



WILCO

Welfare innovations
at the local level
in favour of cohesion



CITY REPORT: ZAGREB

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Cover picture: picture taken from <http://pogledaj.to>
Construction site from residential area Sopnica-Jelkovec, Zagreb. Picture from the beginning of construction of the residential area in which some apartments are intended for public rental housing program. The program is meeting the needs of young families with kids who are not eligible for social housing, they have higher income and, besides that, the social rental housing program is very residual. Also, they can't afford housing loans to buy appropriate housing unit.

Urbanisation patterns of socialist cities were different and in different ways specific in comparison to western cities (Bertaud 2004). During the socialist period the forces shaping the special structure of central eastern European cities were very different from their western counterparts. There are several challenges which are common to post-socialist cities and among them employment and keeping housing prices low can be seen as priorities in cases where, despite of a decrease in the population, there is a housing shortage resulting in a sharp increase in housing prices (Bertaud 2004).

The level of quality of life in post-socialist cities is considerably lower than in western cities, and according to the Lisbon benchmark cities from new member states are less competitive than cities in old EU member states (European Commission, 2009).

According to the analysis of Tsenkova (2008: 293) urban spatial change in post-socialist cities has several dimensions:

- New spaces of production/consumption reflecting globalisation and economic restructuring with hierarchy of cities;
- Social differentiation in residential spaces associated with growing inequalities and emergence of urban poverty; and
- Conflicts and selective urban development associated with the new models of governance and institutional transformation.

Urban restructuring in post-socialist cities is marked dominantly by de-industrialisation, increasing internationalisation of metropolitan areas and with the transition from industrial to service-oriented, information-based urban economics. Landscapes of some cities are dominated by abandoned complexes of industrial and administrative buildings. On the other hand, post-socialist cities have gained new landscapes of shopping malls and places for entertainment associated with the new urban culture of consumerism and rising purchasing power.

Rapid economic and social differentiations in post-socialist cities have resulted in an increase of unemployment, degradation of the standard of living, growing social problems and escalation of poverty. There are several trends, such as: a loss of skilled manual middle-income jobs, growth of highly skilled and well-paid professionals, and development of low-skilled and low-paid services, very often as a part of the informal sector. Social cost of transformation from the planned to the market economy has been very high. The at-risk groups are the long-term unemployed, large or one-parent families, people with low education and ethnic minorities. A reduction of social programmes and less money for social welfare contributed to income and social inequalities. A very high proportion of low-income homeownership, mostly in high-density prefabricated multifamily housing, is another characteristic of post-socialist cities.

Institutional changes are marked by decentralisation, giving more power and responsibilities to cities. Local governments are responsible, among other things, for all physical infrastructure and for the provision of urban social services. At the same time, their fiscal capacity is limited, which makes them very much dependent on politically dominated transfers from the state budget and on the privatisation of existing resources. Institutional changes are implemented without clear urban policies as a result of negotiation of different stakeholders, and are very much path-dependent.

A case study of the development in the Bratislava metropolitan area (Brzica 2008) gives empirical evidence as to the weakness of social cohesion and, at the same time, how highly prioritized competitiveness is. Groups facing social exclusion are the long-term unemployed (especially the young), handicapped persons, women on maternal leave, the Roma minority living in marginalised communities, immigrants, refugees, and the

homeless. For Brzica (2008: 252) the problem of combating social exclusion expose the negative aspect of the centralisation of public administration, where local authorities are under-equipped to meet their new responsibility of developing and implementing social inclusion strategies.

In the transitional countries capital cities become the champions of transitions, attracting investments, people and jobs (European Union 2009). According to J. Hegedus (2008) a huge gap opened up between capital cities (including the functional urban area around the capital city) and the other parts of transitional countries. In relation to that, regional differences have increased and become more visible in post-socialist development.

Europeanization of post-socialist cities means changing their policy paradigms and governance styles, mostly in the down-load perspective, in the cases of Budapest and Ljubljana (Tosics 2010; Pichler-Milanović 2010) is a very challenging and long lasting process.

