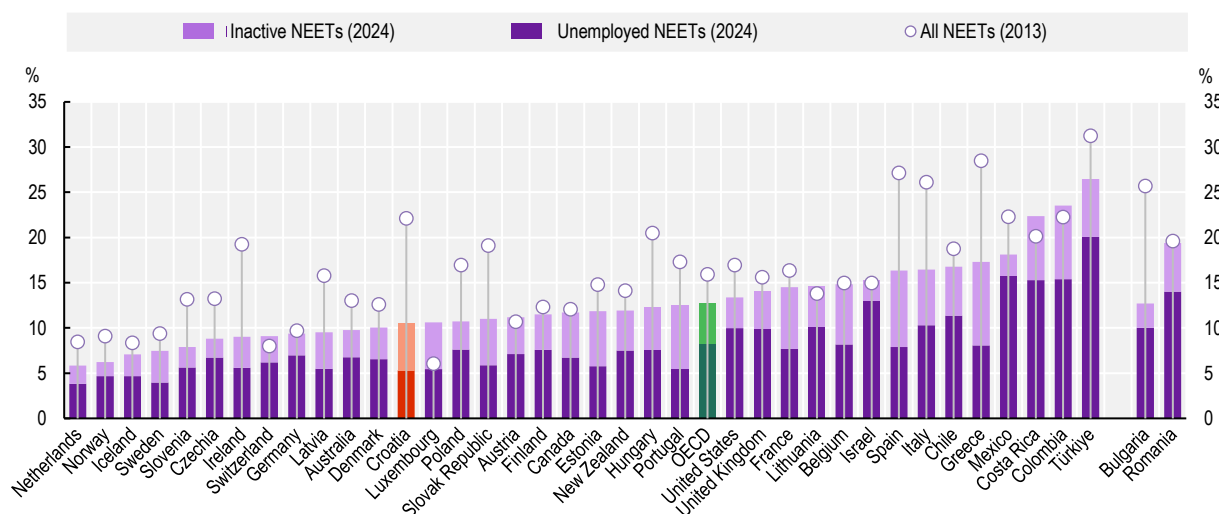
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Croatia also still has ample margin for raising employment rates among disadvantaged groups of workers. The employment rate for people with a low level of education, i.e. at most a lower-secondary qualification, is much below the OECD average, at only 42% in 2024 (OECD average of 60%; Figure 2.3). Strikingly, low-educated workers have not been able to benefit at all from the rise in employment rates since 2013. Croatia also has one of the widest disability employment gaps in Europe,<sup>5</sup> with very high rates of disability benefit receipt. Over 50 000 people receive a personal disability benefit for veterans, most of them veterans from Croatia's 1991-1995 War of Independence; another approximately 150 000 people receive either of Croatia's two other disability benefits, though rates have substantially declined over the last decade. And while young people have significantly benefited from the improvement of labour market conditions since 2013, their labour market integration remains challenging. The youth employment rate is

low in Croatia, at only 25.7% among 15-24 year-olds in 2024 (OECD average of 43.4%; Figure 2.3). The share of young people not in employment, education or training (NEET) has dropped below the OECD average (10.6% vs. 12.8% in 2024) but remains higher than in neighbouring Slovenia (7.9%; Figure 2.4). Moreover, many more young people have left the country since Croatia's EU accession in 2013 to look for better job opportunities elsewhere (see Section 2.3). One reason for why so many young people in Croatia struggle getting a foothold in the labour market is that Croatia's upper-secondary vocational education and training system is only poorly aligned with the needs of the labour market and often fails to equip young people with relevant practical skills (see Chapter 3).

**Figure 2.4. The NEET rate has declined substantially and is now lower than in the OECD on average**

Percentage of 15-29 year-olds not in employment, education or training (NEET), 2024 by activity status and 2013



Note: OECD is an unweighted average (excludes Japan and Korea as no data available). Data refer to: 2023 (Iceland, the United States) and 2022 (Chile).

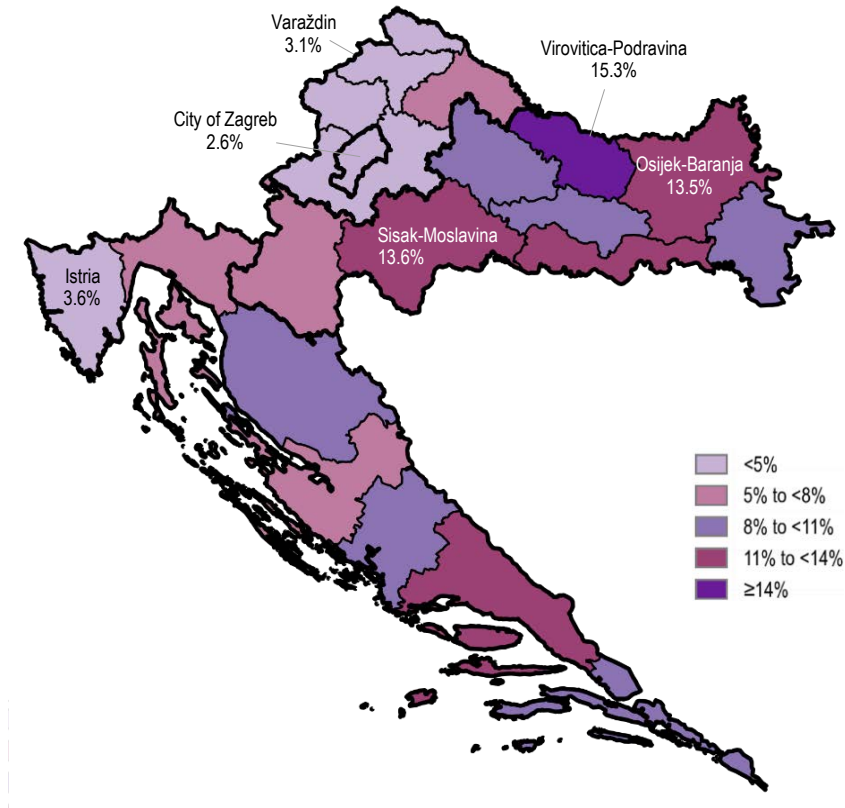
Source: Calculations based on OECD (2025), *Distribution of young adults' education and work status, for a given level of educational attainment, age group and gender* (dataset) <https://data-explorer.oecd.org/s/34m> and Eurostat (2025), *Young persons neither in employment nor in education and training by labour status (NEET rates)* (dataset) [https://doi.org/10.2908/EDAT\\_LFSE\\_20](https://doi.org/10.2908/EDAT_LFSE_20) for Bulgaria, Croatia, Lithuania, Romania and Switzerland.

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Croatia's positive labour market developments have also not yet benefited all parts of the country equally. Geographic disparities are relatively large in Croatia for a country of its size, notably between the economically dynamic City of Zagreb and Northern Croatia on one side, and the economically lagging parts of Pannonian Croatia in the continental north-east of the country on the other. The city of Zagreb and the Varaždin county on Croatia's border with Slovenia are approaching full employment, with unemployment rates of 2.6% and 3.1%, respectively, in 2023. Meanwhile, unemployment rates stood at 13.6% in the Sisak-Moslavina county a mere two-hour drive from Zagreb, and 15.3% in the Virovitica-Podravina county on Croatia's border with Hungary (Figure 2.5). Those big disparities in labour market outcomes mirror large geographic differences in economic activity and income, with regional GDP per capita varying from 118% of the EU average in Zagreb to only 36% of the EU average in the counties in eastern Croatia (European Commission, 2022<sup>[8]</sup>). They have been a driver of internal migration in Croatia, from the more rural parts of the country towards Zagreb and the coastline regions, and they represent a substantial challenge for the provision of public services, including social support (see Chapter 5).

**Figure 2.5. Regional labour market disparities are large, notably between the north and east of Croatia**

Unemployment rates across small (TL3) regions, 2023



Note: Registered unemployment as of 31 March 2023. The borders of Croatia's four large (TL2) regions (Adriatic Croatia, City of Zagreb, Northern Croatia, and Pannonian Croatia) are shown in bold.

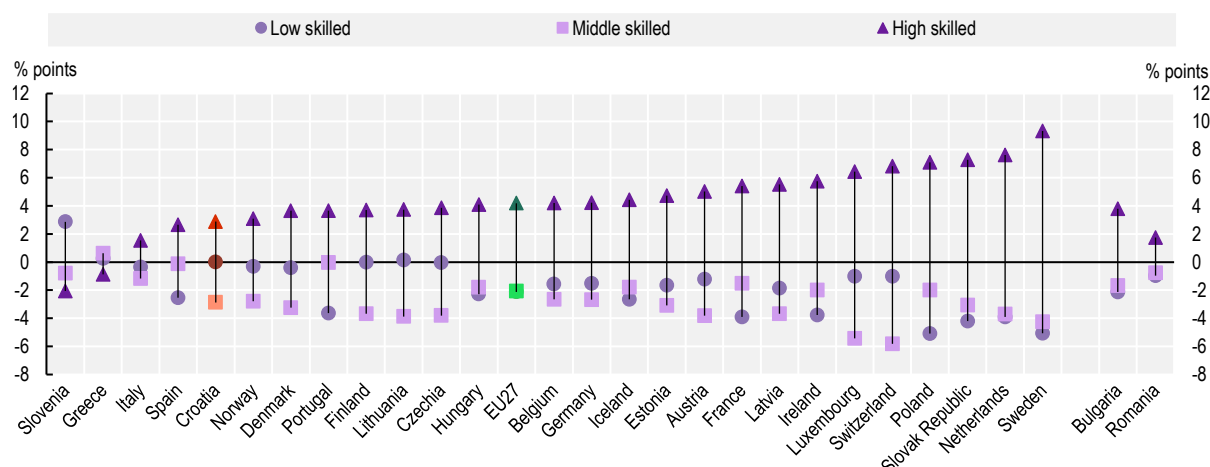
Source: Croatian Bureau of Statistics, Employment and Wages – review by counties, <https://podaci.dzs.hr/en/statistics-in-line/>.

### 2.2.2. Productivity and wages are low

A relatively small share of employment growth in Croatia over the last decade occurred in high-skilled occupations. This is illustrated in Figure 2.6, which shows changes in the occupational composition of employment, with occupations grouped as being low-skilled (elementary occupations and service and sales workers), middle-skilled (incl. clerks, craft and trades workers, and plant and machine operators), and high-skilled (incl. managers, professionals, and technicians and associated professionals). Croatia, like all European OECD countries except for Slovenia and Greece, experienced an expansion of employment in high-skilled relative to low- and middle-skilled occupations. However, the magnitude of this effect is smaller in Croatia than in most other countries, including in neighbouring Hungary. Employment growth in Croatia since 2013/14 disproportionately benefited higher-skilled professionals and managers, as well as low-skilled elementary occupations; meanwhile, employment shares have declined for middle-skilled clerical support workers, as well as for high-skilled technicians and associate professionals. Relative to the EU average and neighbouring Slovenia, Croatia has above-average shares of services and sales workers, but fewer professionals, technicians and associate professionals. Forecasts of skill demand in Croatia up to the year 2035 suggest somewhat of a change in this pattern, with net job creation predicted to occur primarily for high-skilled professionals, technicians and associate professionals (Cedefop, 2025<sup>[9]</sup>).

**Figure 2.6. Employment growth in higher-skilled occupations has been comparatively weak**

Percentage points change in the occupational distribution, 2013/14-2023/24



Note: Total employment refers to civilian employment excluding agricultural workers. High-skilled occupations include jobs classified under the ISCO-88 major groups: legislators, senior officials, and managers (group 1), professionals (group 2), and technicians and associate professionals (group 3). Middle-skilled occupations include: clerks (group 4), craft and related trades workers (group 7), and plant and machine operators and assemblers (group 8). Low-skilled occupations include: service workers and shop and market sales workers (group 5), and elementary occupations (group 9).

Source: OECD calculations based on the EU Labour Force Survey, Eurostat.

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These past trends in the occupational composition of employment reflect recent developments in the sectoral structure of Croatia's economy. Some of the most marked employment growth over the last decade took place in sectors such as construction, wholesale and retail trade, and accommodation and food services, in which many jobs require only low levels of education and skills.<sup>6</sup> A concern has been that Croatia's booming tourism industry may discourage workers from investing in developing their skills. Given the option of working in a lower-skilled service job in the tourism industry over a relatively short summer season and earning the equivalent of a full year's salary, not all workers may see the appeal or need of taking up training to increase their earnings potential in a higher-skilled job. Similarly, in a context of high homeownership rates and a recent rise in house prices and rents, Croatians who own a small apartment on the coastline may find it more convenient to vacate that apartment over the summer months and generate a nice income from renting it out than to try and find higher-skilled employment. This is true even more as rental income is hardly taxed in Croatia.

Both labour productivity and wages are consequently rather low in Croatia, though much in line with those in Central and Eastern European OECD countries (Figure 2.7). GDP per hour worked in Croatia equalled approximately USD 46 in 2023 after adjustments for purchasing power, about 71% of the OECD average and comparable to the levels in Estonia and Hungary. The average annual wage for a dependent full-time employee was around USD 42 300, about 76% of the OECD average. Labour productivity has grown relatively slowly over the last decade, and convergence with higher-income OECD economies has stalled in recent years (OECD, 2023<sup>[7]</sup>). Annual wage growth remained below productivity growth in the initial years of the labour market recovery but has picked in more recent years, in part driven by increases in the national minimum wage (see Chapter 3).

**Figure 2.7. Labour productivity and wages are in line with those of peer OECD countries, but productivity growth has been slow**

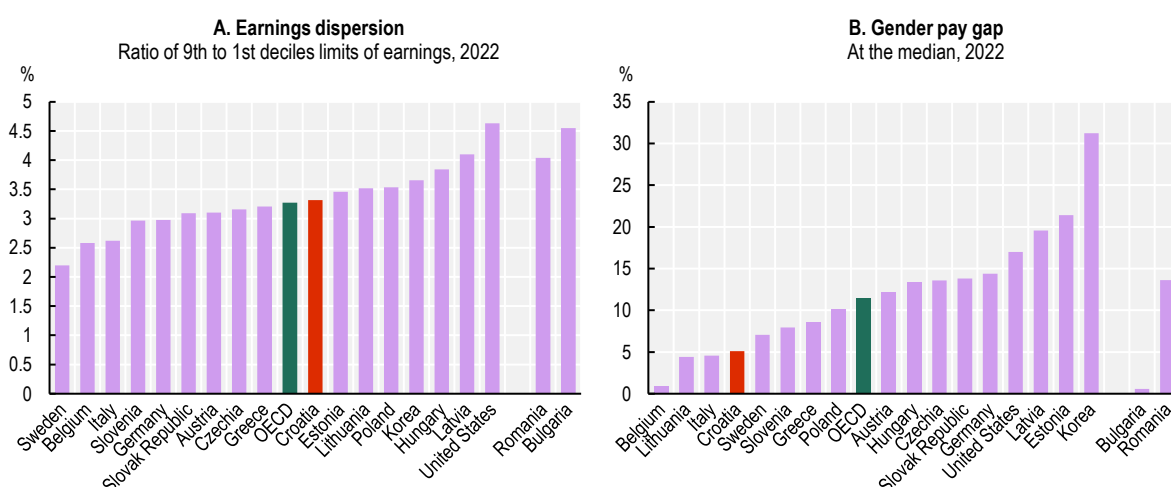


Source: OECD (2025), *Productivity levels* (dataset) <https://data-explorer.oecd.org/s/308> (Panels A and C), OECD (2025), *Average annual wages* (indicator) <https://data-explorer.oecd.org/s/309> (Panel B) and Eurostat (2025), *Average full time adjusted salary per employee* (dataset), [https://doi.org/10.2908/NAMA\\_10\\_FTE](https://doi.org/10.2908/NAMA_10_FTE) (Panel C) (accessed 30 August 2025).

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Earnings are distributed relatively equally in Croatia. Overall earnings disparities are low, with an earnings ratio from the 9th to the 1st decile of the earnings distribution of 3.3 in 2022 – equivalent to the OECD average (Figure 2.8, Panel A). This reflects in particular comparatively modest earnings at the top of the distribution; the share of people on low pay, i.e. on less than two-thirds of median earnings, is higher than in nearly all OECD countries. Low earnings inequality is also one of the factors that explain low inequalities in disposable incomes in Croatia (see Section 2.4). The gender pay gap is comparatively low, at around 5.1% of median earnings in 2022 (OECD average of 11.4%).

Figure 2.8. Earnings disparities are relatively low



Note: The gender wage gap is defined as the difference between median earnings of men and women relative to median earnings of men. All earnings estimates refer to gross earnings of full-time wage and salary workers. Country-specific variations from this definition as well as national data sources and earnings concepts can be found in the metadata of the sources below.

Source: OECD (2025), *Decile ratios of gross earnings* (indicator), <https://data-explorer.oecd.org/s/30b> and OECD (2025), *Gender wage gap* (indicator), <https://data-explorer.oecd.org/s/30c> (accessed 12 August 2025).

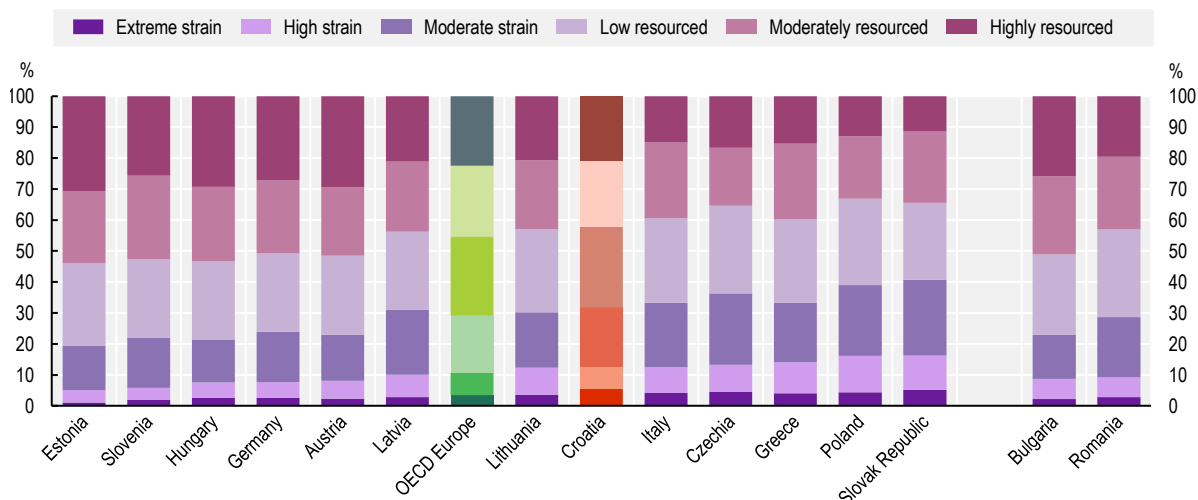
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### 2.2.3. Job quality is in line with that in European OECD countries, but the incidence of very short work contracts is relatively high

Job quality in Croatia, measured as the level of strain that workers experience at work, is much in line with that experienced by workers in European OECD countries.<sup>7</sup> According to the Job Strain Index, constructed however from data collected during the COVID-19 crisis in 2021 (Eurofound, 2022<sup>[10]</sup>), about one-in-eight (12.5%) workers in Croatia experienced high or extreme job strain (Figure 2.9). This is a little higher than across European OECD countries on average (10.8%), but lower than in some central European OECD countries such as Poland and the Slovak Republic (both above 16%). A breakdown of this composite index into its 14 components, i.e. different dimensions of “job demands” and “job resources”, provides insights into areas where workers feel particularly strained or resourced. Croatia stands out positively in that comparatively few workers report concerns about the intensity of their work, and many express appreciation for the time flexibility and social support at work. Main areas of concern are the high physical demands and physical risks at work; also, only few workers report high levels of autonomy, self-realisation and intrinsic reward. Further microdata analysis would be needed to be able to profile the groups of workers who are at greatest risk of suffering from high work strain, and indeed some of this work is currently planned in the framework of the OECD’s forthcoming projects on job quality. But the main challenges for job quality in Croatia – high physical demands and low autonomy and intrinsic rewards – are broadly consistent with the observed employment growth in construction, hospitality and retail and trade.

**Figure 2.9. Job quality is in line with that in European OECD countries**

Breakdown of employment by worker's level of experienced job strain, employed workers aged 16 and over, 2021



Note: For details on the construction of the Job Strain Index, See Annex 4 of Eurofound (2022), *Working conditions in the time of COVID-19: Implications for the future*, European Working Conditions Telephone Survey 2021 series, Publications Office of the European Union, Luxembourg.

Source: OECD calculations based on the European Working Conditions Telephone Survey (EWCTS) 2021.

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The incidence of non-standard work in Croatia is generally also in line with the levels observed in most OECD countries, though very short work contracts are comparatively frequent. Indeed, in the initial years of Croatia's labour market recovery, there had been concerns that the job gains made may have come at the cost of a surge in temporary employment, and notably in contracts with a duration of less than three months (Tomić et al., 2019<sup>[11]</sup>). However, this trend substantially reversed in recent years, and the share of employees on temporary contracts was lower in Croatia in 2024 than across the OECD on average (9.3% vs. 11.2%; OECD (2025<sup>[12]</sup>)). Also the share of workers with contracts of very short duration (i.e. at most three months) substantially declined, though at 2% in 2024 it remained higher than in most OECD EU countries (EU average of 1.4%; Eurostat (2025<sup>[13]</sup>)). While this certainly reflects the frequent use of very short contracts in Croatia's tourism industry, short contracts are widespread also in industry and construction. Temporary work in Croatia has a gender dimension, with women being more likely than men to be employed on temporary contracts (10.7% vs. 7.8% in 2024) and on very short contracts (2.2% vs. 1.7% in 2024). Other forms of non-standard work are comparatively rare: self-employment has declined over the last decade to around 12% of total employment, below the OECD average of approximately 18% in 2024; part-time work accounted only for 2.4% of total employment in 2024, much below the rate of around 15% across OECD countries on average (OECD, 2025<sup>[14]</sup>).

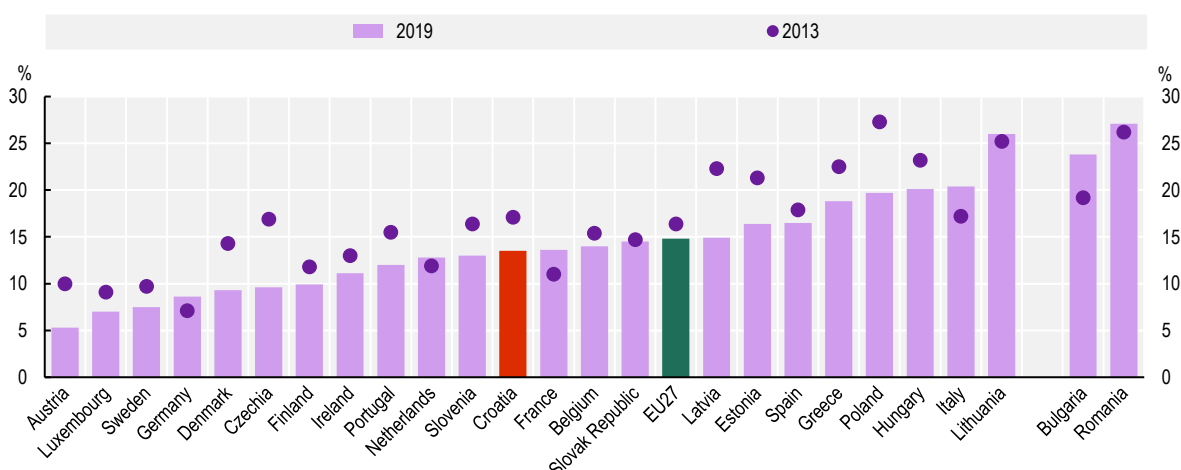
#### **2.2.4. Estimates of informality vary greatly, but studies seem to point to a decline in its incidence**

Assessing the magnitude of informal activity is, by its very nature, challenging, and available estimates of the Croatian shadow economy vary widely across studies and have at times been heavily contested. Standard macro-level analysis suggests that Croatia's shadow economy is among the largest in the EU, with estimates reaching as high as around 30% of GDP, nearly twice the EU average (see discussion in the last *OECD Economic Survey of Croatia* (OECD, 2023<sup>[7]</sup>)). However, these numbers represent an upper bound, and even proponents of the approach that was used concede that the true size of the shadow

economy may be about one-third smaller (Schneider, 2023<sup>[15]</sup>). The method also suggests a gradual decline in the Croatian shadow economy since the early 2000s up until the COVID-19 crisis. More conservative micro-level estimates, which focus alone on undeclared work and therefore represent a lower bound yield much smaller numbers.<sup>8</sup> The most recent available study (Franic, Horodnic and Williams, 2023<sup>[16]</sup>) estimates that undeclared work in the private sector accounted for about 13.5% of gross value added in Croatia in 2019, down from 17.1% in 2013 (Figure 2.10). This share is lower than the average estimate across EU countries (14.8%) as well as in many European OECD countries, notably Hungary (20.1%), Italy (20.4%) and Lithuania (26.0%). The positive labour market developments over the last decade may be one of the factors behind the measured decline in informality, since lack of formal employment opportunities is generally a common reason for people to engage in undeclared work (Franic and Williams, 2014<sup>[17]</sup>).

**Figure 2.10. Undeclared work in Croatia has been declining**

Undeclared work in the private sector as a percentage of total gross value added, 2013 and 2019



Note: Estimates are based on the labour input method, which calculates the gap between self-reported labour supply in labour force surveys with official employment figures reported by businesses, e.g. in declarations to tax authorities, national statistical offices, or labour or social security authorities.

Source: Franic, J., I. Horodnic and C. Williams (2023), "Extent of undeclared work in the European Union", Report prepared for the European Labour Authority, [www.ela.europa.eu/sites/default/files/2023-03/Study-on-the-extent-of-undeclared-work-in-the-EU.pdf](https://www.ela.europa.eu/sites/default/files/2023-03/Study-on-the-extent-of-undeclared-work-in-the-EU.pdf).

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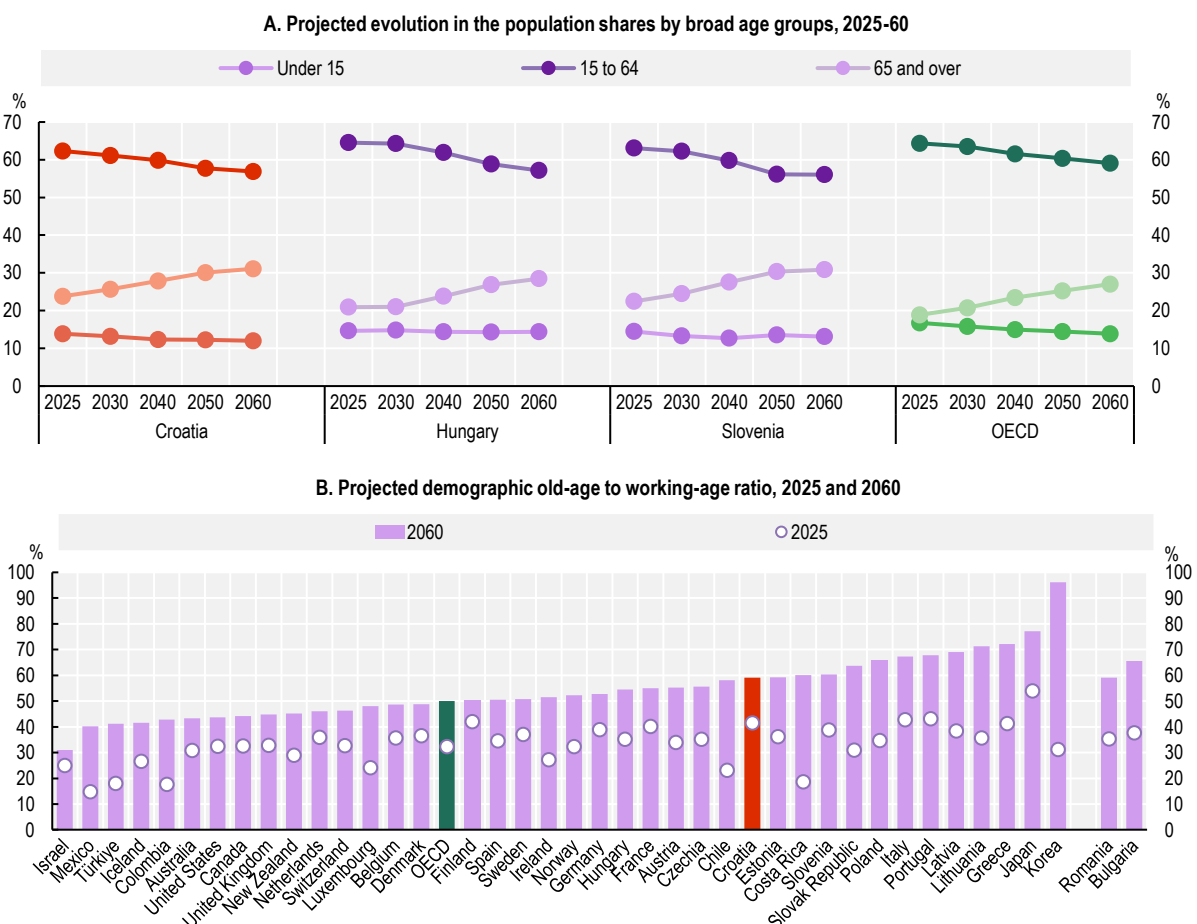
Survey evidence also suggests that undeclared work is probably rather widespread. In a 2019 Eurobarometer survey (European Commission, 2020<sup>[18]</sup>), 18% of respondents in Croatia indicated having paid for goods or services that likely included undeclared work in the last 12 months, one of the highest shares across European countries (EU average of 10%). By contrast, only a fraction of people admitted to having carried out any undeclared work themselves. While the low tax burden on labour in Croatia should normally reduce incentives to engage in undeclared work, people may still seek to avoid the burden from social insurance contributions, because they do not understand, or value, the entitlements that these contributions bring. Croatia's non-means-tested minimum pension may further reduce incentives to fully declare earnings for people in the lower parts of the earnings distribution. Besides such financial considerations, lack of trust in public institutions likely plays a role: in the same Eurobarometer survey, only about one-in-three Croatian respondents indicated having trust in the labour inspectorate and in their national tax and security authorities, much below the EU average of around 50%.

## 2.3. Low fertility and high emigration drive population ageing and shrinking

### 2.3.1. Population decline is going hand in hand with rapid population ageing

Population decline in Croatia goes hand-in-hand with rapid population ageing. From 2025 to 2060, the share of working-age people (15-64 years old) in the population is forecast to decline from 62% to 57%; meanwhile the share of seniors (aged 65 and older) is expected to rise from 24% to 31% (Figure 2.11, Panel A). While peer OECD countries, such as Hungary and Slovenia, experience similar trends, these countries are ageing much faster than the OECD overall. Low fertility rates have been one driving factor of this population ageing. Croatia's fertility rate gradually declined in the second half of the 20th century, from 2.24 in 1960 down to a historical low of 1.38 in 1999, after Croatia's War of Independence. The fertility rate has since recovered a little, but remains much below replacement level, at an estimated 1.47 in 2025 (World Bank, 2025<sup>[19]</sup>). The number of seniors per working-age person is consequently rising, with the old-age dependency ratio forecast to increase from 42% to 59% between 2025 and 2060 (Figure 2.11, Panel B).

**Figure 2.11. Croatia faces a rapidly declining working-age population and a rise in the old-age dependency ratio**



Note: OECD is a weighted average. Demographic old-age to working-age is defined as the number of individuals aged 65+ per 100 aged 20-64. Source: Calculations based on OECD (2025), *Population projections* (dataset), <https://data-explorer.oecd.org/s/34z> (accessed 30 July 2025).

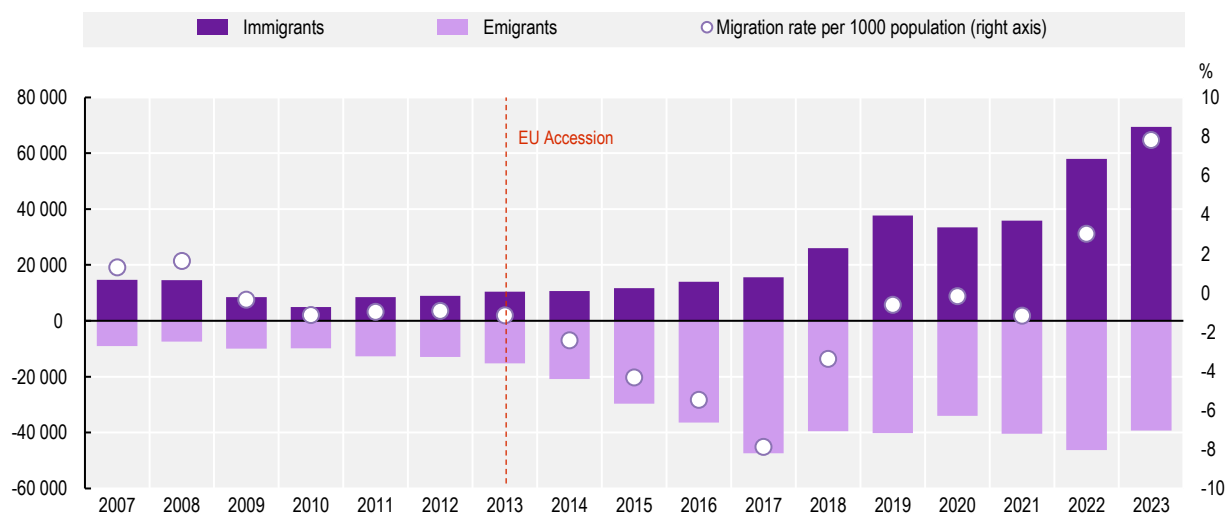
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### 2.3.2. Croatians have left their country in large numbers since EU accession in 2013

High emigration, in particular since Croatia's accession to the EU in July 2013, has been the main driver of Croatia's rapid population decline. Emigration has historically been a significant phenomenon for Croatia: successive emigration waves have led Croatian emigrants to first settle in overseas destinations in North and South America, Australia, New Zealand and South Africa in the late 19th century, and then later in Western European countries following World War II and during Croatia's War of Independence. According to CBS statistics on the most recent wave of emigration, based on people's de-registrations, the annual number of emigrants more than tripled between 2013 and 2017, from around 15 300 to 47 400, after which it plateaued at that level (Figure 2.12). However, these numbers likely underestimate true emigration figures by a substantial margin given that, in practice, people often do not de-register before leaving the country – because they may consider their departure to be temporary or to keep entitlements to certain benefits or privileges. Data from the OECD International Migration Database, which rely on statistics provided by OECD destination countries, show that annual legal migration flows from Croatia to OECD countries alone doubled from 35 000 to 72 500 between 2013 and 2017. Croatia's EU accession in 2013, after which Croatians were allowed to move freely to other EU countries,<sup>9</sup> coincided with the peak of the labour market crisis. In the years after, scores of Croatians left the country in search of better job prospects and higher wages elsewhere, particularly after eight European countries, including Germany, lifted the remaining labour market restrictions for Croatian nationals in 2015.

**Figure 2.12. Migration flows have substantially increased since Croatia joined the European Union**

Annual number of immigrants to and emigrants from Croatia, and migration rate, 2007-2023



Source: Calculations based on data from the Croatian Bureau of Statistics, Table 7.2.2. *International migrant of population of Republic of Croatia* and dataset "[Population Estimate](#)".

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Particularly young and highly educated people have been leaving the country. Among emigrants in 2024, more than one-in-two (59%) were aged 20-44 years according to CBS statistics, and emigrants have been getting younger on average over the past decade. Reliable statistics on emigrants' level of educational attainment are not available, but there is ample anecdotal evidence suggesting that many of them are highly educated. This is confirmed by exploratory OECD estimates, which suggest that more than one-in-six of *all* Croatian-born tertiary-educated individuals reside in OECD countries.<sup>10</sup> Even now that unemployment rates have much declined relative to their peak in 2013, the difficult school-to-work

transition for many young people in Croatia contributes to high youth emigration, a trend that significantly exacerbates Croatia's labour shortages.

The extent to which emigration flows since 2013 have been temporary or permanent is unclear, notably because data on return migration are scarce. Research shows that some emigrants have been returning to the country, and the COVID-19 pandemic accelerated temporary returns (Hornstein Tomić, Bagić and Kurilić, 2021<sup>[20]</sup>). In 2024, 13 290 Croatian nationals immigrated to Croatia according to CBS data, compared to 7 900 in 2017 (Croatian Bureau of Statistics, 2025<sup>[21]</sup>). There are significant potential benefits for Croatia in re-attracting these emigrants to the country, and Croatia has taken several initiatives over the past decade to that end (see Chapter 4).

### ***2.3.3. Immigration to Croatia has traditionally been low but recently started rising***

Over the last decade, annual immigration flows have been rising, and exceeded emigration flows in 2022 for the first time in 15 years (Figure 2.12). This reflects changes in immigration policy, as Croatia facilitated the immigration and employment of third-country nationals (TCNs). This happened initially through a substantial rise in immigration quotas in 2017, followed by the introduction of a new system of labour market testing in 2021 (see Chapter 4). As a consequence, immigration numbers have more than quadrupled between 2017 and 2024, from approximately 15 500 to 70 400 people. These changes have also turned around net migration numbers, from a negative peak of -31 800 in 2017 to a positive 31 400 in 2024. Rising immigration numbers are entirely attributable to an increase in the number of permits issued for employment reasons; the number of family permits has remained broadly stable, at around 2 400 to 3 000 per year. As a result, the number of TCNs in Croatia for employment purposes has increased nearly twentyfold in just a few years according to permit data from the Ministry of the Interior, exceeding 200 000 in 2024, up from just 11 000 in 2017.

And for the first time, TCNs are not just coming from Bosnia and Herzegovina, Serbia and other Western Balkan countries, typically the main origin countries of immigrants to Croatia. Croatia has recently seen a surge in immigration of TCNs from Asia, notably from Nepal, Bangladesh, India, and the Philippines, immigrants who mostly come to work in low-skilled occupations in the construction sector. The share of total work permits issued to these TCNs increased tenfold from 4% to 40% between 2017 and 2024. Conversely, the share of work permits issued to Bosnian nationals, which stood at 65% in 2017, has declined by a factor of three, to around 18% in 2024. More recently, following Russia's unprovoked war of aggression against Ukraine, a significant number of Ukrainian refugees have come to Croatia. As of August 2025, about 31 200 people from Ukraine had applied for Temporary Protection, according to statistics provided by the Ministry of the Interior.

As a country on the EU's south-eastern border, Croatia has also been facing increasing transit migration flows since the 2015/16 refugee crisis, notably through its land borders with Bosnia and Herzegovina and Serbia. Croatia's entry into the Schengen zone further prompted such transit migration, a trend that is unlikely to cease in the coming years (see Chapter 4 and Box 4.1).

## **2.4. Living standards are rising, and deprivation has declined, but challenges remain for the social inclusion of some vulnerable groups**

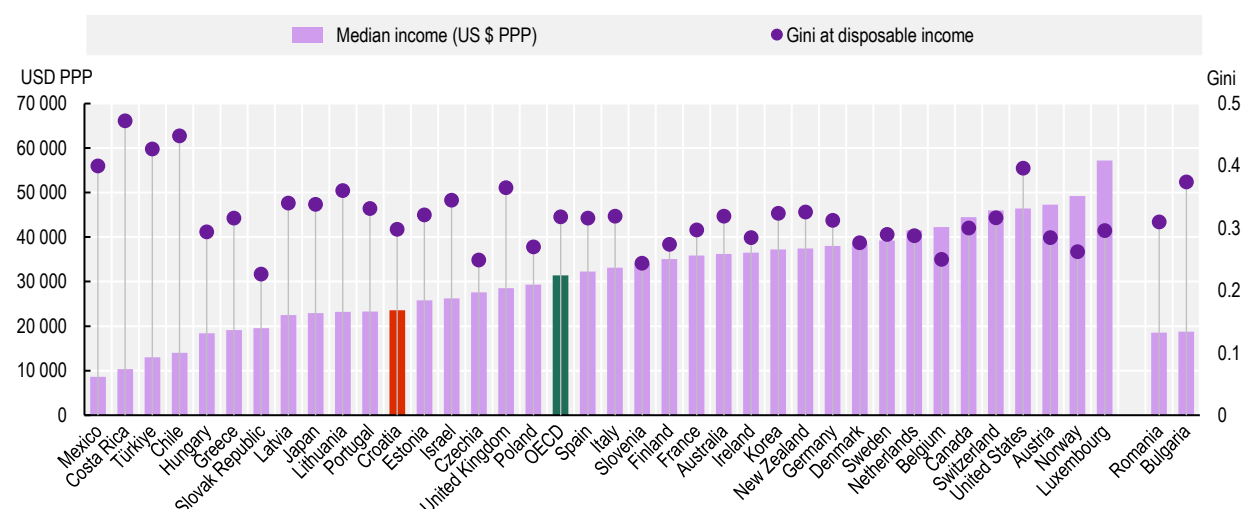
### ***2.4.1. Inequalities are low, and material deprivation has declined substantially***

Household incomes in Croatia are comparable to those in many OECD countries, and inequalities are low. Croatia's equivalised median disposable household income equalled to about USD 23 600 per year in 2022 after adjusting for differences in purchasing power. This would place Croatia in the lower third of OECD countries, with an income level comparable to Japan, Latvia, Lithuania and Portugal (Figure 2.13).

Income inequalities are relatively low, with a Gini Index of around 0.30 in Croatia, compared to an OECD average of 0.32. This level of inequality is higher than in neighbouring Slovenia (0.24), similar to those in Hungary and Poland (0.29 to 0.27), and much below the levels observed in Latvia and Lithuania (0.34 to 0.36). Inequalities in household wealth are also relatively low in Croatia because of widespread homeownership, with the top 10% of households having owned 47% of total net household wealth in 2021 (51% on average across OECD countries with available data; OECD (2024<sup>[22]</sup>)).

**Figure 2.13. Household incomes are comparable to those in peer OECD countries, and inequality is relatively low**

Annual median equivalised disposable income in USD at PPP rates and Gini of disposable, 2022



USD: US dollars, PPP: Purchasing Power Parity.

Note: Household incomes are after taxes and transfers and equivalised using the square root of the household size. Data refer to 2020 (Australia) and 2021 (Germany, Japan, the United Kingdom). OECD is an unweighted average of the 36 countries shown.

Source: OECD (2025), *Income distribution database*, <https://data-explorer.oecd.org/s/30d> (accessed 30 August 2025).