1. TRANSFORMATIONS IN THE LABOUR MARKET - CITY OF ZAGREB

1.1. Socio-economic trends

The City of Zagreb is the capital, economic, administrative and cultural centre of Croatia. Also, it is the biggest city with a population of 792,825. The County of Zagreb, which is located around the city, has 317,624 people and it is estimated that the Zagreb metropolitan area is inhabited by 1.2 million people, which is more than a quarter of the population of the entire country. Zagreb accounts for almost one third of the GDP in Croatia.

Table 1 - GDP in the City of Zagreb and the Republic of Croatia in 2000-2008

GDP in billion €	2000	2001	2002	2003	2004	2005	2006	2007	2008
Croatia	23,146	25,538	28,112	30,011	32,759	35,724	39,102	42,833	47,370
Zagreb	6,632	7,537	8,205	8991	9927	11,138	12,208	13,176	14,622
Share of Zagreb-percent	28.7	29.5	29.2	30.0	30.3	31.2	31.2	30.8	30.9

Source: Human Potential Development Strategy of the City of Zagreb. Available at <http://www.zagreb.hr>

Table 2 - GDP per capita in the City of Zagreb and Croatia 2000-2008

GDP in €	2000	2001	2002	2003	2004	2005	2006	2007	2008
Croatia	5,229	5,752	6,331	6,759	7,379	8,042	8,807	9,656	10,682
Zagreb	8,532	9,674	10,529	11,527	12,701	14,216	15,567	16,766	18,554

Source: Human Potential Development Strategy of the City of Zagreb. Available at: <http://www.zagreb.hr>

An analysis over a long period of time confirms the existence of a relatively strong relationship between GDP growth and labour market conditions. Entrepreneurs of the City of Zagreb, with 318.5 billion HRK (42.63 billion €) achieved a majority share (53.3%) in total revenues and 52.6% (312.2 billion HRK, 41.78 billion €) of total expenditures of Croatian entrepreneurs in year 2010. In Croatia there are 59 legal entities registered per 1,000 inhabitants, of which 30 per 1,000 people are active. In the City of Zagreb there are

107 registered entities per 1,000 inhabitants, and 54 of them per 1,000 inhabitants are active.¹ The most important activities in Zagreb according to share in total income in 2010 are wholesale and retail trade (41 percent), manufacturing (13 percent), information and communication (8 percent), provision of electricity, gas, steam and air conditioning (8 percent) and construction (7 percent). Ranked first by the number of entrepreneurs is wholesale and retail with 31 percent share in number of businesses in the city, followed by professional, scientific and technical services (21 percent), construction (11 percent), manufacturing (9 percent) and information and communication technology (7 percent).² A crucial role in the economic development of the City of Zagreb is played by knowledge-based activities. Around 58,000 employees (15 percent of Zagreb's employed population) are registered in legal entities in knowledge-based service industries. The share employed persons in professional, scientific and technical services is 7.4 percent, while the share of Zagreb in Croatia in these sectors is 52.4 percent. The impact of recession has somewhat diminished the structure of Zagreb's economy. There has been a decline in total entrepreneurs income in the industry of 16.2 percent, with a decline in trade (9.9 percent), mining and quarrying (16.9 percent) as a direct result of falling demand and trade. Zagreb has a very high proportion of the gross added Croatian value in the trade sector (41.7 percent) in the financial sector (40.3 percent) and in the activities of public administration, education, health and related services (33.6 percent). In the last two years there has been a sharp decline in industrial production and in 2009 production decreased by 5.6 percent, or cumulatively more than 10% compared with the year 2007³

Table 3 - Unemployment in the City of Zagreb as of December 31

Year	2003	2004	2005	2006	2007	2008	2009
Total	39,573	39,447	39,841	35,761	28,124	26,184	34,112
Unemployment rate*(%)		9.7	10.0	9.2	7.8	6.2	6.3
Share of Men (%)	41.0	40.5	39.7	39.6	40.0	40.6	46.0
Share of Women (%)	59.0	59.5	60.3	60.4	60.0	59.4	54.0
Unemployed aged 15-29 (%)	35.1	33.1	33.2	33.0	28.4	27.3	30.7

Source: Annual statistical reports: City of Zagreb.