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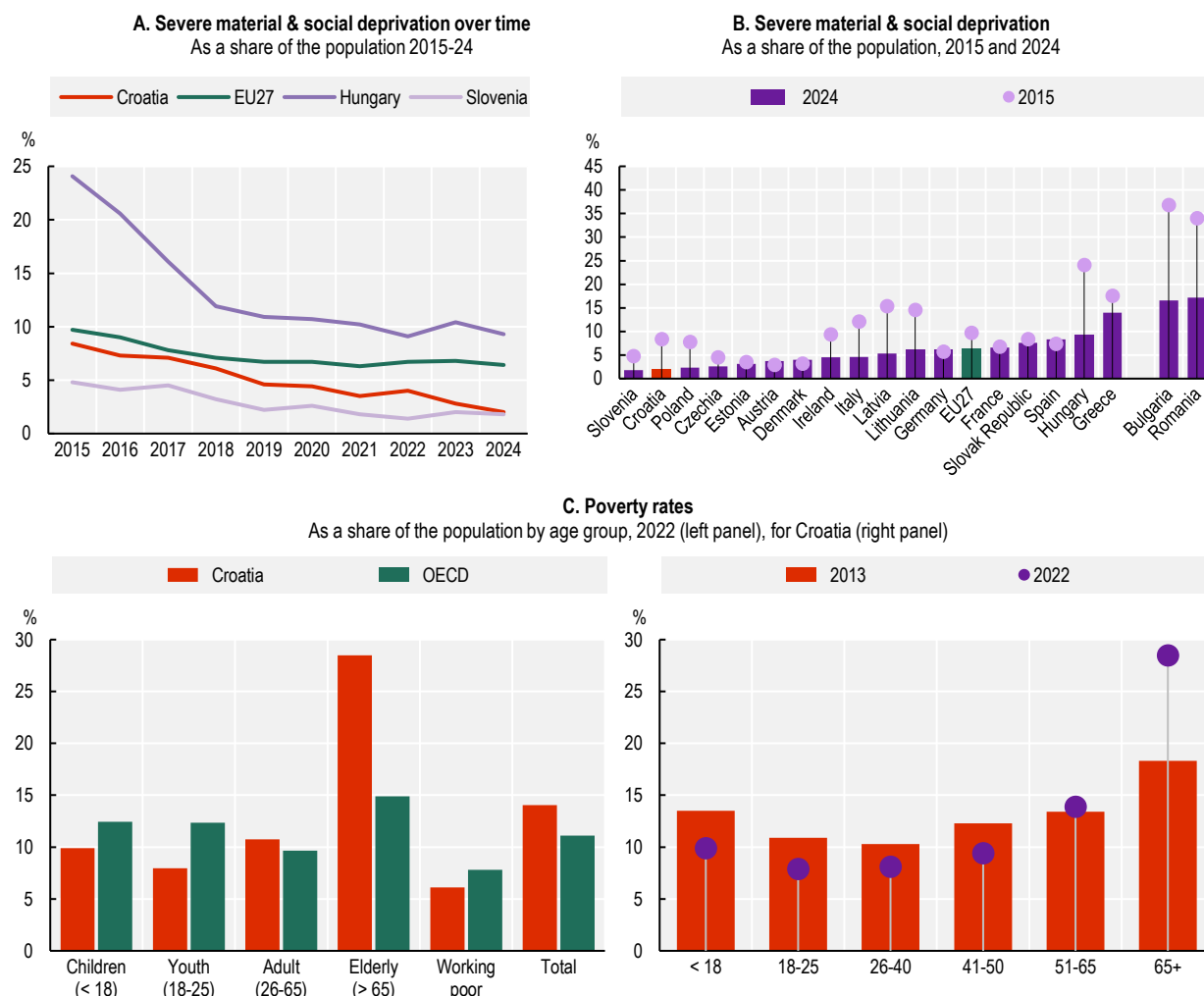
Thanks to rising wages and incomes, and declining unemployment, Croatia has made considerable progress in reducing material deprivation. The share of people experiencing severe material and social deprivation, i.e. an enforced lack of necessary and desirable items to lead an adequate life, has dropped by a factor of four since 2015, from 8.4% to 2.0% in 2024 (Figure 2.14, Panels A and B).<sup>11</sup> This is substantially below the EU average (6.4%) and the rates observed in many European OECD countries.

Progress in reducing income poverty has been less notable. Fourteen per cent of people in Croatia lived on an equivalised household income of less than 50% the median in 2022, approximately the same share as in 2013 (13.2%). This is about 3 p.p. more than across the OECD on average (Figure 2.14, Panel C). However, the absence of a significant downward trend in measured poverty likely reflects mainly the use of a relative poverty measure, which implies that along with the rising median income also the poverty threshold increases.<sup>12</sup>

However, declining unemployment and rising wages seem to have contributed to a shift in the poverty risk between age groups – away from the working-age population and children towards seniors. Croatia's high level of old-age poverty reflects that pension adequacy is very low for the current generation of seniors, who often had short working lives (see Chapter 5). However, given high homeownership rates, even many low-income households, and notably seniors, own their homes and may therefore be able to get by a little

more easily on low incomes. Indeed, while the rate of severe material and social deprivation among seniors is about twice as high as for the overall population, at 3.8%, it is only a fraction of the income poverty rate and has declined by more than six p.p. since 2015 (Eurostat, 2025<sup>[23]</sup>).

**Figure 2.14. Poverty and material deprivation have declined, but poverty remains widespread among older people**



Note: Severe material deprivation is defined as the enforced inability (rather than choice) to afford at least four of the following nine items: to pay their rent, mortgage or utility bills; to keep their home adequately warm; to face unexpected expenses; to eat meat or proteins regularly; to go on holiday; a television set; a washing machine; a car; a telephone. Poverty rates represent the share of people living on less than 50% of median equivalised household income.

Source: Eurostat (2025), *Severe material and social deprivation rate by age and sex* (dataset), [https://doi.org/10.2908/ILC\\_MDSD11](https://doi.org/10.2908/ILC_MDSD11), Eurostat (2025), *Severe material and social deprivation rate by age and sex* (dataset), [https://doi.org/10.2908/ILC\\_MDSD11](https://doi.org/10.2908/ILC_MDSD11) and OECD (2025), *Income distribution database*, <https://data-explorer.oecd.org/s/30d> (accessed 30 August 2025).

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Given Croatia's relatively large geographic disparities, poverty and material deprivation are almost certainly much larger in rural and remote areas than the countrywide average would suggest. While many municipalities provide some sort of in-kind support to top up the meagre cash benefits available to low-income households, the often very patchy provision of social support for vulnerable households in rural communities is a challenge (see again Chapter 5).

### 2.4.2. Some minorities face disadvantage and discrimination

Croatia is a largely ethnically homogenous country, with over 91% of the population identifying as ethnic Croat, according to the 2021 Population Census. Among the 22 national minorities residing in the country, the Serb, Bosniac and Roma minorities are the largest, accounting for 3%, 0.6% and 0.5% of the population, respectively. However, these figures – which are based on self-identification – may be underestimates as minorities may choose not to reveal themselves for fear of stigmatisation. The Office for Human Rights and Rights of National Minorities of the Government of Croatia estimates, for example, that over 24 000 Roma people live on Croatian territory, 37% more than counted in the Census.

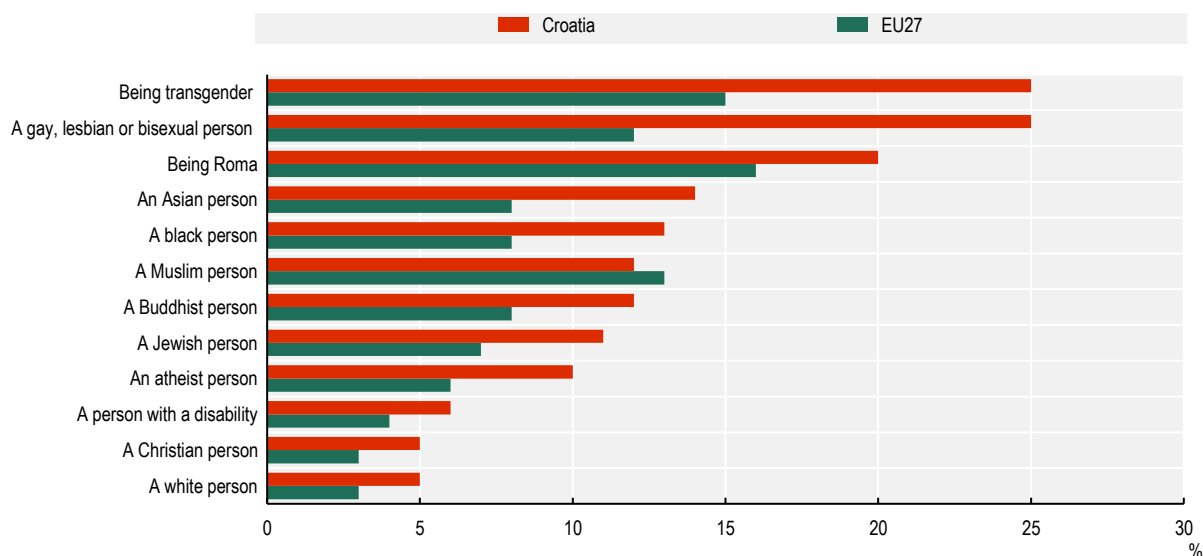
As in many European countries, the Roma population in Croatia still faces major structural disadvantages in the labour market and in society more generally, faring significantly worse than the overall population and other national minorities. According to a survey carried out in 2021 by the EU Agency for Fundamental Rights (FRA), more than four-in-five Roma people in Croatia are at risk of poverty, against just under one-in-five people in the overall population. Roma people are also more likely to live in severe material deprivation (29%, against 7% in the overall population). Moreover, educational enrolment is significantly lower for Roma children: only 24% of Roma children in Croatia are in early childhood education, against 79% of the overall population, the largest difference found across the ten countries surveyed.<sup>13</sup> While 97% of Croatians aged 20-24 attain at least upper-secondary education, this is the case for only 39% of Roma people of the same age (FRA, 2022<sup>[24]</sup>). The socio-economic situation of Croatia's Roma population has improved in recent years, reflecting significant steps taken by Croatia to support Roma inclusion (see Chapter 5). However, evidence also shows that Croatia's Roma live increasingly segregated from other Croatians, with for example 53% of Roma children attending schools where all or most students are Roma in 2021, compared to 40% in 2016. Evidence on the socio-economic situation of other national minorities in Croatia is lacking because data on the subject are scarce, but some are overrepresented in economically weaker regions.<sup>14</sup>

Discrimination likely contributes to the economic and social disadvantages faced by the Roma minority. In the 2023 Standard Eurobarometer Survey, one-in-five (20%) respondents in Croatia declared that they would feel “uncomfortable” if a colleague at work with whom they are in daily contact belonged to the Roma minority, a share higher than across EU countries on average (16%; Figure 2.15). Negative attitudes are relatively widespread also towards people from other ethnic or religious groups when comparing Croatia to the EU average. According to a recent report by the Ombudsperson's Office, ethnic discrimination in Croatia primarily targets Roma and Serb communities, with one of the key challenges faced by Roma people being discrimination at hiring and in the workplace (Ombudswoman of the Republic of Croatia, 2022<sup>[25]</sup>).

Another minority that according to several recent surveys likely faces discrimination in different areas of life in Croatia are LGBTI people. According to the same 2023 Eurobarometer Survey, negative attitudes towards people based on their sexual orientation or gender identity are even more widespread than based on ethnic or religious background. One-in-four (25%) respondents indicate that they would feel “uncomfortable” working alongside a person who is transgender or gay, lesbian or bisexual, compared to 15% and 12% across EU countries on average (Figure 2.15). The 2020 FRA Survey on LGBTI discrimination indicated that 57% of LGBTI people in Croatia felt discriminated based on their sexual orientation in eight areas of life<sup>15</sup> in the year preceding the survey, a share nearly twice the EU-28 average of 30% (FRA, 2020<sup>[26]</sup>). This result is in line with a similar FRA survey, carried out in 2012, according to which 60% of LGBTI<sup>16</sup> people in Croatia felt discriminated against on the grounds of their sexual orientation – the highest share across EU countries (average of 47%) behind Lithuania (FRA, 2013<sup>[27]</sup>). A 2018 World Bank survey and the 2020 FRA survey both showed that 17% of LGBTI people felt discriminated against in the workplace, a smaller share than in most South-Eastern European countries surveyed (World Bank Group, 2018<sup>[28]</sup>). However, reported discrimination is larger in other areas than employment, such as in education or daily life.

## Figure 2.15. Negative attitudes towards minorities are more widespread in Croatia than across EU countries

Share of respondents who would feel “uncomfortable” if a colleague at work with whom they are in daily contact belonged to the following groups, in Croatia and EU27, 2023



Note: Results are based on answers to the question “Regardless of whether you are actually working or not, please tell me how comfortable you would feel, if a colleague at work with whom you are in daily contact, belonged to each of the following groups?”

Source: [Standard Eurobarometer 99 - Spring 2023 - July 2023 - Eurobarometer survey](https://ec.europa.eu/eurobarometer/surveys/trends/eurobarometer-99).

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## Notes

<sup>1</sup> The weights of the Croatian labour force survey were recalibrated in 2023 based on the 2021 census. This has caused a break in the series at the start of 2023, such that Croatian labour force statistics for 2023 are not fully comparable to those for previous years.

<sup>2</sup> The direct contribution of tourism to Croatian GDP was 11.8% in 2019, the total (direct and indirect) contribution 19.5%, according to data from the Croatian Ministry of Tourism.

<sup>3</sup> Croatia's counties correspond to small (TL3/NUTS3) regions according to OECD and Eurostat classifications. All three counties are part of Pannonian Croatia, one of Croatia's four large (TL2/NUTS2) regions (see Figure 2.5).

<sup>4</sup> Two earthquakes hit Croatia in 2020, one in Zagreb on 22 March, the other near Petrinja in the Sisak-Moslavina county in Central Croatia on 29 December. One person died in the first earthquake and seven as a result of the second earthquake, and the quakes caused substantial damage to many buildings and other infrastructure.

<sup>5</sup> Available data on the disability employment gap are based on the EU-SILC and much less precise than statistics based on the EU-LFS. According to those data, the estimated employment gap for people with some or severe limitation in activity was 41 p.p. in 2024, compared to an average of 24 p.p. across EU countries (Eurostat, 2025<sup>[31]</sup>).

<sup>6</sup> Employment growth measured in the absolute numbers of net jobs added was highest in public administration, education and health as well as in manufacturing as the two largest sectors of Croatia's economy.

<sup>7</sup> The incidence of job strain is of the three dimensions of the OECD Job Quality Framework, measuring the quality of the working environment (Cazes, Hijzen and Saint-Martin, 2015<sup>[29]</sup>).

<sup>8</sup> The authors consider their estimate to be conservative in the sense that the estimation method used focusses alone on undeclared labour relations in the form of unregistered employment and envelope wages. It does not capture other forms of informality, e.g. businesses failing to declare the entirety of their business turnover. Also, the authors exclude the agricultural sector from their analysis for data reasons (Franic, Horodnic and Williams, 2023<sup>[16]</sup>).

<sup>9</sup> Upon Croatia's accession to the EU, different transition periods were agreed in the Treaty of Accession. These offered EU Member States the possibility to temporarily restrict the labour market access for Croatian nationals and to continue applying national rules as well as those resulting from bilateral agreements with Croatia, for a maximum of seven years. This option was used by several countries, including Germany and Austria, who only lifted labour market restrictions in 2015 and 2020, respectively.

<sup>10</sup> The emigration rate to OECD countries for Croatian tertiary-educated individuals is estimated at 17% as of 2020, surpassing that of any OECD country. It is defined as the ratio between the number of emigrants from a specific country living in OECD countries and the total sum of the resident population of that country plus all emigrants from that country living in OECD countries. These estimates are based on the 2015/16 Database on Immigrants in OECD Countries, 2020 United Nations data, the EU Labour Force Survey, and Census data.

<sup>11</sup> Eurostat defines the severe material and social deprivation rate as the proportion of the population experiencing an enforced lack of at least 7 out of 13 deprivation items, including capacity to face unexpected expenses, to afford paying for a one-week annual holiday away from home, to afford a meal with meat, chicken, fish or vegetarian equivalent every second day, the ability to keep home adequately warm, having an internet connection, regular leisure activities, and getting together with friends/family for a drink/meal at least once a month (Eurostat, 2025<sup>[30]</sup>).

<sup>12</sup> An alternative poverty measure, Eurostat's risk of poverty or social exclusion, gives higher rates but shows a significant decline over the last years (Eurostat, 2025<sup>[32]</sup>).

<sup>13</sup> The survey was conducted in Croatia, Czechia, Greece, Hungary, Italy, North Macedonia, Portugal, Romania, Serbia and Spain.

<sup>14</sup> Detailed analysis of the socio-economic outcomes of people in Croatia by ethnicity is not possible using OECD data.

<sup>15</sup> The eight areas include: looking for a job; at work; looking for housing; by healthcare or social services personnel; by school/university personnel; at a café, bar or nightclub; at a shop; when showing your ID or any official document that identifies your sex.

<sup>16</sup> This survey only covered Lesbian, Gay, Bisexual and Transexual people.

# 3

## Making best use of Croatia's labour force potential

Croatia has experienced an impressive labour market recovery over the last decade, with unemployment rates having declined nearly by a factor of three since 2013, but major challenges remain (see Chapter 2): labour force participation has risen substantially but is still low in international comparison, with ample scope to boost employment particularly for young people, older workers and disadvantaged groups; employment growth has occurred disproportionately in lower-skilled occupations, which explains the sluggish growth in labour productivity and wages; the sharp rise in temporary work during the recovery has been reversed, but still a disproportionate share of workers are employed on very short contracts; and undeclared work appears to be relatively widespread in Croatia, even if a precise assessment of its incidence is very difficult. In the context of a declining and ageing population, a shrinking workforce, and high emigration, it is essential that Croatia extend working lives and improve the employment of workers at the margin of the labour market, invest in the upskilling of its workforce to raise productivity and wages, and further improve job quality.

### 3.1. Recent initiatives to raise employment and improve job quality

Croatia carried out a series of changes to its labour market legislation in 2022 that address some of the challenges outlined in Chapter 2. These legislative changes have included:

- *A comprehensive set of amendments to the Labour Act*, passed in December 2022 following years of discussions. These changes transpose the two EU Directives on Work-life Balance and on Transparent and Predictable Working Conditions into Croatian legislation, and brought a series of additional important changes, including restrictions of the use of consecutive fixed-term contracts and innovative provisions regulating work carried out via digital platforms.<sup>1</sup> Most of these changes entered into force in January 2023.
- *A new Act on the Elimination of Undeclared Work*, which sets out new rules aimed at tackling unregistered employment as well as the non-payment of salaries, salary add-ons, and social insurance contributions, and which equally entered into force in January 2023.
- *An amendment to the Minimum Wage Act*, which strengthens the statutory minimum wage by excluding certain wage components from its calculation basis and permitting the State Inspectorate to sanction employers who fail to abide to collectively agreed wages.

#### 3.1.1. Croatia substantially restricted the use of fixed-term contracts

Among the recent amendments made to the Croatian Labour Act to tighten the regulation of fixed-term contracts, an important one addresses concerns about the steep rise in temporary employment during the initial years of Croatia's labour market recovery (see Chapter 2). This trend towards temporary work had been favoured by hitherto very liberal regulation in Croatia, which foresaw no limit to the number of short contracts that an employer could give to a worker for a period of up to three years. While the proponents

of this rule pointed to the need for flexibility in Croatia's tourism industry, it led to an excessive use of fixed-term contracts across Croatia's economy, including in the form of "chained" one-month contracts.

The amendment tackles such excessive practices by restricting the maximum number of successive fixed-term contracts and tying the use of fixed-term contracts to clearer criteria. Under the new legislation, no more than three successive fixed-term contracts are permitted over a three-year period; any interruption of below three months in between two contracts is disregarded in defining this period. Moreover, the employer now needs to justify the use of fixed-term contracts by a concrete business need, such as having to replace a temporarily absent worker or having to carry out time-limited work within a certain deadline. Those restrictions are likely to effectively curb the excessive use of very short contracts. Meanwhile, the tightening labour market may contribute to reducing the incidence of temporary work more broadly by improving workers' bargaining position vis-à-vis employers.

### ***3.1.2. Other legislative changes have focussed on regulating platform work and increasing the penalties for undeclared work***

In a second notable amendment to the Labour Act, which may serve as an interesting example for many OECD Member countries, Croatia introduced far-reaching new regulations of platform work. Recognising the shortcomings of existing labour legislation in dealing with work carried out through digital labour platforms, and in anticipation of an EU Platform Work Directive, Croatia introduced a set of new provisions that extensively regulate platform work and introduce comprehensive data collection and exchange procedures. The amendment foresees, among other things, the mandatory registration of all digital labour platforms and intermediaries, such as food delivery and ridesharing platforms; regulations on the mandatory content of employment contracts; and the collection of personal data of everyone working through a digital platform, their hours worked and any financial transactions made, and the transmission of these data to financial and social security authorities. These changes are intended to enable supervision of the working conditions of platform workers, notably working hours and compliance with minimum-wage legislation, the identification of fake self-employment, and more systematic controls of work permits of third-country nationals. Digital labour platforms will be liable for the payment of salaries to the workers employed through intermediaries, except if they undertake certain statutorily defined actions, such as requesting monthly delivery of pay slips and confirmations on no outstanding tax debts. As a step towards the technical implementation of this amendment Croatia introduced the Unified Electronic Labour Records (JEER) system in January 2024.<sup>2</sup>

Croatia also stepped up the fight against undeclared work with the adoption of the new Act on the Elimination of Undeclared Work. Besides clarifying the definition of undeclared work, the legislative change increases penalties for employers who do not declare their workers while introducing at the same time a compensation to workers for the hours worked that went undeclared. Before the change, in case of detection of undeclared work, employers had only been charged with misdemeanour and fined and workers generally been registered "as of yesterday". The new rules instead rest on the assumption that the unregistered work relationship already lasted for six months (except if there is evidence to the contrary), and employers are required to pay workers the full wages plus social insurance contributions for those six months. This puts the blame for not declaring work squarely on the employer and raises the (previously low) cost employers face in case of detection. At the same time, it strengthens workers' position and increases their incentives to report undeclared work, though proof of undeclared hours is typically difficult to provide. The new law also strengthened data collection to detect and discourage undeclared work: companies in certain sectors need to register their employees' working hours through the new Unified Electronic Labour Records system. The State Inspectorate, which is responsible for detecting undeclared work, will publish the results of their controls in the form of white- and blacklists. Employers who are repeatedly found guilty of undeclared work within a period of six years see their fines doubled and may find themselves temporarily banned from being active in a certain sector. These legislative changes are

part of a larger package of measures foreseen in Croatia's National Programme for Tackling Undeclared Work, which also includes campaigns to change the public view on informality, notably among high school students.

## 3.2. A training system ill-equipped to satisfy the growing skill needs

In the context low employment rates, sluggish productivity and wage growth, and a shrinking workforce, policies to promote workforce training, upskilling and reskilling must be a policy priority for Croatia. This includes ensuring that every young person enters the labour market with a qualification and with skills that are sought after in the labour market and that give access to a quality job. It also means providing adult workers – both employed and unemployed – with relevant and attractive training options that increase their productivity and help them adapt to changing labour market needs.

### ***3.2.1. Vocational education and training play an important role in Croatia but often fail to equip young people with relevant labour market skills***

Many young people in Croatia acquire their education and skills through the vocational education and training (VET) system, which is a cornerstone of upper-secondary education in Croatia (OECD, 2025<sup>[1]</sup>). Participation rates in initial VET are among the highest across European countries, with 70.6% of all upper-secondary students having chosen a vocational programme in 2023 (Eurostat, 2025<sup>[2]</sup>). This is higher even than in the countries renowned for their dual VET programmes such as Austria (68.9%), Switzerland (61%) and Germany (47.2%). About two-in-three vocational upper-secondary students in Croatia participate in four-year programmes that enable progression to tertiary education, and more than half of VET graduates from these programmes indeed continue to higher education (Cedefop, 2022<sup>[3]</sup>). One consequence of high participation in initial VET in Croatia is that early school leaving rates are very low: the share of 18-24 year-olds in Croatia without an upper-secondary qualification is the lowest across all EU countries, at only 2% in 2024 (EU average of 9.3%; Eurostat (2025<sup>[4]</sup>)).

However, Croatia's upper-secondary VET programmes are poorly aligned with the needs of a changing labour market and often fail to equip young people with relevant practical skills. Nearly all four-year VET programmes are school-based, with work-based learning components accounting for typically only a very small share of total training (Cedefop, 2022<sup>[3]</sup>).<sup>3</sup> And while all three-year VET programmes have a work-based learning component, and apprenticeship programmes exist in crafts and trades (JMO), overall enrolment in these programmes has been declining to only around 19%.<sup>4</sup> The social partners are involved little in the design and implementation of the school-based programmes, training curricula are outdated, and the contents and quality of work-based training is neither regulated nor systematically assessed. Despite high participation rates these programmes are therefore generally perceived as rather unattractive. Moreover, there is no systematic link between the training programmes offered and local skill needs. Particularly young people growing up in more rural parts of Croatia often need to choose from a very limited set of vocational training options that may not suit their interests and for which there is not much local labour demand. All these factors contribute to why many young people in Croatia struggle to find work after graduation, end up working in low-skilled jobs, or leave the country.

Croatia has invested significant efforts in recent years into modernising its VET system (OECD, 2025<sup>[1]</sup>). The strategic goal has been to improve the alignment of the education system with the labour market, move to a system that focusses on learning outcomes, and strengthen work-based learning. A 2019 project for the modernisation of the VET system, funded through the European Social Fund (ESF/ESF+), has aimed to improve the quality and relevance of VET through a revision of VET curricula in line with labour market needs and the Croatian Qualifications Framework, an expansion of work-based learning, and new teaching materials. A 2022 amendment to the Vocational Education and Training Act included new

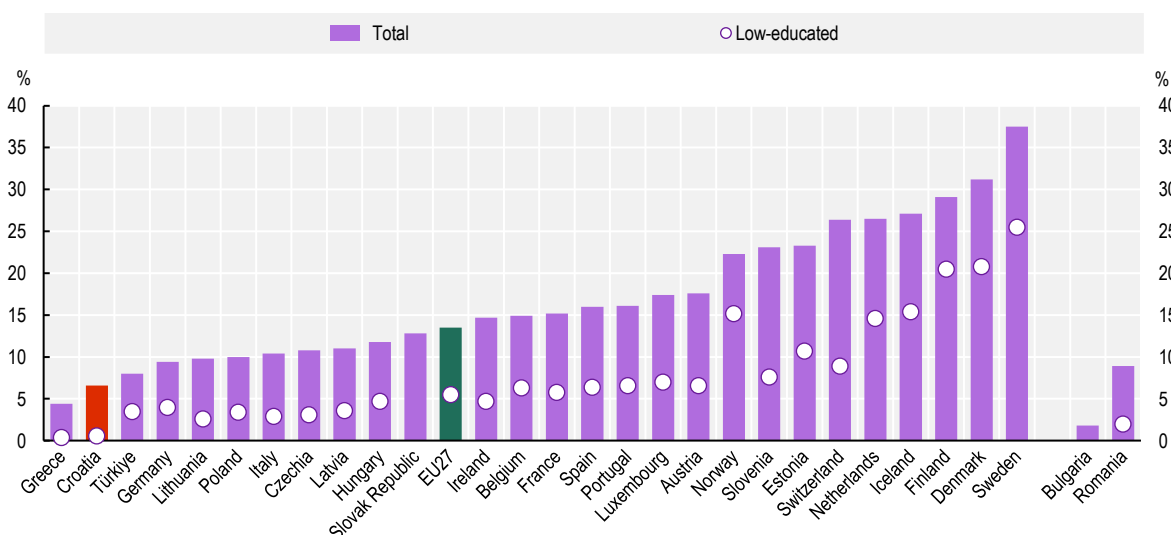
provisions aimed at clarifying the definition of work-based training, better connecting schools and employers, and supervising the quality of work-based training provided by employers.

### 3.2.2. Participation in adult learning is very low, but a recent voucher-based training system has experienced substantial uptake

Despite Croatia's need to reskill and upskill its workforce, participation in adult learning is very low. In 2024, only about 6.6% of adults in Croatia reported having participated in formal or non-formal education and training activities in the last four weeks, one of the lowest rates cross European countries (Figure 3.1). As in most countries, participation in adult learning tends to be lowest among those who likely need training most, with only around 0.6% of low-educated workers participating. Participation rates are also much lower for older workers, and they are only half as high in Northern and Pannonian Croatia as in Zagreb. When asked about the principal obstacles to training participation, workers referred to the cost of training and scheduling difficulties, though these results date back to 2016 (OECD, 2023<sup>[5]</sup>). Croatia introduced a new Adult Education Act in 2022 that established a framework for quality assurance in adult education, increased transparency for participants, and requires training institutions to harmonise training programmes with the Croatian Qualifications Framework.

**Figure 3.1. Too few workers in Croatia participate in adult learning**

Adult participation in formal and/or non-formal education in the previous 4 weeks, ages 25-64, 2024



Note: Low-educated are those with a below upper secondary educational attainment based on ISCED 2011. Low-educated data for Croatia refer to 2023. For Croatia and Lithuania, they are also not fully reliable.

Source: Eurostat (2025), *Participation rate in education and training (last 4 weeks) by educational attainment level* (dataset), [https://doi.org/10.2908/TRNG\\_LFSE\\_03](https://doi.org/10.2908/TRNG_LFSE_03) (accessed 11 August 2025).

StatLink  <https://stat.link/6ot8jz>

Besides this legislative change, a new voucher system, financed under Croatia's National Recovery and Resilience Plan (RRP), has been the main instrument for promoting adult learning and upskilling. In operation since April 2022, this voucher system permits both employed and unemployed workers to participate in trainings offered through accredited training institutions. The training catalogue focusses on the acquisition of micro-qualifications and partial qualifications in areas related to the digital and green transition. The maximum training duration is ten months for programmes at secondary level and 12 months for programmes at tertiary level. The system is administered by the CES, who processes applications and

grants the vouchers. Applicants can submit their request for a voucher digitally via a mobile-phone application, through which they can also request professional guidance, without having to visit CES premises. Training participants are requested to fill in an evaluation of their training programme and provider upon completion of the training and six months after. For employed training participants, also the employers receive a questionnaire to assess the training's effectiveness in improving the employee's skills and work performance.

The initial uptake of the new voucher system has been very encouraging, even if its limited size and scope imply that more substantial efforts are needed to effectively upskill Croatia's workforce. According to current targets, the programme will cover 40 000 participants by mid-2026, 12 000 of whom should be long-term unemployed, inactive people or NEETs. About 11 000 vouchers were approved within the first year, 80% of which for digital training. Given Croatia's total active population of about 1.8 million people, and about 128 000 unemployed workers, those efforts can of course only be a first step. Moreover, the new voucher system seems to attract interest primarily from more educated workers: about 70% of initial programme participants are employed and a majority tertiary educated. The most popular training programmes including internet marketing and branding, front-end development, graphic design / digital publishing specialist, but also teaching assistant and personal assistant.

In light of the positive first results of the new voucher system, and considering its previous limitations, the Croatian Government substantially extended the programme in May 2023 with support from the ESF+. Under this new phase, the programme is being broadened beyond digital and green skills to other types of trainings and will cover an additional 75 000 users by the end of 2029.

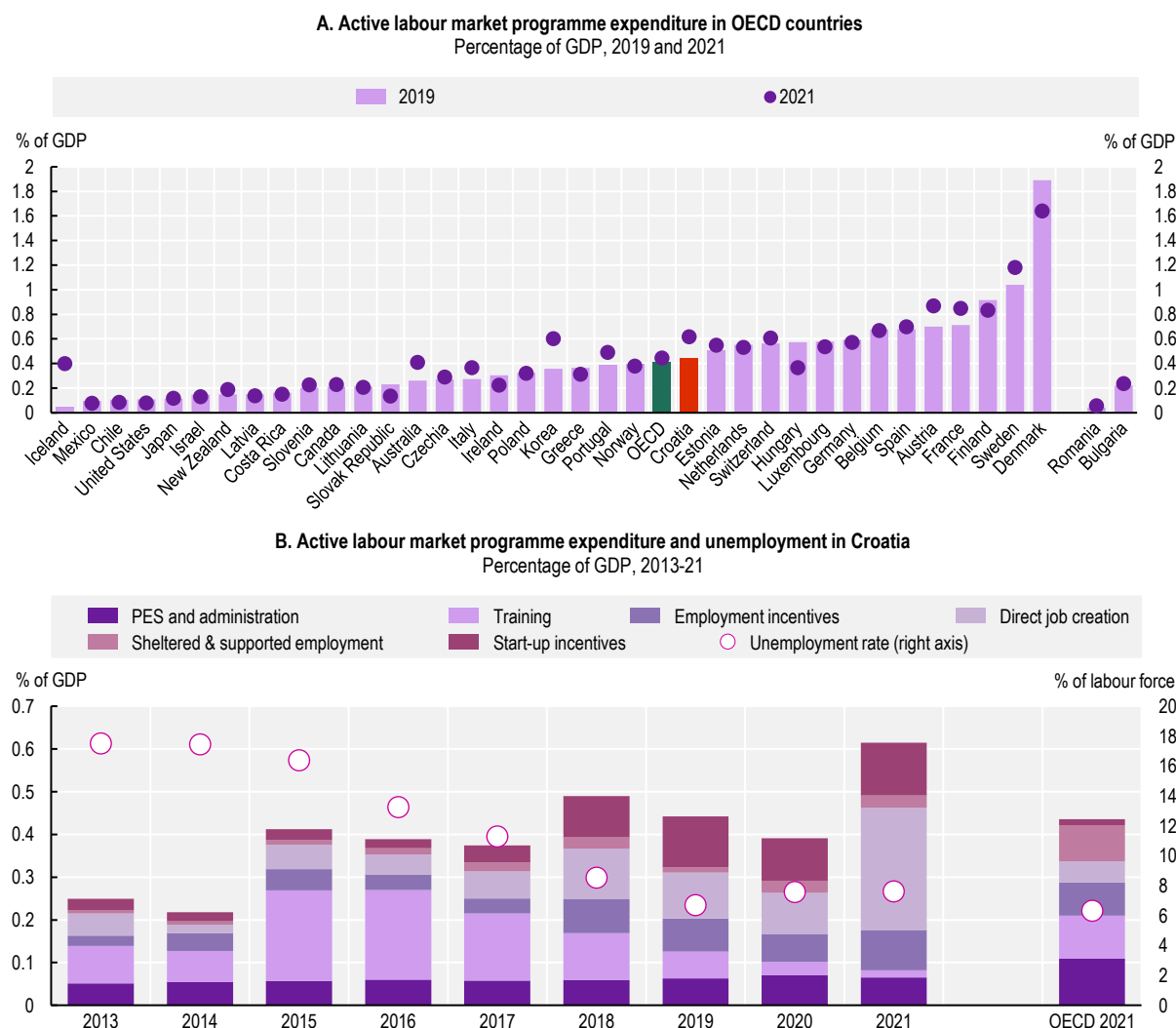
### 3.3. Employment support in a tightening labour market

Croatia provides employment support through the CES with its one central, 22 regional, 99 local offices. The CES' primary functions include administering unemployment benefits for jobseekers, implementing active labour market programmes (ALMPs), and providing vocational guidance and counselling. CES support is available to jobseekers and employed workers alike, and only a minority of currently registered jobseekers – about 25% to 30% – receive unemployment benefits. Recipients of Croatia's primary minimum-income benefit, the Guaranteed Minimum Benefit (GMB), need to register with the CES as jobseekers if they are out of work and have at least partial work capacity. For details on the design and coverage of out-of-work benefits in Croatia, see Section 5.1.

#### ***3.3.1. Resources for supporting jobseekers have risen as expenditures increased even while jobseeker numbers plummeted***

Croatia's spending on ALMPs is comparable to that of many OECD countries. In 2019, prior to the COVID-19 crisis, Croatia dedicated a little less than 0.5% of its GDP to ALMPs. This was in line with the average spending across OECD countries and in neighbouring Hungary (0.4% and 0.6% respectively) and well above the 0.2% of GDP spent by neighbouring Slovenia (Figure 3.2, Panel A). ALMP spending levels as a share of GDP had remained broadly stable since 2015, which, in the context of rapidly declining unemployment, implies a very substantial increase in the resources available *per jobseeker* (Figure 3.2, Panel B). In line with these trends the CES also saw an increase in staff numbers over time, by 23% in 2022 relative to 2013 (+12% in the number of counsellors). Meaningful comparisons of ALMP spending for the year 2021 – the latest year for which cross-country data are currently available – are more difficult to draw, because of exceptional spending increases, and still depressed GDP, in some countries due to the COVID-19 crisis. In Croatia, ALMP spending rose to 0.62% of GDP in 2021, compared to an OECD average of 0.44%, reflecting mainly higher spending on direct job creation.

**Figure 3.2. ALMP spending has risen even as jobseeker numbers plummeted**



ALMP: Active Labour Market Policy. PES: Public Employment Service. GDP: Gross Domestic Product.

Note: OECD give the unweighted average across 35 member countries for which data are available shown in Panel A. Data refer to 2020 instead of 2021 for Romania. The value for employment incentives excludes category 4.2 (Employment maintenance incentives) to remove to the extent possible measures specifically related to the COVID-19 crisis.

Source: OECD (2025), *Labour Market Programmes* (dataset), <https://data-explorer.oecd.org/s/30f> and OECD (2025), *Employment and unemployment by five-year age group and sex – indicators* (dataset), <https://data-explorer.oecd.org/s/30g> (accessed 10 November 2025).

StatLink <https://stat.link/sajgd1>

EU funds have been playing a key role in financing employment support to jobseekers in Croatia. In 2025, a little over two-thirds (69%) of the total funds dispersed for ALMPs are financed through allocations from the ESF+. Additional spending is financed through Croatia's RRP. The remaining allocation comes from state budget, as Croatia abolished its employment insurance contributions in 2019.

### 3.3.2. As labour markets have gotten tighter, the CES has started shifting the focus on supporting the hardest-to-employ

Subsidies for (self-)employment and direct job creation have been the CES' preferred tools for moving jobseekers into work and have accounted for the bulk of ALMP spending in recent years (Figure 3.2,

Panel B). In 2021, the last year for which internationally comparable data are available, support for jobseekers who planned to start their own business was the single largest ALMP expenditure item in Croatia. Other important programmes were the Make-a-Wish job creation programme for women who are above 50 years or hard to place (see Chapter 5), and hiring subsidies for jobseekers, including those without any work experience. This mix of measures reflects that Croatia was still coming out of a high-unemployment environment at that time, in which subsidies can be an effective tool for creating additional job opportunities.

As Croatia's labour market has been rapidly improving, the CES has been taking steps to adjust its programme mix to prioritise activation and support for the most disadvantaged. According to CES data, which however are not fully comparable to the cross-country expenditure data shown in Figure 3.2, education and training was the most important ALMP category in terms of participant numbers in 2022, accounting for 29% of new programme participations. This reflects the introduction of the new voucher-based training system, but also a new comprehensive programme targeted at the most disadvantaged jobseekers – long-term unemployed, jobseekers without an upper-secondary degree, and GMB recipients – under the name of Job+. This programme, launched in early 2023, provides participants with a sequence of activation, individualised support with work practice (e.g. in a caring facility), followed by education and training, over a total programme duration of 12 or 24 months.<sup>5</sup> Participants sign a personalised integration plan, and they are continuously monitored and supported by an employment counsellor and potentially a social mentor (if they are GMB recipients). Self-employment and employment subsidies still accounted for 20% and 16% of programme inflows, including three new measures to subsidise self-employment, employment and internships in the green and digital sectors, again co-financed under the RRP. With their focus on bringing jobseekers into green and digital jobs, these latter programmes will likely benefit primarily more educated jobseekers, who however may need less support in Croatia's increasingly tight labour market.

### 3.4. Improving social dialogue and worker representation

Strong social dialogue and collective bargaining have an important role to play in raising employment, increasing job quality, and improving the skills and productivity of the Croatian workforce.

#### 3.4.1. Tripartite dialogue has a solid institutional basis, but its quality is mixed

The Croatian social partners discuss important economic and social issues with government representatives in the Economic and Social Council (ESC), which was established through the Labour Act in 2000. As the key national-level tripartite body, the ESC is supposed to meet monthly under participation of ministers or their state secretaries and serves as a consultative and advisory body to the government. Further tripartite and bipartite social councils exist at sectoral level, as well as economic and social councils at county level (Tomić et al., 2019<sup>[6]</sup>). At the start of each year, the government submits a list of planned legislative initiatives to the ESC giving the social partners the opportunity to indicate which issues they would like to see discussed.

While this institutional framework for involving the social partners in policymaking processes is fundamentally solid, also compared to some peer OECD countries, the day-to-day quality of tripartite dialogue is rather mixed. The government generally involves the social partners in important legislative processes, often from a relatively early stage. The social partners also indicated that the Ministry of Labour in particular tries to ensure regular high-level participation in the ESC, often through the minister. Nonetheless, during the OECD fact-finding mission, the union representatives expressed their frustration with the working of the ESC, criticising the growing irregularity of meetings and insufficient or late information flows. Some academic experts on social dialogue have suggested that the effectiveness of the ESC, and hence of tripartite dialogue, could be improved by revising the ESC's mandate and the broader

rules of the tripartite dialogue. This could include, for example, clarifying the primary focus areas of the ESC outside of labour market and social policy (e.g. on specific issues of health, migration or taxation); better specifying the procedures for ESC involvement in these areas, including the regularity and composition of meetings and the timelines for information transmission; and defining in which areas, or under what circumstances, the social partners have the right to participate in legislative working groups and parliamentary committees.

### ***3.4.2. Collective bargaining coverage is in line with peer OECD countries but should rise according to new EU requirements***

Many workers in Croatia are currently not represented through collective bargaining. A new e-database of collective agreements currently counts 647 valid collective agreements in Croatia and estimates the coverage rate to be about 65% (Ministry of Labour, Pension System, Family and Social Policy, 2025<sup>[7]</sup>). This number is substantially higher than earlier estimates provided by the ministry (47%, estimated based on 580 collective agreements signed between 2015 and 2021) and in a study by Tomić et al. (53% in 2013 and 61% 2009 (2019<sup>[6]</sup>)). It puts Croatia's collective bargaining coverage above the rates observed in most Central and Eastern European OECD countries, with the exception of Slovenia, but it is much below the levels in other parts of Europe (OECD, 2019<sup>[8]</sup>). Official figures about trade union density are also lacking: according to ILO data, about one-in-five (21%) workers in Croatia were members of a trade union in 2018, again a slightly higher rate than in most Central and Eastern European OECD countries.