*As of 31 March, source: Zagreb city statistics.

Table 4 - Employment in the City of Zagreb as of March 31

Year	2003	2004	2005	2006	2007	2008	2009
Total	282,856	302,112	302,787	319,627	331,823	346,612	359,140
Share of Men (%)	51.4	52.3	52.0	52.2	52.1	52.0	51.9
Share of Women (%)	48.6	47.7	48.0	47.8	47.9	48.0	48.1
Employed aged 15-29(%)	20.4	20.5	20.1	20.6	20.9	21.2	20.9

Source: Annual statistical reports: City of Zagreb.

In late December 2010 in the City of Zagreb 39,990 persons were registered as unemployed, which is 17 percent more than in December 2009. Women represented 51.5 percent of the unemployed, which means a further decrease in the share of women in the unemployed population. The dynamics of growth of unemployment in Zagreb and the Zagreb County is greater than that at the national level, which has increased by 9.7

¹Strategija za razvoj ljudskih potencijala grada Zagreba. Available at: <http://www.zagreb.hr>

² Economic trends of the City of Zagreb and Zagreb County. Available at: <http://www.zg.hkg.hr/WritePerm/assets/pdf/files/gk44.pdf>

³Strategija za razvoj ljudskih potencijala grada Zagreba. Available at: <http://www.zagreb.hr>. Available at: <http://www.zagreb.hr>

percent in the last 12 months. Also, in Zagreb, the unemployment rate increased from 6.3 percent in March 2009 to 8.4 percent in the same period in 2010. In the City of Zagreb at the end of October 2010 most unemployed persons were persons with secondary school education (59.9 percent), persons aged 25-30 (15 percent) and 50-55 years (13.5 percent). Also Zagreb had a 12.5 percent share in the total number of the unemployed in Croatia in December of 2010. In 2007 and 2008 there was a decreasing trend in unemployment. However, unemployment begins to grow again in 2009 as a result of the global economic crisis. Zagreb's activity rate was 66.3 percent in 2001, 71.4 percent for men and 61.4 percent from women.⁴ In the period from 2005 to 2010 the average annual growth rate in employment in legal entities in Zagreb was 2.7 percent. The share of Zagreb in total employment in legal entities in Croatia was 29.3 percent in year 2005. In the period from 2005 to 2009, employment in the City of Zagreb grew at the average annual rate of 4.2 percent. Most employees were employed in trade (20 percent), followed by manufacturing (15 percent), real estate (12 percent), public administration and defence (9 percent) and construction (8 percent).⁵

In 2010 37,430 people from Zagreb were registered in unemployment records, and their number in 2010 and 2009 was higher than in the previous years. With regard to gender, in the period from 2008-2010, the proportion of newly registered women in the total number of newly registered persons was in decline - 56.2 percent in 2008, and 49.4 percent in 2010. In the period 2008- 2010, the share of employed women declined (from 61.1 percent in 2008 to 55.9 percent in 2010), while the share of temporary employment rose (in 2008 it totalled 71.1 percent, while in 2010 it was 84.7 percent).⁶

In developed parts of the country the female employment rate is close to that of men. Studies have shown that in recruitment procedures women are implicitly and explicitly discriminated and have an unequal position in the labour market (Galic and Nikodem 2009). The share of women in unemployment in Zagreb was relatively high, about 60 percent between 2003 and 2008, but in 2009 it decreased to 54.0 percent. The unemployment rate remains high in Croatia among young people aged 15-24 (24.1 per cent in 2009) and women (10.3 percent in 2009). Youth unemployment in Zagreb, in the age range 15-29, was very high - 35.1 percent in 2003 when it started to drop and reached a low of 27.3 percent in 2008, only to increase again to 30.7 percent in 2009. In 2010 it continued to grow and reached 31.2 percent.⁷ Part-time employment, as a flexible form of employment, in 2006 was significantly lower in Croatia (10.1 percent) than in the EU (18.1 percent). Short-term service contracts are much more common in Croatia than part-time ones and about 60 000 such contracts are concluded per month (Franičević 2008)⁸ According to the Franičević study (2011) many employers in adjusting their workforce situation first target at those who have temporary contracts. Temporary contracts are more prevalent in the 15-24 age groups than in other age groups for both genders. Nestić *et al.* (2010) pointed out that the structure of the contract reveals a relatively low degree of flexibility in the formal working relationships. In Croatia, permanent employment contracts are most common, representing 86 percent of all contracts in 2008. From 2003 to 2009 the share of permanent employment in Zagreb was between 88.1 to 89.4 percent without big fluctuations. The proportion of male employment in permanent employment figures was from 51.4 to 52.7 percent. Also, the share of men in temporary employment from 2003 to 2006 fluctuated about 52 percent. After that it dropped to 50.1 percent in 2007, to go below 50 percent in 2008 and 2009.

⁴ Draft proposal of Strategy for development city of Zagreb 2013-2020. Unpublished document.

⁵ Strategija za razvoj ljudskih potencijala grada Zagreba. Available HTTP: [http:// www.zagreb.hr](http://www.zagreb.hr).

⁶ Strategija za razvoj ljudskih potencijala grada Zagreba. Available HTTP: [http:// www.zagreb.hr](http://www.zagreb.hr).

⁷ Croatian Bureau of Statistics Zagreb.

⁸ Both the employed and the unemployed can enter into such contracts.

Regarding the structure of registered unemployed persons in the Republic of Croatia, one third were not seeking work, while 40 percent were working in a kind of informal economy. The gap between the unemployment rate according to a labour force survey (9.1) and the administrative unemployment rate (14.9 percent) in 2009 can be a good indicator of the labour market and informal economy. Informal self-employment is part of the informal economy, especially in the construction sector and service provision (Matković 2009). The size of the informal economy in Croatia was estimated at about 10 percent of GDP in the early 2000s (Ott 2003). The Croatian informal economy covers, as estimated by the EU, 16 percent of GDP. The dominant practice in the informal economy, mainly in small companies, is that only the minimum wage is reported, while the rest of the salary is paid out in cash. Unfortunately there are no detailed studies on the grey economy, especially one that would give relevant information on the volume of the grey economy in the City of Zagreb.

Recent evidence suggests that there are large losses in some sectors of employment. According to Franičević (2011: 146) job losses structure from December 2008 to December 2009 were as follows: manufacturing -10.9 per cent; trade -8.2 per cent; and construction -7.3 per cent. In terms of volume (March, 2011) job losses are highest in the following sectors: manufacture, trade, accommodation and food service, construction and agriculture. On average, in regions where the unemployment rate before the crisis was 10 percent, there was an increase of about 35 percent (World Bank 2010). The largest proportion of unemployment is in the cities and counties with the highest concentration of population (Botrić 2009). The crisis has done more damage to craftsmen and small entrepreneurs, while those employed in the public sector remain protected (Matković 2010), mainly due the power of trade unions in the public sector. A common way of adapting to the crisis is a reduction in the number of jobs, and consequently a reduction in labour costs. In the City of Zagreb, as a result of the economic crisis, there were significant changes in the labour market, characterized by a trend of rising unemployment, strengthening of structural unemployment, pervasive job loss, a low-mobility and insufficiently competitive workforce.

The standard of citizens in a particular region can be represented by average net salaries. According to FINA⁹ in 2009 the average yearly net salary in Zagreb was 19.6 per cent higher than the Croatian average.¹⁰ For the period January-December 2010 the average monthly net salary in Zagreb was HRK 6,291, (€842), which is nominally 1 percent more than in the same period of the previous year. It should be noted that in this period, net earnings were reduced by a special tax, until 30 June of 2010 for some employees, and for some employees until 31 October 2010 so that the amount that employees were receiving during this period was less than their usual net wages.

⁹Croatian Financial Agency.

¹⁰Strategija za razvoj ljudskih potencijala grada Zagreba. Available at: <http://www.zagreb.hr>.