Collective bargaining in Croatia usually takes place at the company level, though there exist 12 sectoral-level agreements, including in public services and the state administration. Coverage rates therefore vary widely: coverage is complete in construction and hospitality, where the existing sectoral-level agreements extend by the general labour law to all employees; in the energy supply sector and in education, where unions are strong, coverage rates surpass 80%. By contrast, only around 25-35% of workers in the industrial sector are covered by collective agreements, and coverage in some other sectors, including in retail, is close to zero. While trade unions in Croatia have been trying to push for negotiations at sectoral level, including in retail, employers have generally shown little interest in bringing such negotiation to fruition and in many cases slowed down bargaining processes. In some cases, the social partners have explicitly excluded wage discussions from the bargaining process and only focussed on less controversial topics, such as holiday bonuses. Another challenge for collective bargaining in Croatia is that the trade union landscape is fragmented, with unions in the same sector or company often disagreeing on their demands and on who has the right to negotiate. The 2014 Law on Representativeness of Trade Unions partly addressed this issue by clarifying thresholds for representativeness and hence encouraging mergers and alliances between smaller unions. However, a recent exception made for the small but influential doctors' union has been causing controversy and risks undermining the current framework.

In line with the EU 2022 Directive on Adequate Minimum Wages, Croatia, as an EU Member State with a collective bargaining coverage below 80%, will have to develop an action plan that sets out a clear timeline and concrete measures to progressively increase the collective bargaining coverage rate. A working group tasked with drafting the proposal for a corresponding action plan was established in June 2023, including representatives of the social partners. To improve data collection, the recently amended Labour Act includes a new provision requiring employers, since July 2023, to report all collective agreements to the ministry. An electronic registration system was introduced in September 2025, and data on collective agreements are made publicly available. A priority for the Croatian Government and the social partners when drafting the action plan should be to ensure that forthcoming collective agreements cover all important areas of labour relationships, including workers' pay and working conditions. The action plan could also include provisions for improved data collection on social dialogue and collective bargaining, including statistics on trade union membership and strikes.

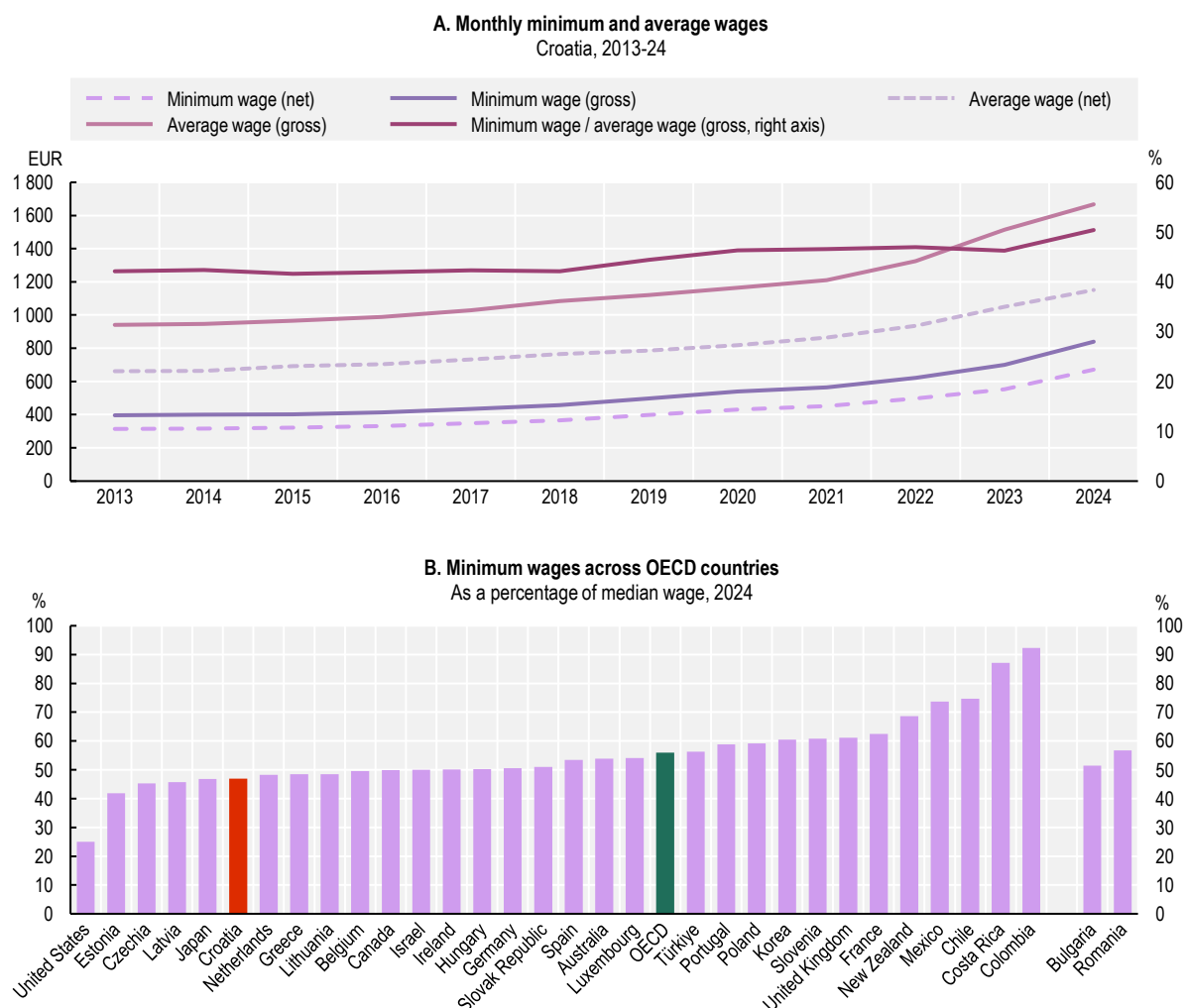
### ***3.4.3. Croatia has significantly increased the statutory minimum wage as its labour market tightened***

Croatia has had a statutory, national-level minimum wage in place since 2008, which – since 2018 – is set annually through government decree.<sup>6</sup> A single rate applies to all workers, except in the construction and hospitality sectors where the extended collective agreements foresee higher minimum wages for all employees depending on job complexity. The Croatian Government determines the minimum wage annually after consultations with the social partners taking into account the non-binding recommendation of an expert commission composed of trade union and employer representatives, government representatives and academic researchers.

Croatia's minimum wage has long been relatively low but rose significantly over the last few years. In the initial years of the labour market recovery from the global financial crisis, in times of still high unemployment, Croatia kept its minimum wage stable relative to the average wage, at around 42% (Figure 3.3, Panel A). For a single person earning the minimum wage, this implied an income after taxes and transfers only a little above the poverty threshold (see Figure 5.4 in the section on working-age benefits). As the labour market tightened, and after introduction of the current Minimum Wage Act in 2018, Croatia started rapidly raising its minimum wage, by over 50% in nominal terms over five years. Since January 2025, the gross minimum wage stands at EUR 970 per month – around the threshold of 50% of the average wage, one of the suggested reference values to assess minimum-wage adequacy in the EU 2022 Directive on Adequate Minimum Wages.<sup>7</sup> In an amendment to the Minimum Wage Act, adopted in late 2021, Croatia moreover increased transparency and strengthened enforcement of the minimum wage: various wage supplements are now excluded from the minimum wage; workers are prohibited from renouncing the minimum wage; and the State Inspectorate received the competence to sanction employers who do not abide to collectively agreed minimum wages.

After these increases, Croatia's minimum wage is broadly in line with minimum wages in peer OECD countries. In 2024, Croatia's minimum wage stood at 47% of the median wage, a rate broadly comparable to that in neighbouring Hungary (50%), though lower than in Slovenia (61%) and in the OECD on average (56%; Figure 3.3, Panel B). The minimum wage in Croatia is higher than in most OECD countries relative to output per hour worked (OECD, 2023<sup>[5]</sup>), a consequence of Croatia's low labour productivity (see discussion in Section 2.2).

**Figure 3.3. The minimum wage has risen significantly in recent years and is comparable to those in peer OECD countries**



Note: Panel A. Minimum and average wages pre-2023 have been converted from Kuna to Euros at the rate of EUR 1 = HRK 7.5345. Wages have not been adjusted for inflation. Net wages are after taxes and transfers for a single person working full-time. Panel B: average monthly minimum wage of full-time workers. The OECD is an unweighted average of the 30 countries with statutory and national minimum wages. Source: OECD (2025) tax-benefit model, version 2.7.1 (<http://oe.cd/TaxBEN>) (Panel A) and (OECD (2025), *Minimum relative to average wages of full-time workers* (dataset), <https://data-explorer.oecd.org/s/30h>) (Panel B), (accessed 30 August 2025).

StatLink  <https://stat.link/x0w9tc>

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## Notes

<sup>1</sup> Other changes include a flexibilisation of the rules for additional work that an employee working full-time for one employer carries out for another employer, new rules on probationary work, and the introduction of permanent seasonal jobs with an open-ended contract and the option of working outside the season.

<sup>2</sup> The JEER is a data exchange system that registers digital labour platforms and aggregators, records the work performed via digital labour platforms, and permits data processing and review by the Ministry of Labour, Pension System, Family and Social Policy, the State Inspectorate, the Ministry of Finance, and the Tax Administration.

<sup>3</sup> For example, according to the national curriculum the four-year VET programmes include on average a work-based learning part of less than 10%.

<sup>4</sup> From 2018/19, the Ministry of Science and Education trialled, in collaboration with Swiss authorities, a dual vocational education programme, which involved a modernisation of VET curricula in six professions

and increased provision of work-based training in participating companies. However, the experiment ended in 2020 with mixed results.

<sup>5</sup> Job+ builds up on an existing programme referred to as “Activation”, which has existed since 2018. It provides profiling and individualised support for disadvantaged jobseekers, notably the long-term unemployed, with the aim of connecting them to a standard employment measure that eventually helps them move on into training or employment.

<sup>6</sup> Croatia’s first Minimum Wage Act was introduced in 2008, with the amount of the minimum wage set to 36% of the 2007 average gross wage and adjusted annually with the real GDP growth rate. In 2013, a new Minimum Wage Act introduced the provision that the minimum wage is set by government decree. The current Minimum Wage Act was introduced in 2018.

<sup>7</sup> Article 5.4 of Directive (EU) 2022/41 of the European Parliament and of the Council states that “Member States shall use indicative reference values to guide their assessment of adequacy of statutory minimum wages. To that end, they may use indicative reference values commonly used at international level such as 60% of the gross median wage and 50% of the gross average wage, and/or indicative reference values used at national level.”

# 4 A migration strategy that addresses Croatia's demographic challenges

An effective migration policy is needed as part of Croatia's strategy to address structural labour market shortages, promote innovation and productivity, and contribute to alleviating the financial pressures on the social protection system in a context of a rapidly shrinking and ageing population. As part of this, a comprehensive integration policy that helps migrants quickly become part of the Croatian society and permit Croatia to reap the benefits of their talents and capacities is needed. Croatia's diverse and highly skilled diaspora harbours significant potential for the economic development of the country.

## 4.1. Modernising migration policy to address growing skill shortages

In response to growing labour shortages, worsened by the high outmigration of people from Croatia after EU accession in 2013, Croatia changed its immigration policy. This happened initially by substantially raising the quotas of third-country nationals (TCNs) who could come to work in Croatia in 2017, then by abolishing the quota system in 2021. This shift in policy led to a surge in the inflow of TCNs into the country (see Chapter 2) but was not underpinned by any well-defined migration strategy. The sudden increase in the recruitment of TCNs, notably from Asia, mostly reflected rather opportunistic activity by recruitment agencies in origin countries, who made a flourishing business out of matching – mostly low-skilled – workers with Croatian employers. This came at a time when migrants from Bosnia and Herzegovina and other Western Balkan countries were increasingly seeking opportunities in other EU countries, notably as a result of the rising cost of living in Croatia.

### 4.1.1. *Legislative changes have made immigration more responsive to labour market needs*

Croatia passed the new Aliens Act in 2021 to replace the quota system, which was too rigid to appropriately respond to a rapidly evolving labour market, with a labour market testing regime. The new model, similar to those in most European OECD countries, is better adapted to respond to the changing labour market circumstances and Croatia's growing skill needs. As of January 2021, employers wishing to hire a TCN first get in touch with the Croatian Employment Service (CES), who conducts a labour market test to evaluate whether there are suitable candidates for a vacancy in the unemployment registry and refers any such candidates to the employer. If a referred worker is hired for the job, or if the employer rejects a jobseeker without sufficient justification, the CES refuses the request for a TCN. Vacancies in certain occupations that are difficult to fill are exempt from the labour market test, though a positive opinion by the CES is still required. This holds for professions such as cook, mason, locksmith and waiter. The list of shortage occupations, which the CES Governing Board adopts considering supply and demand in the national, regional and local labour markets, can be easily adapted to changing labour market conditions.<sup>1</sup> A series of amendments to the Aliens Act that came into effect in 2025 increased requirements and responsibilities for employers who hire foreign workers while extending the rights of foreign workers.

Croatia is also improving its policies to attract and retain high-skilled immigrants, although migration policies in this area have mainly been shaped by EU directives. With the amended Aliens Act Croatia extended the maximum duration of the EU Blue Card<sup>2</sup> permit from two to four years. The number of EU Blue Cards that Croatia granted more than quadrupled between 2018 and 2023, from 80 to 400, which relative to population is higher than in most EU countries. To attract international students, Croatia launched the Study in Croatia initiative that promotes Croatian higher-education institutions abroad.

The Aliens Act also introduced a temporary stay permit for digital nomads enabling foreign nationals without local company sponsorship to work in Croatia for up to 18 months if they can provide proof of a certain minimum monthly salary, currently around EUR 3 300. This scheme aims at attracting highly skilled foreigners and boosting economic activity and innovation. However, the labour market impact of such temporary stay permits is generally doubtful, as remote workers with foreign revenues only contribute to the economy via consumption (OECD, 2022<sup>[1]</sup>).

#### **4.1.2. The administrative burden associated with recruiting third-country nationals remains high**

The labour migration model places a high administrative burden on public authorities, and the rapid increase in the demand for work and stay permits since 2017 has met insufficient administrative capacity. At the CES, about 45 counsellors conduct the labour market tests, with assessment times being relatively fast, at about two to three days. But while the Ministry of the Interior generally aims to issue permits within two weeks, processing times can take longer in reality, about 38 days on average in 2024. The slow process currently represents a hurdle for the recruitment of TCNs, both for employers and foreign workers.

The government has therefore been working to reduce the administrative burden and speed up the process, notably through digitalisation. The 2025 amendment to the Aliens Act allows TCNs to stay for up to three years and to change employers without having to re-apply for a permit, which should contribute to reducing the burden on all sides. It should also promote labour mobility among migrants, hence contributing to a better utilisation of their skills, relative to the current rules that essentially lock TCNs into the jobs they were originally hired for.

#### **Box 4.1. Croatia is having to control a growing number of irregular border crossings**

Located on the primary migratory route towards the European Union, Croatia has become an important transit country and is faced with significant and increasing inflows of irregular migration. This has been true especially since the 2015/16 refugee crisis, and notably Hungary's decision in September 2015 to close its borders with Serbia, which reoriented flows of asylum seekers to Croatia (Goldner Lang, 2018<sup>[2]</sup>). Most migrants who illegally enter the Croatian territory come through the borders with Bosnia and Herzegovina and Serbia and travel directly on to Slovenia without applying for asylum. Of those who do, most are from Syria, the Russian Federation, Türkiye, Egypt and Afghanistan.

Croatia's accession to the Schengen Area reinforces this challenge as it makes entry into Croatian territory much more attractive for TCNs. Croatia is now responsible for controlling the external Schengen maritime borders and land borders with the non-Schengen countries Bosnia and Herzegovina, Montenegro and Serbia. Already in 2022, the number of illegal border crossings substantially increased; from January to May 2023, the number of expressions of intention of asylum applications then soared by 700% compared to the same period in the previous year, a significant share coming from Afghanistan and Russia. More recently the numbers have been showing a clear downward trend.

To meet the entry criteria into the free mobility zone, Croatia has taken steps to strengthen border checks and controls. The country notably signed readmission agreements with Bosnia and Herzegovina and Serbia but effectively implementing readmission with these countries has proven difficult. The visa-free regime implemented in some neighbouring countries, such as Serbia, adds to the challenge of controlling irregular flows. Some NGOs have criticised Croatia in recent years for conducting pushbacks of irregular migrants at the Bosnian border without proper assessments of migrants' asylum requests (ENNHRI, 2021<sup>[3]</sup>). In response, Croatia has taken recent steps to ensure that the rights of TCNs who try to enter the Croatian territory are respected. The Croatian Ombudsperson carried out investigations into illegal treatment of migrants at the border and gave recommendations. As a result, the Ministry of the Interior established in 2021 an independent Monitoring Group in charge of assessing border controls and monitoring the actions of police officers at the border. The Monitoring Group carries out announced and unannounced visits to border control points and in reception centres. The Monitoring Group also received access to the information system of the Ministry of the Interior.

#### **4.1.3. Croatia lacks a comprehensive long-term migration strategy**

Croatia currently does not have a clear strategy in place that would spell out the role that immigration can play for the country's longer-term economic, labour market and social development, i.e. beyond just addressing the countries' immediate skill shortages. Presently, TCNs can immigrate to Croatia if they can obtain a work contract, which – as in many European OECD countries – makes immigration entirely driven by current employer demand. Such a system may satisfy Croatia's immediate labour needs, but it has no well-defined role in helping to address the longer-term challenges arising for Croatia with its rapidly declining and ageing population and a transforming labour market. As in many European countries, the system also does not take into account some of the longer-term implications of current immigration, such as family reunification, and the future employability of workers in the event of job loss. There is evidence also that a substantial share of TCNs who are brought into the country by Croatian employers get posted to other EU countries, thus contributing little to satisfying Croatia's skill needs (see Box 4.2). Plans to develop a new migration policy have progressed little, but the Demographic Revitalisation Strategy up to the year 2033, adopted in March 2024, foresees the development of a national migration plan.

#### **Box 4.2. Croatia is a significant origin country of posted workers**

Croatia has become a significant posting<sup>1</sup> country in the EU, with only Slovenia, Luxembourg, and the Slovak Republic having posted more workers relative to their active population in 2021. The estimated number of workers posted abroad from Croatia increased more than sixfold since EU accession in 2013, to about 55 000<sup>2</sup> in 2021.

The sectors in which workers from Croatia are posted are the same in which work permits are being issued to TCNs, which suggests that posted workers have been an important driver of labour migration from third countries to Croatia. Almost half (46%) of posted workers from Croatia who work in a single European country are in construction; among the increasing number of posted workers active in two or more countries, most are in freight transport by road (42%) and industry (36%, of which again 15% in construction). Meanwhile, the construction sector accounted for 43% of all work permits issued to TCNs in 2022.

This pattern of posting foreign workers raises concerns. Posted workers are generally less likely to be informed about the risks of posting, their rights, and receive less training than local workers (Butković, Samardžija and Rukavina, 2022<sup>[4]</sup>). This may be an issue particularly in sectors such as transportation

and construction, where compliance and inspections of working hours and working conditions can be difficult. More generally, while posted abroad, TNCs get little opportunity to contribute to, and integrate into, Croatian society. Caution may be needed such that Croatia's labour migration system does not develop into a revolving door for posting workers abroad. Croatia transposed the EU Directive on the Posting of Workers in July 2020, which aims at providing greater protection for employees posted abroad.

1. Employees of Croatian companies may be posted abroad within the European single market for the purposes of short-term cross-border provision of services. Posted workers are regulated by a 1996 European Directive and by a 2014 Directive. Wages must be paid according to standards in the country of employment, while social contributions and coverage remain in the home country.
2. Those estimates are based on the number of A1 portable documents issued by sending and receiving countries and do not cover very short-term postings.

## 4.2. Developing a comprehensive integration policy

As previous immigrants mainly originated from neighbouring countries and shared cultural and linguistic similarities with Croatians, Croatia has never had to invest in more comprehensive integration policies targeted to the whole migrant population. Most foreign-born people in Croatia speak the language and fare well in the labour market, with employment being higher and unemployment lower than for the native-born population (OECD/European Commission, 2023<sup>[5]</sup>). However, as the origin of the foreign-born population evolves, greater attention to integration will be required.

### 4.2.1. Integration support is currently limited to beneficiaries of international protection

Current integration measures for migrants in Croatia are targeted largely towards beneficiaries of international protection, and the latest 2017-2019 Action Plan for the Integration of Persons who have been granted International Protection expired without replacement. In the absence of a new Action Plan, a few single projects have been developed: INCLuDE, for example, a project launched in 2020, aimed at improving the development and monitoring of national integration policies, strengthening co-operation between stakeholders in local and regional self-governments, and raising awareness among the general population about the integration of beneficiaries of international protection. Integration services are primarily financed through EU funding. They are mostly delivered to newly arrived migrants by civil society organisations, such as the Red Cross and the Centre for Cultural Dialogue and on a case-by-case basis. One other group currently benefiting of integration services are returning diaspora members, to whom the Central State Office for Croats Abroad (CSOCA) provides family and individual integration guidance, especially focussed on language learning (see Section 4.3). A new draft National Programme for the Integration of Persons Granted International Protection, which had been prepared by the Government Office for Human Rights and the Rights of National Minorities, was never adopted.

### 4.2.2. As immigration is rapidly rising, Croatia urgently needs a systematic and comprehensive integration policy

Croatia needs a comprehensive integration policy to be able to fully exploit the skills and potential of its growing number of immigrants from diverse origins and ensure that they can thrive in, and contribute to, Croatian society. Such an integration policy will have to be much broader in scope than existing initiatives, supporting all TCNs and their families. It should include the following elements:

- *Offering language and orientation courses to new arrivals.* The main current challenge for migrants' integration in Croatia is the shortage and lack of continuity in language learning. Establishing quality language training programmes can facilitate immigrants' access to basic services and

labour market opportunities and help them build social connections with the native-born population. The Resettle in Croatia mobile phone application introduced in 2021, which offers beneficiaries of international protection information on their rights and access to basic services, such as healthcare and housing, in various languages and includes an audio dictionary is a good step in this direction. Another part of the strategy could be vocational language courses tailored to sectors with skills shortages. Co-operation with employers in developing such courses can be crucial for their success.