Table 5 - Average net salary in Zagreb and Croatia in €

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Zagreb	537	562	608	643	677	717	762	809	834	842
Croatia	474	498	527	558	586	616	648	693	711	736*

Source: Statistics of the City of Zagreb; Croatian Bureau of Statistics; * In July 2011

The highest average net salaries in Zagreb in 2010 were paid in professional, scientific and technical activities (HRK 8,611, € 1,153) followed by financial and insurance activities (HRK 8,545, €1,144), mining and quarrying (HRK 7,939, €1,063), and information and communications (7,788 HRK, 1,043 €). The lowest salaries were paid in administrative support services (HRK 3,716, €497) and accommodation and activities of preparing and serving food (HRK 4,824, €646).¹¹ There is a significant difference between average net salaries of highly and low-skilled workers. In 2009 the average net salary for highly skilled workers was HRK 5973 €800 and for low-skilled workers was HRK 3,508, €470. The difference is more pronounced when observed by the level of education. In the same year those with a high level of education (university degree or higher) had an average salary of HRK 9,023, €1,208, and for those that had elementary school education the average salary was HRK 3,818 HRK, €511.^{12, 13}

In late December 2010, in the City of Zagreb, there were 5,879 registered unemployed persons waiting for a job for five or more years, which was 14.7 percent of the total number of registered unemployed persons, and their share had declined compared to December 2009.¹⁴ The share of the long-term unemployed¹⁵ in Zagreb's total unemployment varied between 58.5 and 63.7 percent in the period from 2003-2008 and dropped significantly in 2009 to 44.3 percent.

Table 6: Long-term unemployment in Zagreb as of December 31

Year	2003	2004	2005	2006	2007	2008	2009
Total	23,164	22,618	23,013	21,426	17,903	15,434	15,120
Share in total unemployment (%)	58.5	57.3	57.8	59.9	63.7	58.9	44.3

Source: CES, Zagreb office, Annual reports

1.2. Public regulation

The Croatian Employment Service (CES), under the supervision of the Ministry of Economy, Labour and Entrepreneurship, is responsible for implementing labour market policies. Administration of this system is highly centralized with a network of 22 regional offices (at the county level) and 95 branch offices, among which is the Zagreb regional office. This network performs mediation in employment and provides social unemployment benefits, but local offices are not formally associated with the local government or local organizations that implement programmes of social welfare- social assistance and provision

¹¹Situation in the City of Zagreb and the Zagreb County economy in year 2010. Available at: http://www.zg.hgk.hr/WritePerm/assets/pdf/files/gosp_profil/stanje%20u%20gospodarstvu%202010.pdf.

¹² Croatian Bureau of Statistics. Available at: <http://www.dzs.hr>.

¹³ Croatian Bureau of Statistics. Available at: <http://www.dzs.hr>.

¹⁴Strategija za razvoj ljudskih potencijala grada Zagreba. Available at: <http://www.zagreb.hr>.

¹⁵Long-term unemployed persons are those who have been unemployed in a continuous period of one year or more.

of social services, or departments for social affairs in cities.¹⁶ With technical and financial assistance from various EU programmes, they increased the capacity for developing and implementing innovative employment programmes in collaboration with relevant stakeholders. Recent empirical research on the development of the welfare mix (Bežovan 2010) recognized their leading and innovative role as an agent in welfare mix development. Recently, some larger cities have invested additional efforts to create their own limited programmes that should contribute to the fight against unemployment. For the most part, like in the case of Zagreb, they provide additional funding for employment of people with disabilities, or other vulnerable groups. Zagreb provides support to craftsmen and small businesses to remain in business in times of crisis, which can be seen as a sort of an employment programme. Also, Zagreb is providing some extra benefits for the unemployed, such as subsidized public transportation. Recently the participation of civil society is recognized in advocating for the unemployed and vulnerable groups that only marginally participate in the labour market. In addition, civil society can apply to employ unemployed persons in public works programmes. Following legislative changes in 2001 a private company (MojPosao) has made a remarkable impact in the area and forced the CES network to adopt their business practices, which can be considered as an example of new public management. Including the profit sector in the sphere of the labour market intermediation can be considered as an example of innovation. Under their influence the CES had changed their working style. They organize an event called the Job Fair in every county, whose aim is to try to mobilize the unemployed to take an active approach in seeking employment. With the technical help of the EU, Local Employment Partnership Projects are beginning in all counties, as well as in Zagreb. The Zagreb partnership has developed a strategy by which, in cooperation with various stakeholders, they will try to enhance employment opportunities in the City of Zagreb. Evaluations of these projects should provide additional information necessary to improve the capacity of actors in local politics to assess these innovations. Inclusion of civil society organizations, especially associations of the unemployed, in some cases can provide new incentives for capacity building reforms in this area. As part of the process of accession to the EU, the European Employment Strategy has influenced the national policy of employment to a large extent. Under that influence the government designed a National Action Plan for Employment (NAPE) in 2004 for the period 2005-2008, and in 2008, with technical support from the European Commission, the government adopted the Joint Assessment Paper of Employment Policy (JAP). JAP analyzes the conditions on the labour market, and sets priorities for the employment of certain groups, such as women (especially with lower education), older people, young and long-term unemployed (Matkovic 2008).