- *Informing TCNs of their basic rights.* Mechanisms must be in place to guarantee that migrants are aware of their rights, especially regarding access to healthcare and social services. Basic labour rights and health and safety at work are other key areas, notably for migrant workers in the construction sector. Such information should be provided soon after immigration, possibly in direct collaboration with employers.
- *Facilitating and accelerating the recognition of foreign qualifications.* The current process for recognising foreign qualifications in Croatia can be lengthy, bureaucratic, and costly. This leads many to occupy a job that requires skills below their level of education, thus preventing the efficient utilisation of migrants' skills. Streamlining and accelerating the recognition process, and permitting partial recognition combined with bridging courses, as done in some OECD countries (OECD, 2023<sup>[6]</sup>), can enhance the labour market integration of TCNs.

Combatting discrimination and racism should be another key aspect of integration policy, particularly as Croatia experiences a shift in the ethnic composition of its foreign-born population. According to survey data, negative attitudes towards people from other ethnic or religious groups are relatively widespread in Croatia in EU comparison (see Chapter 2). Croatia's 2009 Anti-Discrimination Act introduced the Ombudsperson as the responsible body to address discrimination issues, and a number of Action Plans have focussed on this issue. In 2023, Croatia adopted the National Plan for the Protection and Promotion of Human Rights and Combating Discrimination until 2027. Complimentary actions are necessary to ensure that immigrants feel accepted and are not discriminated against in their access to employment, housing, or healthcare. For instance, the Office for Human Rights introduced, in 2023, online vocational courses for social workers on non-discrimination in the welfare system. Projects such as Croatia's New Neighbours, which notably aims at conducting media campaigns to highlight the positive contributions of refugees, are important to raise awareness about immigration and discrimination.

### 4.3. Attracting and retaining Croatian emigrants and their descendants

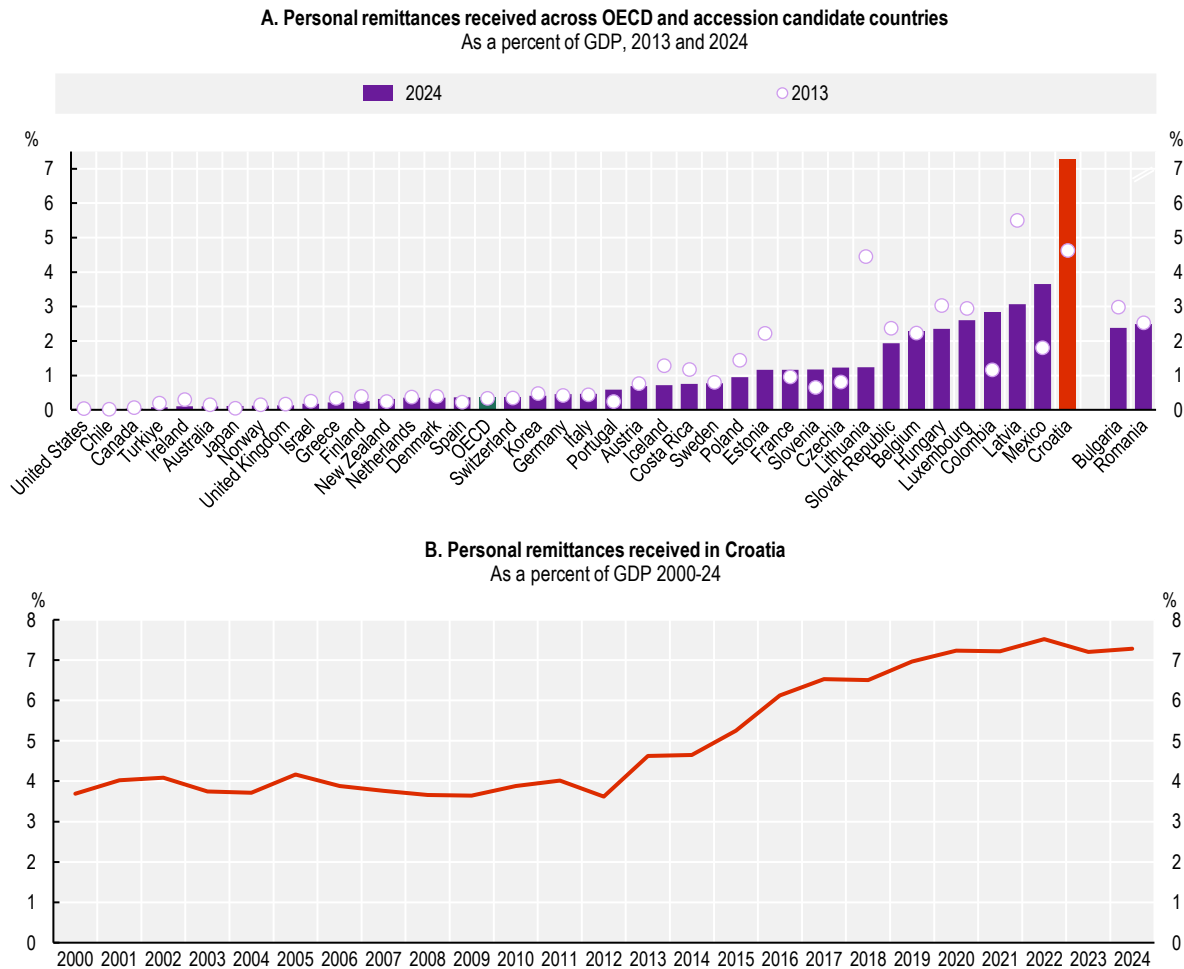
Croatia has a very diverse and highly skilled global diaspora counting about 3.2 million people spread over 30 countries, mainly in Western Europe and overseas. More broadly, Croatia officially recognises the broader community of Croats Abroad, which besides the Croatian emigrants and their descendants in European countries and overseas includes the Croatian National Minority present in 12 European countries and the Croats of Bosnia and Herzegovina. Many members of Croatia's diaspora are well-educated, with more than one-in-six of all Croatian-born tertiary educated individuals residing in OECD countries alone.<sup>3</sup> The skills, know-how and capital of these people represent an invaluable asset for Croatia's economy and society. But while many members of this community continue to maintain close social and emotional ties to their country of origin, it can be challenging to effectively tap this potential to the benefit of Croatia's economy.

#### 4.3.1. Croatia has made diaspora outreach a policy priority

Croatia has long been recognising the diaspora's potential for the country's economic development as a source of remittances, knowledge transfer, and return migration. Between, 2013 and 2024, the share of personal remittances received by Croatian households increased from 4.6% to 7.3% of total GDP, double

its 2008 level, and much above that of any OECD country. By comparison, Hungary and Slovenia receive 2.3% and 1.2% of GDP in remittances (Figure 4.1, Panel A). The generation of Croatian emigrants who left the country after EU accession, often to earn substantially higher incomes abroad, have been contributing to the increase in remittances, as has been a wave of financial support following the 2020 earthquakes (Figure 4.1, Panel B).

**Figure 4.1. Personal remittances received by Croatian households have increased and are higher than in any OECD country**



Note: OECD is a weighted average.

Source: World Bank (2025), *World Development Indicators* (indicator) [Personal remittances, received \(% of GDP\)](#), (accessed 11 August 2025).

StatLink <https://stat.link/4fo81u>

While no specific policies are in place to solicitate such remittances, Croatia has adopted a strategic diaspora policy with a primary focus on engaging and connecting with its diverse diaspora and encouraging and facilitating their return (Tomić, Hinić and Hršić, 2022<sup>[7]</sup>). Based on these strategic directions, the 2011 Act on the Relations between the Republic of Croatia and Croatians outside the Republic of Croatia strives to promote co-operation in various areas, including business. The CSOCA, established in 2012, plays a central role as the primary contact point for emigrants considering a return to Croatia, and provides assistance for return and successful (re)integration through its Welcome Office. The diaspora is also

politically represented through three dedicated members of parliament, who represent the diaspora's interests.

To encourage the return of diaspora members, Croatia recently facilitated the acquisition of Croatian citizenship for descendants of emigrants. The 2020 amendment of the Citizenship Act grants diaspora members access to dual citizenship and eliminates any generational limit of ascent to establish affiliation with the Croatian people. Easier access to citizenship can incentivise the diaspora to invest in a future in Croatia by fostering their sense of belonging to the society, including by permitting participation in elections and providing access to fundamental rights. Following the 2025 amendment to the Aliens Act, diaspora members and their family are eligible for a two-year temporary residence permit that allows them work, engage in self-employment or access educational programmes, with the immediate option of applying for Croatian citizenship.

Various programmes aim at reaching out to and incentivising emigrants and their descendants, particularly the young and highly educated, to return. Students from the diaspora have access to special enrolment quotas at higher education institutions and scholarship programmes to learn the Croatian language. Croatia also developed initiatives to help young descendants better connect and identify with their parents' country of origin, including through the Homeland Summer School. Croatia has also taken steps to encourage diaspora members to return and invest in the country. Most importantly, the "I Choose Croatia" (*Biram Hrvatsku*) programme promotes self-employment by providing Croatian citizens abroad who move to Croatia a EUR 27 000 grant to start their own business. Initially only targeting recent emigrants living in EU countries, the programme was extended to diaspora members from seven overseas countries. Tax measures also exist to encourage future pensioners to settle in Croatia, including those from the diaspora.

#### **4.3.2. Croatian emigrants and their descendants are starting to return, but some face challenges with integration**

As living standards in Croatia converge towards those of higher-income EU and OECD countries, the CSOCA has been observing a growing interest in return migration among members of the Croatian diaspora. While the precise extent of return migration is difficult to ascertain for lack of data (see Chapter 2), the CSOCA reports that Croatian citizens returning from abroad accounted for 16% all immigrants in 2023, with the largest share coming from Germany. Diaspora members mainly return for family reasons, for example to care for elderly family members.

A large part of Croatia's diaspora results from recent waves of emigration, notably to other EU countries, and would require little integration support in case of a desired return to Croatia. By contrast, potential return migrants from the diaspora overseas still encounter different obstacles to return and (re)integrate, some of which are similar to those faced by immigrants more broadly. Integration needs vary depending on the origin country of potential returnees. For example, the language barrier is a significant challenge for many diaspora members born in Latin American countries, particularly in navigating initial administrative procedures and accessing basic services such as healthcare. This group also faces challenges in transferring their social security rights and benefits. Administrative hurdles, which represent a challenge also for emigrants in EU countries, hinder access to support programmes. Take-up of initiatives such as the "I Choose Croatia" programme is therefore low.<sup>4</sup> For return emigrants who do not have a family home in Croatia, high housing costs are often a deterrent factor.

There is potential for Croatia to further improve on its well-developed diaspora outreach and integration policies along several dimensions:

- *Reaching out to and attracting potential return migrants.* Croatia could strengthen the accessibility to counselling services for Croats abroad and implement tailored outreach strategies towards specific groups within the diaspora, such as investors or business communities. Additional incentives could encourage recent emigrants in EU countries to return to Croatia.

- *Efficiently administering return requests and ensuring access to integration programmes and subsidies.* This could imply reducing administrative burdens and simplifying application processes. A further digitalisation of operational services used by the CSOCA's Welcome Office could strengthen access to existing programmes and services. The recent launch of an e-Citizen platform, well-received by the diaspora, is a positive step that Croatia could build on.
- *Expanding and improving integration or reintegration services.* Ensuring diaspora members from non-EU countries have access to social services and rights is key for their successful integration. Croatia is working on expanding treaties to avoid double taxation, as the one signed with the United States in 2022. Bilateral agreements with emigrants' main countries of residence can facilitate the recognition of foreign qualifications.
- *Improving data collection on emigration and the diaspora to better target policies and initiatives.* Mapping Croatia's heterogeneous diaspora is crucial to adapt and target outreach policies and strategies.

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## Notes

<sup>1</sup> Since 2021, the shortage occupations list has been expanded four times.

<sup>2</sup> An EU Blue Card gives highly qualified workers from outside the EU the right to live and work in an EU country, provided they have higher professional qualifications, such as a university degree, and an employment contract or a binding job offer for at least one year with a high salary compared to the average in the EU country where the job is.

<sup>3</sup> The emigration rate to OECD countries for Croatian tertiary-educated individuals is estimated at 17% as of 2020, surpassing that of any OECD country. It is defined as the ratio between the number of emigrants from a specific country living in OECD countries and the total sum of the resident population of this country and the emigrants from this country living in OECD countries. These estimates are based on the 2015/16 Database on Immigrants in OECD Countries, 2020 United Nations data, the EU Labour Force Survey, and Census data.

<sup>4</sup> By July 2023, 216 requests for participation in the *I Choose Croatia* programme had been approved.

# 5

## Adequate and accessible social support for vulnerable groups in Croatia

Social policies have a central role to play in addressing some of Croatia's key challenges as described in Chapter 2. Adequate and accessible social support – both in cash and in kind – are needed to ensure decent living standards for the most vulnerable groups in society, include seniors and those living in rural areas. Social services have a key role to play in boosting employment by reducing the burden of unpaid work, notably on women. A policy priority for Croatia must also be to further promote the social-economic inclusion and well-being of disadvantaged groups and minorities, and to fight discrimination.

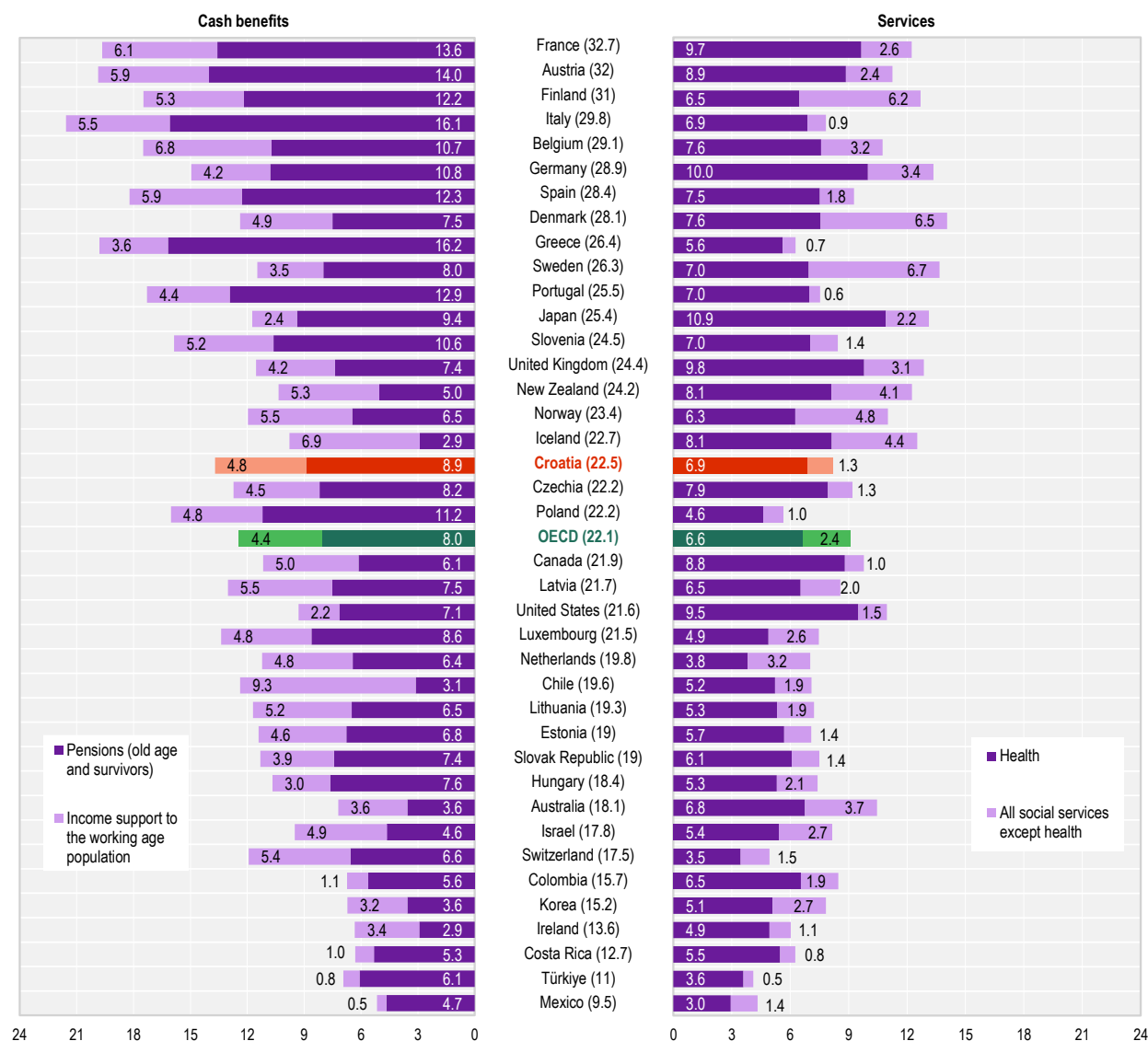
### 5.1. Addressing the low coverage and adequacy of support for jobseekers and vulnerable households

Public social expenditures in Croatia are comparable to those in OECD countries. In 2021, Croatia spent about 22.5% of its GDP on cash benefits and social and health services (Figure 5.1). This is slightly above the OECD average of 22.1%, well above the share spent in neighbouring Hungary (18.4%) and below the share spent by Slovenia (24.5%). Croatia dedicates a relatively high share of its GDP to pensions (8.9%, compared to an OECD average of 8%), as do several Central European OECD countries, such as Czechia, Poland and Slovenia. Spending on income support for the working-age population is also relatively high. Meanwhile, Croatia spends less on health and social services than OECD countries do on average.

Comparatively high expenditures on working-age income support in Croatia reflect primarily large spending on incapacity benefits. This is illustrated in Figure 5.2, which shows a breakdown of working-age income support in Croatia over time, comparing it to spending in a selection of OECD countries. In the years before the COVID-19 crisis, spending on incapacity benefits alone accounted for nearly 3% of GDP, making up around 60% of overall spending on working-age income support in Croatia. This is nearly twice the share spent in peer OECD countries. This high expenditure share reflects high numbers of people receiving disability pensions, which however have already declined by around 55% since their peak in 2010. War veterans, notably from Croatia's War of Independence, have favourable qualifying conditions for disability pensions and are a large recipient group. By contrast, spending on unemployment benefits has been low and remarkably stable during the years of the labour market recovery, partly because only a small share of jobseekers in Croatia receive such benefits. Spending on minimum-income benefits, including Croatia's Guaranteed Minimum Benefit, is also very low, at only about 0.2% of GDP (0.5% in the OECD on average). In 2020, the first year of the COVID-19 crisis, spending across all four benefit categories increased, from 4.6% to 5.5% of GDP in total. However, this reflects in part the hefty 8.5% drop in Croatia's GDP during that year.

**Figure 5.1. Public social spending in Croatia is slightly above the OECD average**

Public social expenditure by broad social policy area, in percentage of GDP, in 2021



Note: Countries are ranked by descending order of public social expenditure as a percentage of GDP. Spending on Active Labour Market Programmes (ALMPs) are not shown because they cannot be split into cash and services; however, it is included in the level of total public spending shown in brackets. Income support to the working-age population refers to spending on the following SOCX cash categories: incapacity benefits, family cash benefits, unemployment and other social policy areas categories. For information on methodology and the underlying social expenditure programme data, see the SOCX manual.

Source: OECD (2025), *Social expenditure aggregates* (dataset), <https://data-explorer.oecd.org/s/351> (accessed 30 August 2025).

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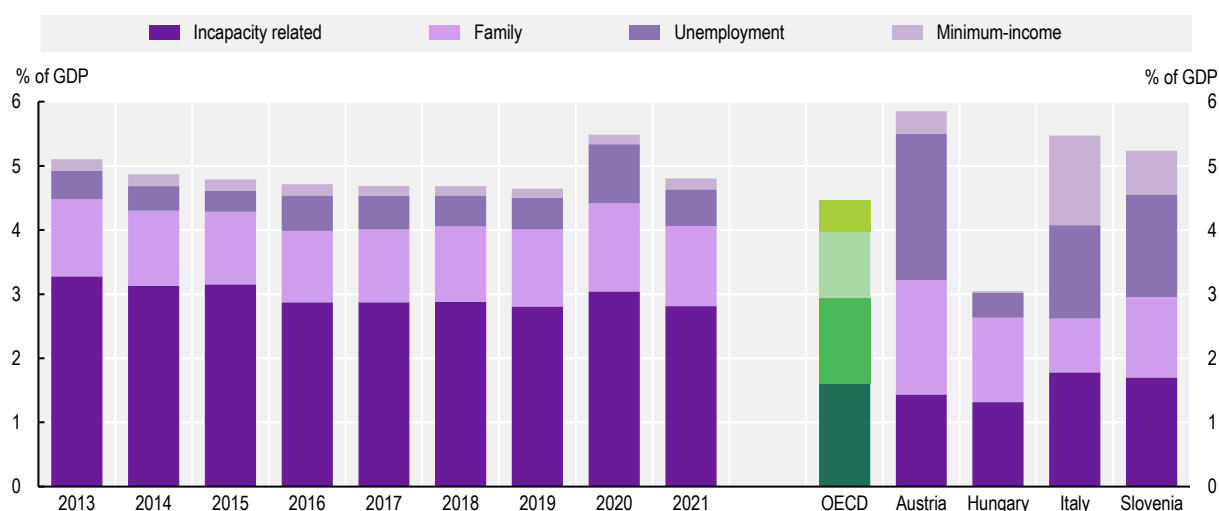
One implication of this benefit structure is that the Croatian redistributive system is not very effective at supporting the most vulnerable households. According to data from the OECD Income Distribution Database (OECD, 2025<sup>[11]</sup>), working-age people in the top and in the bottom quintiles of the income distribution receive virtually the same shares of total cash transfers, around 21% in 2022. While Croatia is not an outlier relative to OECD countries in this respect, OECD countries with more comprehensive means-tested benefits pay upwards of 30%, in some cases even over 40%, of working-age cash benefits

to those in the lowest income quintile. Overall, taxes and transfers in Croatia roughly cut in half the share of people living in poverty, compared to an effect of two-thirds across OECD countries on average.

By contrast, the overall redistributive capacity of the tax and benefit system in Croatia, measured by the difference in the Gini Index before and after taxes and transfers, is in line with the OECD average. This implies that Croatia's moderate inequality in disposable household incomes (see Chapter 2) mainly reflects moderate inequality in *market incomes*, which is broadly in line with the levels observed in Czechia, Poland and Slovenia, but also Denmark.

### Figure 5.2. Spending on working-age benefits is comparatively high in Croatia, reflecting particularly high spending on incapacity benefits

Cash social spending by policy branch as a percentage of GDP, Croatia (2013-2021) and selected OECD countries (2021)



Note: Expenditures in the categories “unemployment” and “minimum-income” are primarily for unemployment benefits and the Guaranteed Minimum Benefit, respectively. “Incapacity” includes spending on various disability pensions and paid sick leave. “Family” includes maternity / paternity and parental-leave benefits, as well as other family allowances including child benefits.

Source: OECD (2025), *Social expenditure aggregates* (dataset), <https://data-explorer.oecd.org/s/351> (accessed 30 August 2025).

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#### 5.1.1. Few jobseekers in Croatia are covered by unemployment benefits, and payment levels substantially drop after three months of benefit receipt

Workers in Croatia who lose their job are protected against income losses through a single-tier unemployment benefit, which is characterised by comparatively high – but rapidly declining – payment levels. In the initial months of an unemployment spell, a jobseeker with a long work history and previous earnings at the average wage is entitled to about 70% of their previous net income in benefits (Figure 5.3, Panel A). This is “net replacement rate” is relatively high in OECD comparison: across OECD countries in 2024, the net replacement rate in the second month of a benefit spell averaged 59% including potential top-ups. Only in six OECD countries do benefit recipients receive a greater share of their previous income in benefits than in Croatia early in their benefit spell. However, jobseekers in Croatia who remain on benefits for longer need to get by on much lower incomes, as the payment rate drops by nearly half after three months of benefit receipt. The resulting net replacement rate for longer spells is rather low compared to many OECD countries: in the seventh month of a benefit spell, for example, the same jobseeker would

only receive 35% of their previous income in benefits, compared to 50% across OECD countries on average. This strong degressivity in unemployment benefits, and the consequently low benefit levels for jobseekers with longer spells, is an element that Croatia shares with several Central and Eastern European OECD countries, including Czechia, Hungary and the Slovak Republic.

**Figure 5.3. Unemployment benefit payments quickly decline over the benefit spell, and benefit coverage is low**



Note: Panel A.: Net replacement rates give the share of previous net income replaced by unemployment benefits and top-ups for a single person with previous earnings at the average wage in the 2nd and 7th month of registered unemployment. Calculations are for a 40-year-old single person without children who has been continuously employed since the age of 18 in full-time employment. Panel B: The number of unemployed corresponds to the annual average of individuals considered as unemployed according to the ILO definition. The Pseudo-coverage rate gives the number of benefit recipients as a percentage of unemployed.

Source: OECD (2025), *Net replacement rates in unemployment* (dataset), <https://data-explorer.oecd.org/s/352> (accessed 15 August 2025) (Panel A) and OECD (2025), *Social Benefit Recipients* (database), [OECD Social Benefit Recipients Database | OECD](https://data-explorer.oecd.org/s/352) (accessed 10 August 2025) (Panel B).

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A key policy challenge for Croatia is that only a small share of jobseekers receive unemployment benefits. In 2022, the number of unemployment benefit recipients relative to all ILO unemployed, the so-called “pseudo-coverage rate”, equalled about 23%, up from a low of 16% in 2015 (Figure 5.3, Panel B). Even at

the peak of the labour market crisis in 2013/14, when over 300 000 people in Croatia were looking for a job, only about one-in-five of them received unemployment benefits. Earlier OECD work has shown that unemployment benefit coverage in Croatia is lower than in most OECD countries (OECD, 2018<sup>[2]</sup>). This reflects a combination of comparatively short maximum benefit durations;<sup>1</sup> a large share of jobseekers who are young or have short previous employment spells and therefore lack the employment record to qualify for unemployment benefits, and long-term unemployed who have exhausted their entitlements; and the absence of a second-tier unemployment assistance benefit scheme as it exists in many OECD countries. Moreover, activity-related eligibility criteria for unemployment benefits receipt are stricter in Croatia than in most OECD countries (Immervoll et al., 2022<sup>[3]</sup>).

Croatia started addressing some of these issues through a recent amendment to the Labour Market Act. This legislative change slightly increased in the benefit replacement rate for jobseekers in the 91st to the 180th day of a benefit spell (i.e. approximately in the 4th to the 7th month) from 30% to 35% of previous earnings. For young people below the age of 30, the minimum employment requirement to qualify for benefits was shortened from the standard nine to six months – a step well suited to improve coverage among NEETs with some recent work experience.

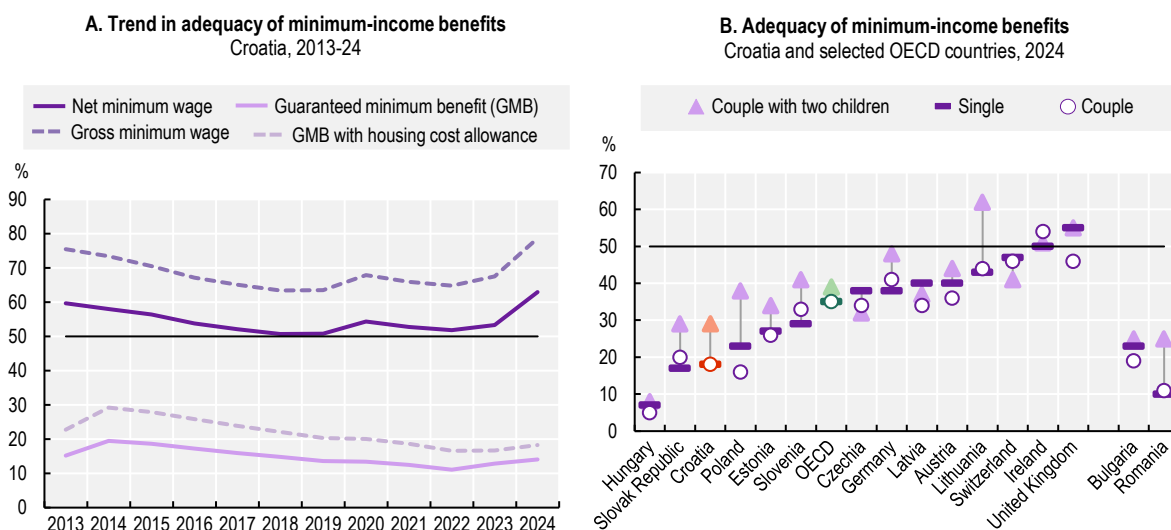
### ***5.1.2. Croatia's minimum-income support system is fragmented, and benefit adequacy is very low***

Low-income households in Croatia who struggle to make ends meet from own resources may be entitled to support from different national and local minimum-income schemes. However, these schemes often do not effectively prevent poverty for the most vulnerable, because the support they provide is inadequate and because the different schemes are insufficiently integrated and lack predictability and consistency across localities. Croatia's primary tool for providing support to vulnerable households is the Guaranteed Minimum Benefit (GMB), an income- and asset-tested cash benefit administered by the recently established Croatian Institute for Social Work (CISW). Croatia registered around 44 000 recipients of GMB in December 2024, 60% less than the recipient number in 2013. Households who receive the GMB are also entitled to a monthly housing cost allowance as a top-up, for which Croatia's 556 towns and municipalities can freely set the payment rate above a national minimum of 30% of the GMB. However, even though GMB receipt is a prerequisite for entitlement to the housing cost allowance and both schemes are foreseen in the Social Welfare Act, an integrated information system is lacking and the CISW only receives aggregate statistics on the payment of housing allowance. Independently of the GMB, the towns and municipalities additionally pay a large number of different benefits to needy households in cash or in kind, often on an ad hoc basis and without systematic asset testing. And even though the GMB is available also to seniors, Croatia introduced in 2021 the new National Benefit for the Elderly, administered by the Pension Insurance Institute, with payment rates similar to those of the GMB (see Section 5.3).

The payment levels of these minimum-income benefits are much too low to effectively prevent poverty, and lower than in most OECD countries. After its introduction in 2014, the level of GMB payments continuously declined relative to the median household income, and hence the relative poverty line, until 2023, when the base amount was raised by 25% in a context of rising living costs (Figure 5.4, Panel A). For a single working-age adult with full work capacity, GMB and the housing cost allowance provide a combined income of less than 20% of the median equivalised household income, i.e. not even half of the amount needed to reach the poverty line.<sup>2</sup> Payments are a bit higher for households with dependent family members, notably since Croatia raised the benefit rates for children, adults without work capacity and seniors in 2023. Still, even for these households, payment rates remain much below the amount needed to reach the poverty line. For example, the net income for a couple with two children corresponds to 29% of the median equivalised household income (Figure 5.4, Panel B).

## Figure 5.4. Minimum-income benefits are too low to prevent poverty

Net income from minimum-income benefits as a percentage of the median equivalised household income, Croatia and selected OECD countries



Note: The dashed horizontal line in both panels indicates the relative poverty line of 50% of the equivalised median household income.

In Panel A, results are for a single adult without children. In Panel B, results are for a single adult without children, a jobless couple without children and a jobless couple with two children aged 4 and 6. The family is assumed to meet the requirements for social assistance and cash housing supplements.

Source: OECD (2025), tax-benefit model, version 2.7.1 (<http://oe.cd/TaxBEN>).

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The low level of GMB payments reflects first and foremost the low level of resources allocated to minimum-income support in Croatia (see Figure 5.2), rather than concerns about a possible lack of work incentives for employable GMB recipients. GMB recipients with full or partial work capacity have to register with the CES to qualify for benefits, where they face activity requirements and receive employment support, including through the Job+ programme (see Chapter 3). Indeed, the CES and the CISW seem to collaborate quite closely in activating and supporting employable GMB recipients. Moreover, the widening gap between GMB payments and the net minimum wage implies that, unlike in some OECD countries, taking up work pays off financially even for recipients in large households. GMB recipients who start working are also permitted to keep 50% of their benefits for three months. A concern is rather that low GMB payment levels may induce benefit recipients to supplement benefit payments with informal income from other sources, including undeclared work, rental income or the sale of agricultural produce.

Croatia initiated, in 2021, a major reform process of its social benefit system with the aim of increasing the coverage, targeting and adequacy of income support for the most vulnerable, simplifying and accelerating administrative procedures, and increasing transparency and accountability. One key element of this reform has been the merger of different minimum-income benefits and allowances for people with disabilities into a single, indexed benefit. The first phases of this process have been implemented with the adoption of the new Social Welfare Act in 2022, which established the CISW, raised GMB payment rates, and merged several energy- and housing-related benefits. In 2024, the Inclusive Supplement Act consolidated four different allowances for people with disability into a single new benefit, the Inclusive Allowance. An amendment to the Social Welfare Act, which entered into force in April 2025, increased the payment rates of different social benefits, including the GMB.

### 5.1.3. Various policy initiatives aim at building institutional capacity for a coherent provision of key social services

Besides low coverage and adequacy of income support benefits, a major challenge for the support of vulnerable groups in Croatia is the patchy provision of social services. Particularly rural and remote localities struggle to organise an adequate provision of social support and care for the older people and those with disabilities, at-risk families, children and young people, disadvantaged minorities (see Box 5.1) and other vulnerable groups. This reflects a lack of financial resources, a shortage of local providers and care professionals as well as insufficient public capacity.

#### Box 5.1. Croatia works actively to promote the socio-economic inclusion of national minorities, especially its Roma community

Croatia is taking active steps to ensure successful socio-economic inclusion of national and ethnic minorities in Croatia (see Chapter 2). In the *Sabor*, Croatia's Parliament, eight elected Members of Parliament represent the Albanian, Czech, Hungarian, Italian, Roma, Serb, Slovak national minorities at the national level, and their rights are protected by the Constitutional Law on National Minorities. Through its Operational Programmes of National Minorities 2017-2020 and 2021-2024, Croatia has been providing funds for activities of umbrella associations of national minorities, and the annual state funding allocated to these associations has increased over tenfold between 2017 and 2022, to about EUR 33 million.

To address the specific challenges of Croatia's Roma minority, comprising approximately 24 000 people and representing over 0.5% of the population, various initiatives to support Roma communities are carried out under the National Strategy for Roma Inclusion 2021-2027. The Office for Human Rights and the Rights of National Minorities carried out a large-scale project to map the size of the Roma population in Croatia and analyse their socio-economic outcomes, with the aim of further improving policies for Roma inclusion. A similar survey will be carried out in 2026 to inform the following strategic framework for Roma inclusion. The government has been considering developing similar initiatives also targeted towards the other main national minorities, particularly those living in Croatia's less developed regions.

Roma civil society organisations have been developing various projects to promote the inclusion and well-being of Croatia's Roma communities in co-operation with the government. The Croatian Romani Union *Kali Sara* (<https://kalisara.hr/>) organises educational and cultural activities for Roma and non-Roma children to foster links between communities and combat negative stereotypes against Roma people. *Kali Sara* also invests in larger-scale infrastructure projects, such as building roads, street lighting and sewage systems that benefit Roma communities, especially in the Međimurje county in the north, which is home to a relatively large Roma population. A challenge for implementing these projects has been that they require the buy-in and collaboration of local authorities, which at times is difficult to secure.

Supported by EU funding, Croatia has been launching a number of different initiatives to improve social service provision. A cornerstone of these efforts has been the reorganised the social welfare system through the 2022 Social Welfare Act, which introduced a new social mentoring service. Through this service, 253 professional mentors provide intensive support to highly disadvantaged groups, including long-term unemployed jobseekers, GMB recipients, people with disabilities, and at-risk young people, with the aim of activating them and supporting them with their social and labour market integration. The Make-a-Wish public-works programme, through which the CES supports the employment of unemployed women who are above 50 years or hard to place, has had a very positive impact on the provision of care

services in many localities (see next subsection). A recent project carried out jointly with the World Bank established methodological foundations for mapping poverty and social exclusion at regional and local level using various sources of administrative data with the aim of improving the targeting of social support.

## 5.2. Tackling gender inequalities

Croatia has been making progress in reducing gender inequalities, but there is more work to be done. Women and girls in Croatia do well in education at all levels, with tertiary enrolment rates of women clearly surpassing those of men (Morrica et al., 2019<sup>[4]</sup>). Nonetheless, women in Croatia lag men in both employment rates and earnings, even if these gender gaps are narrower than in many OECD countries (see Chapter 2). Differences in job quality remain a concern, including the greater share of employed women working on temporary contracts, and notably very short contracts. And while the gender pensions gap is lower than in the EU on average, particularly single older women face a very high poverty risk in Croatia. The European Institute for Gender Equality ranks Croatia towards the bottom among EU countries in their index of gender equality, with room to improve particularly the equality in access to decision making positions and gender equality in time use. However, the institute has also been observing a gradual convergence towards the EU average, with scores having risen over the last decade along various dimensions (EIGE, 2024<sup>[5]</sup>).

### 5.2.1. *The shortage of formal care services causes a large unpaid-care burden, borne primarily by women*

The high burden from unpaid work for many women is a major source of gender inequalities in Croatia. While the gender gap in paid work is relatively low in Croatia, women in Croatia spend nearly 20 more hours per week on *unpaid* work than men – the highest value across European countries ahead of Italy and Austria (Eurofound, 2022<sup>[6]</sup>). Consequently, Croatia has the largest gender gap in total hours worked (counting both paid and unpaid) of all European countries.

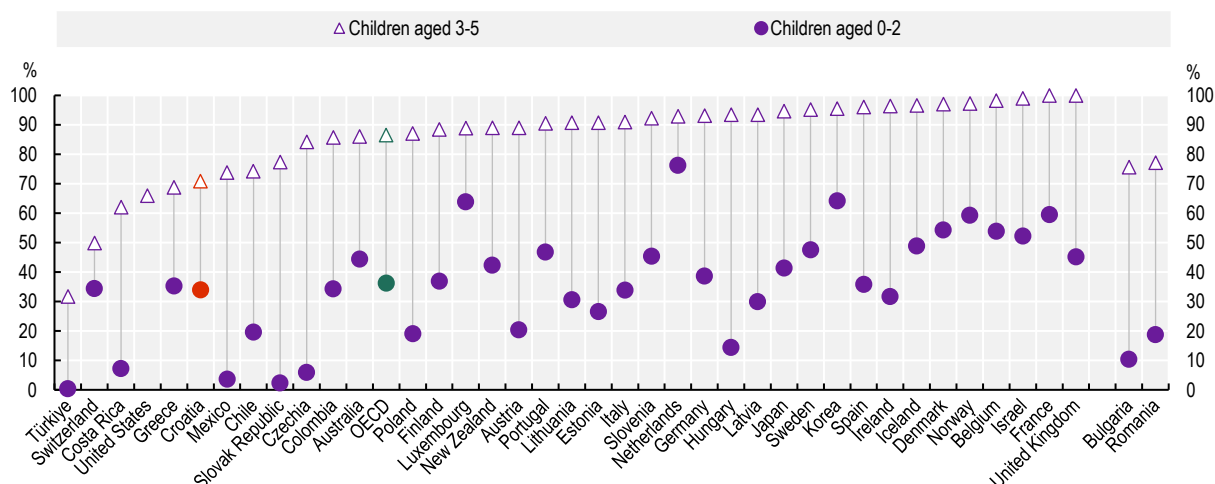
The low availability of formal care services is one main reason for this. Early childhood education and care (ECEC) services in Croatia suffer from insufficient capacity, both in infrastructure (number of facilities and places) and staffing. As a result, participation in ECEC is low compared to most OECD countries (Figure 5.5): only about 71% of 3-5 year-olds are enrolled, a lower share than in all but a few OECD countries (OECD average of 87%). Participation rates for the youngest are close to the OECD average, at 34% vs. 36% among below-3-year-olds. Croatia has been increasing the capacity of childcare institutions with the target of raising the participation rate of above-3-year-olds to 90% by 2026, and further to 96% by 2030 (OECD, 2025<sup>[7]</sup>). The long-term care (LTC) system in Croatia is also strongly underdeveloped, with most care being provided informally by families and relatives (for a more detailed discussion, see the Croatia's Accession Review prepared for the OECD Health Committee (OECD, forthcoming<sup>[8]</sup>)). While an estimated one-in-three seniors in Croatia has LTC needs, only around 3% are cared for outside the family in organised forms of residential care or in community care. Of households in need of long-term care in 2016, 34% were not using professional homecare services for financial reasons, and 11% because services were not available (European Commission, 2021<sup>[9]</sup>; OECD, 2023<sup>[10]</sup>). For both ECEC and LTC, geographic inequalities in the availability of services are large, and access much lower in rural and less developed parts of the country.

The resulting care burden is mainly picked up by women: more than one-in-four (27%) women between the ages of 25-64 who were inactive but wanting to work in 2023 did not do so because they were caring for children or adults with disabilities (EU average of 22%; Eurostat (2025<sup>[11]</sup>)). This also reflects gender norms in Croatia, which however appear to have been changing: In a 2024 Eurobarometer survey (European Commission, 2024<sup>[12]</sup>), nearly half (45%) of Croatian respondents agreed with the statement that the most important role of a woman is to take care of her home and family, more than across

EU countries on average (38%), but a substantial 15 p.p. less than still in 2017. Equally nearly half (48%) of respondents agreed that the most important role of a man is to earn money (EU average of 42%), a decline of 7 p.p. relative to 2017.

**Figure 5.5. Few young children participate in formal early childhood education and care**

Share of children enrolled in early childhood education and care services or primary education by age, 2021



Note: Early childhood education and care services (ISCED level 0 and other registered services) or primary education (ISCED 2011 Level 1). For 0-2 year-olds, data refer to 2018 (Chile, the United Kingdom) and 2019 (Japan). For 3-5 year-olds, data refer to 2018 (United States) and 2019 (Belgium, Greece). OECD is an unweighted average (excludes Canada where no data are available).

Source: OECD (2025), *OECD Family Database*, indicator PF3.2 Enrolment in childcare and pre-school. ([www.oecd.org/els/family/database.htm](https://www.oecd.org/els/family/database.htm)) (accessed 15 September 2025).