Matkovic (2008a) analyzed the four waves of active employment policy and the content of their programmes of subsidized jobs. They relate to Croatia and Zagreb as central government determines employment policies and their implementation, carried out by CES. In early 2002 the government implemented a comprehensive programme focused on hiring young people, especially those with university degrees. In 2003 and 2004, 17.2 percent of those registered by CES that found a job were beneficiaries of subsidized recruitment programmes. Expenses were 0.17 and 0.19 percent of GDP in 2003 and 2004 respectively. In the current programme of stimulating employment through subsidizing companies since 2009, employers are not obliged to pay social contributions for one year when recruiting somebody in their first job. With regard to ethnicity, only the Roma population stands out. The National Plan to boost employment in Croatia in 2011 and 2012 provides for the inclusion of 280 Roma in active employment policy measures. The implementation of the National Programme for the Roma/Action Plan for the Decade of Roma Inclusion 2005 - 2015 included a total of 21 members of the Roma (including 12 women) in the Zagreb County in 2010. During the

¹⁶As it's explained in Baturina *et al.* (2011). Local Welfare Systems as part of the Croatian Welfare State: Housing, employment and child care. WILCO Publication no. 05, University of Zagreb.

period from 1 March 2002 to 30 September 2005 14,442 persons were employed through employment encouragement programmes. Most of these people participated in the programmes entitled "Education to Work" (8,178 beneficiaries) and "from College to Work" (2,435 beneficiaries). In the period between 2006 and 2008 in Zagreb, the measures of the Annual Employment Promotion Plan covered 923 persons in 2008, 1,442 persons in 2007 and 907 persons in 2006. The measures of employment of young people without work experience and the financing of education for an unknown employer were most commonly carried out. Active employment policy measures under the National Plan for Employment covered 1,375 people in 2010 (48.3 percent were women) and 415 persons in 2009 (43.6 percent women). Active policy measure for employment with most participants was funding of education for an unknown employer, which included 767 people, in 2010 while in 2009 highest participation had measure financing of education which covered 289 people. Furthermore, in Zagreb in 2010 937 employees were involved in training through measures of active policy of the Employment Promotion Plan for 2009 and 2010 (8.1 percent of Croatia's total number of unemployed persons), of which more than 48 percent were involved through funding of education for unknown employer and more than 35 percent by co-financing employment.¹⁷

By law, the right to unemployment benefits in Croatia, and therefore Zagreb, is limited to those who at the time of becoming unemployed, had a job for at least 9 months in the last 24 months. For this reason, in the context of high long-term and youth unemployment, coverage and the replacement rate are low. Benefits are equal to only a quarter of the average wage which is insufficient to cover basic needs. Despite the recent increase in coverage - from under 20 percent in the period 1997-2001, to 22.3 percent in 2004 and 22.8 percent in 2006, too many people are left out. The wage replacement rate is relatively low and the significant increase in benefits from July 2008 will soon have to be revised. This will have a negative impact on the many newly-registered unemployed persons. Since November 2010, level of benefits have been depended on the average wage for the previous three months, 70 percent in the first three months 35 percent after that (with the last year national average net salary as a ceiling and 50 percent of the minimum wage, without the contribution of the threshold), which has led to an increase in net replacement rates of 0.44. The number of recipients of the unemployment benefit increased in the last two years, especially in the first eleven months of 2010 when increased by 24.7 percent compared to 2009.