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### 5.2.2. Croatia reserves two months of paid parental leave for fathers, but take-up is very low

Paid leave entitlements for parents in case of childbirth are broadly in line with those in many OECD countries (OECD, 2022<sup>[13]</sup>), and part of these entitlements are reserved specifically for fathers:

- **Paid maternity leave:** Mothers are entitled to a total of 30 weeks of maternity leave, from 28 days before the expected date of birth up until the child reaches the age of six months. Out of this period, 14 weeks (including the four weeks before childbirth) are compulsory; the remaining 16 weeks are optional and can be (partly) transferred to the father. During their maternity leave, mothers receive 100% of their previous salary.<sup>3</sup> Compared to OECD countries, paid maternity leave in Croatia is relatively long (OECD average of 18.5 weeks in 2022); only about half of OECD countries compensate 100% of the mother's salary during the maternity leave.
- **Paid paternity leave:** In 2022, Croatia introduced ten days of paternity leave, compensated at 100% of the net salary, in line with the requirements of the 2019 EU Directive on Work-Life Balance for Parents and Carers. The entitlement was increased to 20 working days in 2025.
- **Paid parental leave:** Parents are entitled to parental leave for six months (26 weeks), plus an additional two months (8.7 weeks) reserved for the second parent, typically the father.<sup>4</sup> Paid parental leave can be taken once a child reaches the age of six months up to the child's eighth birthday. During this period, parents receive a compensation corresponding to their full salary, with a benefit floor and ceiling of around EUR 500 and EUR 3 000. Compared to

OECD countries, paid parental leave in Croatia is relative short for mothers (OECD average of 32.3 weeks in 2022), and in line with the OECD average for fathers (OECD average of 8.1 weeks in 2022).

Since paid leave for parents in Croatia is linked to the compulsory health insurance, coverage is broad: besides employed and self-employed people, also unemployed and inactive parents, including students and retirees, are entitled to paid leave benefits if they have been resident in Croatia for at least five years.

Even though two months of paid parental leave are reserved exclusively for the second partner, take-up among fathers remains low. In 2024, fathers accounted for only 3.8% of all beneficiaries of parental leave payments. In a Eurobarometer survey on the work-life balance, which however dates back to 2018, Croatia has one of the largest gender gaps in respondents' intention to take parental leave (European Commission, 2018<sup>[14]</sup>). At that time, 58% of respondents (and more women than men) named a greater financial compensation as the main factor that could encourage more fathers to take parental leave; however, those financial motives may have somewhat lost importance in the meantime given that Croatia significantly increased the payment ceilings since.

### ***5.2.3. The Make-a-Wish programme is bringing social care services into underserved localities while boosting female employment***

An effective and innovative solution for bringing basic home care services into underserved rural communities in Croatia has been the Make-a-Wish (*Zaželi*) programme, funded since 2017 under the ESF/ESF+. This public-works programme provides funding to local and regional authorities and NGOs to employ jobless women with no more than upper-secondary education for the provision of care services to the local population of seniors and infirm. To be eligible for participation, women must be registered as unemployed with the CES; priority is given to women in the local community who are vulnerable or hard to employ. Programme participants, who are selected with the support of the Social Welfare Centres, receive a full-time contract at the minimum wage for the duration of the programme and can receive formal vocational training.<sup>5</sup>

While the main aim of the programme had initially just been to promote employment among unemployed women with lower levels of education and employability, Make-a-Wish has been making a substantial contribution to delivering care services and supporting the independent living of vulnerable seniors. This is true particularly in a context where shortages of care professionals, in part due to high emigration, have been one of the obstacles for expanding the provision of care services particularly in rural areas. Demand for participation in the programme is high, with long waiting lists, and many of the participants are anchored in their local communities. In that sense, the programme may provide a template for how Croatia could expand care services in less developed regions. Make-a-Wish was extended by a further four years up to 2027, with an earmarked ESF+ allocation of EUR 210 million, though with a modified programme design and target group.<sup>6</sup> Eventually, Croatia will need to dedicate additional financial means from national sources to sustainably fund the provision of long-term care services.

### ***5.2.4. Croatia has been taking important steps to prevent and combat violence against women***

Croatia ratified, in 2018, the Council of Europe Convention on preventing and combating violence against women and domestic violence (the “Istanbul Convention”) and has recently undergone a first comprehensive assessment of its implementation of this Convention (Council of Europe, 2023<sup>[15]</sup>). In this evaluation, an independent monitoring body, the Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO), highlighted “the many Croatian initiatives, past and present, taken to prevent and combat violence against women”. It positively acknowledged the adoption of key policy documents, such as the National Strategy for Protection against Domestic Violence (2017-2022),<sup>7</sup>

the National Plan for Gender Equality, and the National Plan for the Suppression of Sexual Violence and Sexual Harassment (both for the period up to 2027), praising “the authorities’ commitment to incorporate gender equality and the combating of violence against women into the national policy framework”. Croatia has established a minister-level National Team for Preventing and Combating Violence against Women and Domestic Violence, made up of the ministers responsible for family affairs and social welfare, police, health, education, administration, justice and foreign and European affairs, to co-ordinate policy at the highest level; inter-agency teams at the county-level, which include representatives of social welfare centres, healthcare institutions, the police and judicial bodies, county-level educational authorities and civil society representatives, co-ordinate policy implementation.

The GREVIO report positively acknowledges important recent legislative changes in Croatia, including the introduction of a consent-based definition of rape into the Criminal Code; amendments enacted in 2021 that criminalised image-based abuse and introduced the *ex officio* prosecution of sexual violence offences, which were previously prosecuted upon the request of the victim; and an expansion of the definition of domestic violence in the Domestic Violence Act to include intimate relationships between partners who do not share a residence or children (Council of Europe, 2023<sup>[15]</sup>). However, it points out that the legal framework in Croatia remains largely gender-neutral, which may affect service provision and prevention efforts. GREVIO also points to areas in which improvement is needed to reach higher levels of compliance with the requirements of the Istanbul Convention. This concerns, notably, the absence of comprehensive policies to address other forms of violence against women such as stalking, female genital mutilation, forced marriage, or forced sterilisation and forced abortion, an insufficient number of domestic-violence shelters, and the lack of systematic and mandatory training of professionals in the social welfare and healthcare systems.

The prevalence of violence against women remains difficult to assess, and available statistics may not be very reliable and are often not easily comparable across countries. At the EU level, a new survey on gender-based violence against women and other forms of inter-personal violence (EU-GBV) aims at assessing the prevalence of violence in order to address the requirements of the Istanbul Convention. In first results from this survey, 28% of ever-partnered women in Croatia report having experienced psychological, physical or sexual violence by an intimate partner; in about two-thirds of EU countries the rate is even higher than this (Eurostat, 2025<sup>[16]</sup>). In the same survey, over one-in-three (36%) women in Croatia report having experienced sexual harassment at work, a share that is somewhat higher than across EU countries on average (Eurostat, 2025<sup>[17]</sup>).<sup>8</sup> Drawing on Eurostat data based on administrative sources, the European Institute for Gender Equality calculated that the rate of female victims of intentional homicide in 2018 was the lowest in Croatia among 24 EU Member States and the United Kingdom, at 0.38 per 100 000 inhabitants (EIGE, 2021<sup>[18]</sup>). Croatia introduced femicide as a new criminal offence into its criminal code in 2024.

### 5.3. Ensuring pension adequacy and sustainability in a rapidly ageing society

Croatia operates a three-tier pension system, which consists of a pay-as-you-go public pension scheme, created in its current form through a comprehensive reform of Croatia’s previous public scheme in 1998, a mandatory and a voluntary private funded scheme, both introduced in 2002.<sup>9</sup> Croatia’s public pension scheme is broad in coverage, providing old-age, disability and survivors’ pensions to both employees and the self-employed, plus a few additional groups.

The current statutory retirement age in Croatia is broadly in line with the average across OECD countries. In 2025, the normal retirement age is 65 years for men (OECD average of 64.6 years in 2024; OECD (2025<sup>[19]</sup>)), and 63 years and nine months for women (OECD average of 63.8 years), with women’s retirement age currently increasing by three months each year to reach 65 years in 2030. A 15-year minimum-contribution period is required for people to qualify for an old-age pension. Workers with long

contribution records of at least 41 years can retire at age 60 without penalty.<sup>10</sup> Early retirement is permitted five years before the normal retirement age for workers who have contributed for at least 35 years. Deferred retirement is possible with an accrual bonus provided for a maximum of five years, i.e. up to the age of 70. The qualifying conditions for the public scheme also extend to the statutory individual scheme.

Croatia's public scheme is generally rather redistributive, which reflects notably a relatively generous minimum pension. This minimum pension is non-means-tested, with the payment level depending on a person's qualifying years. Its average payment equalled two-thirds (66.6%) of the average pension payment in August 2025. The share of minimum-pension beneficiaries has been rising over time, reaching 26.3% of all pensioners in August 2025. At the upper end, Croatia caps pensions at 3.8 times the pension for average earnings, while contributions are paid up on earnings up to six times average earnings. This implies in principle that high-income earners disproportionately contribute to the system, though only very few people reach the maximum pension. Croatia has a larger number of special regimes, which permit people with a special societal or professional status to receive pensions at more favourable conditions. Over 15% of all pensioners benefit of such rules, the most important group being that of war veterans.

Croatia carried out a major reform of the pension system in 2018, which took effect in January 2019 but parts of which were taken back under major public pressure only nine months later. The initial reform combined various components aimed at improving the system's financial sustainability, notably by extending people's working lives, and at increasing adequacy. Key elements included: an increase in the retirement age by two years, to 67 years, by 2033 for both women and men, and by one year, to 61, for workers with long qualifying periods; an increase by two years in the age permitting early retirement, to 62; higher penalties for early retirement and larger rewards for postponed retirement; a provision that permitted early retirees to combine pension receipt and part-time work; a six-month credit to mothers' contribution record for each child born or adopted; a more generous indexation rule for the public pension scheme; and changes to the rules of the statutory funded pension that gave younger cohorts the option, upon retirement, of giving up their entitlements to a pension from their individual account in exchange for corresponding credits in the public scheme, if this was more favourable. Following massive public protests and the collection by trade unions of nearly 750 000 signatures in favour of a referendum (in a country with a total population of around 4.5 million people), Croatia revoked the most controversial parts of the reform in October 2019, reversing the increases in the normal retirement age, the retirement age for workers with long qualifying periods, and the age threshold for early retirement.

In June 2025, Croatia adopted a new Pension Insurance Act that will raise average pensions while improving incentives to work for longer. The main changes include the introduction of an annual pension supplement tied to years of service, a more favourable pension adjustment formula, and allowing pensioners to work full-time while retaining 50% of their pension. The reform also raises the minimum pension, increases credited service for mothers for each child, and – from January 2026 – abolishes early retirement penalties for pensioners turning 70.

### **5.3.1. Pension adequacy is low because working lives are short**

Many people in Croatia experience a substantial drop in their disposable income upon retirement as the level of pensions is low (European Commission, 2024<sup>[20]</sup>). According to Eurostat data, the gross median pension income of 65-74 year-olds equalled only about 35% of gross median earnings from work of 55-64 year-olds in 2024.<sup>11</sup> This is the lowest Aggregate Replacement Ratios among EU countries, and much below the EU average of 60% (Eurostat, 2025<sup>[21]</sup>). Low pensions in Croatia result from generally short working lives (see Chapter 2), with Croatia's War of Independence, Croatia's deep recession following the global financial crisis, and relatively high rates of informality further suppressing contribution periods. Only a relatively small share of pensioners (19.6% in August 2025) receive a pension based on 40 or more qualifying years, though this figure has been rising; nearly 40% have less than 30 years of contributions. While women are overrepresented among pensioners with shorter qualifying periods, the

gender gap in pension payments is substantially lower in Croatia than in the EU on average, at 19.3% in 2024 (EU average of 24.5%). This mirrors Croatia's relatively narrow gender gap in employment rates and earnings, and the low incidence of part-time work (see again Chapter 2).

Croatia's funded private pension schemes have had little impact on adequacy so far, though this should start changing for the coming pensioner generations. When introducing its mandatory private scheme in 2002, Croatia made the scheme compulsory only for cohorts born in 1962 and after, i.e. those younger than 40 at the time, as well as for new labour market entrants. Older cohorts could voluntarily sign up (if they were between 40 and 50 years at the time) or did not have access (those older than 50 years). The first cohorts for whom the scheme was mandatory are therefore yet to reach the normal retirement age. Moreover, the returns on people's individual accounts have often been meagre, and indeed lower than the corresponding public pension entitlements would have been if contributors had only contributed to the public scheme. In October 2011, Croatia therefore gave people the option to opt out of the mandatory scheme at the time of pension take-up, and to transfer their entitlements over into the public scheme, if this was more favourable – an option that 99% of people have made use of. However, people's individual pension accounts should make a growing contribution to pension adequacy as the system matures and future cohorts of retirees will have had the chance to save for longer.

The future adequacy of the Croatian pension system under the rules in place up to the 2025 pension reform was in line with that in many OECD countries. According to simulations from the OECD pensions model, a person entering the labour market in 2022 at age 22, working at average earnings throughout their career, and retiring at the earliest possible age without penalty was entitled to a pension corresponding to 60% of their previous net earnings (see Figure 5.6). This net replacement rate was slightly below the OECD average (61% in 2022), but above those in many OECD countries including in the Baltics, Japan and Korea, and the Anglophone countries. Low-wage workers in Croatia received higher relative pensions, with the net replacement rate of a person having worked at 50% of average earnings reaching 79% (OECD average of 73%). For high-wage workers, the net replacement rate in Croatia was also higher than the OECD average (61% vs. 53%). The new Pension Insurance Act adopted in June 2025 should increase pension adequacy, including through the more favourable pension adjustment formula, the payment of the annual pension supplement, increases in the minimum pension, and the additional credited service to mothers for raising children.

To improve the incomes of vulnerable seniors without an old-age pension, Croatia introduced in 2021 the National Benefit for the Elderly, a non-contributory income-tested cash benefit administered by the Croatian Pension Insurance Institute. The benefit is available to those above the age of 65 years who lack the 15-year insurance period required for entitlement to an old-age pension, in many cases non-working spouses. However, the payment level of the national benefit for the elderly is much below the poverty threshold, at around EUR 155 per month from January 2025, and receiving the benefit disqualifies seniors from receiving the GMB and the related housing cost allowance. Unlike the GMB, the national benefit for the elderly is not asset-tested. Receipt numbers have been rising, to about 19 000 people in August 2025. Many local authorities in Croatia provide additional support for low-income seniors through local-level cash benefits and in-kind support.

**Figure 5.6. Theoretical net replacement rates in the Croatian pension system are close to the OECD average**

Pension net replacement rates as a share of previous earnings, 2022



Note: Net replacement rates give the theoretical future entitlements of a person entering the labour market in 2022 at age 22 and retiring at the earliest possible age without penalty. They assume that all legislated changes to the pension system have been implemented, and do not account for the recent high rates of inflation.

Source: OECD (2023<sup>[22]</sup>), "Table 4.4. Net pension replacement rates by earnings, in percentage", in *Pensions at a Glance 2023: OECD and G20 Indicators*, OECD Publishing, Paris, <https://doi.org/10.1787/678055dd-en>.

StatLink  <https://stat.link/x62vek>

### 5.3.2. Pension spending is lower than the EU average and forecast to decline

Public pension expenditures in Croatia are much in line with those in other European countries, and – up to the recent pension reform – were forecast to decline relative to GDP. According to the EU Ageing Report 2024 (European Commission, 2024<sup>[23]</sup>), total gross public pension expenditure in Croatia equalled 9.0% of GDP in 2022, 2.4 p.p. below the EU average of 11.4%. Expenditures were projected to continuously decline over the next decades to reach 8.8% of GDP by 2070. This decline reflects primarily a fall in the expenditures for disability pensions; current spending on disability pensions is high in Croatia, at 1.4% of GDP, reflecting the past ease of access and the large number of disabled war veterans who receive benefits at more favourable conditions. Expenditures on old-age and early pensions alone were projected to rise until 2033 before starting to decline (Croatian Pension Insurance Institute, 2023<sup>[24]</sup>). Those numbers imply that Croatia may have had indeed some room to increase the adequacy of its public old-age pension scheme, as it was done with the recent pension reform.

Nonetheless, Croatia's public pension system runs a major deficit, as the number of contributors to the system is very low. In August 2025, the public pension scheme counted about 1.45 employees for each pensioner, a dependency ratio of 69%, down from over 87% in 2014 (European Commission, 2024<sup>[20]</sup>). This reflects not so much demographics as such, but again primarily the high share of pensioners per employed person. As a consequence, even with pension contribution rates similar to other countries (15% + 5% into the mandatory private account), Croatia had to finance nearly half (41%) of its public pension expenditures from the state budget in 2024. Other contributing factors to the large pension deficit have been the large share of seniors in more favourable special regimes, and the channelling of pension contributions into the mandatory private scheme.

### 5.3.3. *There is scope to raise incentives for people to work longer*

The projected rise in the old-age dependency ratio for Croatia threatens the adequacy of public pensions in Croatia even as total public pension expenditures are projected to decline, because smaller cohorts of working-age people will have to fund the pensions of a growing number of seniors. For that reason, it is crucial that Croatia raise its low employment rates (see Chapter 2), including by enabling and encouraging people to work for longer. Croatia has taken various steps in this direction, notably by raising the statutory retirement age for women, expanding the group of pensioners who can work up to half of the normal working hours while receiving their full pension, and by increasing the bonus paid for deferred retirement. Moreover, many of the policy solutions that promise being effective at extending working lives in Croatia rather lie in the areas of labour market, social and skills policy. This includes better training and support for young people during the school-to-work transition; policies to boost female labour force participation, notably by reducing the burden of unpaid work; and measures to increase job quality such as to permit older workers to work for longer.

However, there remains some scope for Croatia to promote longer working lives through adjustments to its pension system. This includes notably further steps to discourage early retirement, which remains relatively attractive in international comparison, and to encourage deferred retirement. Moreover, by further reducing, or entirely lifting, the restrictions on combining receipt of old-age pensions and work, Croatia could raise the employment rates and incomes of seniors while reducing their incentives to engage in undeclared work. Croatia has taken recent steps in this direction through its 2025 pension reform, allowing pensioners to work full-time while retaining half of their pension.

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## Notes

<sup>1</sup> Workers must have been employed for at least nine out of the 24 months previous months to qualify for unemployment benefits after job loss. The maximum benefit duration is 90 days (i.e. approx. three months) for jobseekers with an employment record of up to two years, and then rises by 30 days for each previous year in employment, up to a maximum duration of 450 days (i.e. approximately 15 months) for those with a previous employment record of 25 years or longer. For jobseekers with an employment record of at least 32 years and at most five years remaining before reaching the statutory retirement age, the maximum benefit duration is unlimited.

<sup>2</sup> Those calculations only account for the rent component of the housing cost allowance and do not consider payments for the costs of utilities and heating.

<sup>3</sup> The optional component of maternity leave can be combined with part-time work at half of the regular working hours, in which case paid leave entitlements are extended up until the child reaches the age of nine months.

<sup>4</sup> For the parents of twins and those with three or more children parental leave is extended to 28+2 months, with the payment rate dropping to a little above EUR 550 per months after the sixth month of leave.

<sup>5</sup> The project duration was gradually shortened under the different implementation phases of the programme, from initially 30 months (with the employment of women lasting up to 24 months) in Phase I, launched in 2017, to 12 to 18 months (with employment of up to 12 months) in Phase II, launched in 2020, to now up to 8 months (employment up to 6 months) in Phase III, launched in 2022. Women can participate in training at any stage during the project implementation, but only in project phases I and II this training could be funded as part of the programme.

<sup>6</sup> Under the new design, Make a Wish finances the provision of support services for everyday life to persons over 65 years of age and adults with disabilities (as a new target group) to strengthen long-term care and prevent institutionalisation.

<sup>7</sup> A new National Plan for Protection from Violence against Women and Domestic Violence up to 2029 has been finalised and is due to be adopted before the end of 2025.

<sup>8</sup> Eurostat highlights that these “survey data might only be a close proxy to real prevalence as survey data depends on the willingness of the respondent to disclose any violence experienced”, pointing to the need to “take into account the extent to which violence is tolerated in the wider community” (Eurostat, 2025<sup>[25]</sup>).

<sup>9</sup> This section draws heavily on earlier descriptions and analysis of the Croatian pension system provided in the European Commission’s 2024 Pension Adequacy Report (European Commission, 2024<sup>[26]</sup>; 2024<sup>[20]</sup>).

its 2024 Ageing Report 2024 (European Commission, 2024<sup>[23]</sup>) and the complementary Croatian Country Fiche on public pensions (Croatian Pension Insurance Institute, 2023<sup>[24]</sup>), as well as the Croatian country profile of *OECD Pensions at a Glance* (OECD, 2025<sup>[19]</sup>).

<sup>10</sup> The option of retiring without penalty before the normal retirement age also exists for jobseekers who reach the early retirement age and who have been unemployed for at least two years following the bankruptcy of their employer. However, the number of such cases is very low.

<sup>11</sup> The figures in this paragraph are based on EU-SILC data, which implies that the statistics for 2024 refer to 2023 incomes.

# OECD Reviews of Labour Market and Social Policies: Croatia 2025

Croatia's economy and society have been marked by two major trends over the last decade: an impressive labour market recovery, and a mounting demographic challenge. After a long recession following the global financial crisis, unemployment has fallen to historic lows. At the same time, Croatia's population has been rapidly shrinking and ageing, trends that increasingly contribute to labour market tightening. High emigration, particularly of young and highly skilled people, has been a major driver of population decline. Given these demographic trends, Croatia's low employment rate is a major concern, and productivity and wage growth have been sluggish. While Croatia has made substantial progress in reducing material deprivation, poverty remains widespread among seniors, people in rural areas, and Roma people. Croatia has been taking steps to address these challenges, improving job quality, lifting minimum wages, and modernising its vocational education system and migration policy. Efforts are also underway to improve the accessibility and adequacy of social services and income support for vulnerable groups. This report provides an overview of the main labour market, social and migration challenges facing Croatia, as well as a comprehensive analysis of Croatia's policies and practices compared with good practices in OECD countries.



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