Table 7: Recipients of unemployment benefit in Zagreb as of December 31.

Year	2004	2005	2006	2007	2008	2009	2010
Total	9,639	9,559	7,705	6,623	6,771	8,914	10,761
Share of recipients in total unemployed (%)	24.4	24.0	21.5	23.5	25.9	26.1	27.0

Source: CES, Zagreb office, Annual reports

Only 30 percent of the unemployed according to data uses the unemployment fee and there is a relatively small proportion (4.2 percent) of unemployed people in Zagreb who are covered by active policy measures from a national programme to stimulate employment.

Conclusion

Zagreb is the largest and most developed Croatian city. The share of its GDP in Croatian GDP is about 30 percent. GDP per capita is also significantly larger in Zagreb than in Croatia. In the last few years, wages in Zagreb have been 15-20 percent higher than the

¹⁷Strategija za razvoj ljudskih potencijala grada Zagreba. Available HTTP:<http://www.zagreb.hr>.

Croatia average. Zagreb has a lower unemployment rate than the Croatian average; however, this rate has again started to increase due to the economic crisis. The increased unemployment crisis not only strengthened structural unemployment, but also resulted in pervasive job losses, and highlighted the problem of an insufficiently mobile and competitive workforce. Women have a greater share of unemployment, but the difference is less obvious among the employed. Youth unemployment makes almost for a third of the total number of unemployed persons. In the last ten years the share of long-term unemployed was about 60 percent, only to start decreasing in the last two years.

In Zagreb, there is a limited number of programmes that promote employment, especially for target groups: the majority of programmes remain centralized. Owing to the impact of Programmes the European Employment Strategy and JAP, programmes are mostly defined for the groups in difficult employment position that includes youth and women. There is also a plan for employment of the Roma. Although there are some initiatives, the involvement of civil and private sectors did not produce sufficiently significant innovations in the area of employment

2. DEMOGRAPHIC CHANGES AND FAMILY IN THE CITY OF ZAGREB

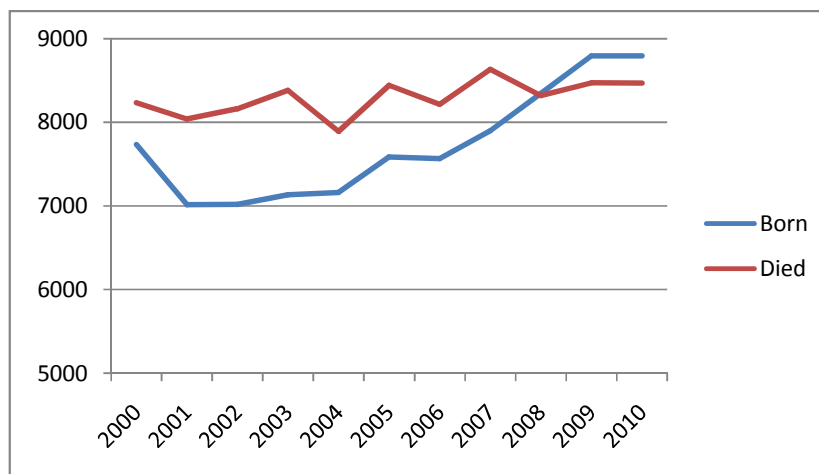
2.1. Socio-economic trends

When analysing the changes showed by demographic indicators, and related to family formations and risks, it can be said that Croatian family structure has changed relatively slowly, retaining more traditional features to a large extent (e.g. lower divorce rates or lower share of children out of wedlock, compared to some other European countries). At the same time, Croatia is characterized by declining fertility rates, increased average age of first marriages, postponed first births, increased share of single-parent families, which all indicate the process of transformation of family structure (Puljiz and Zrinščak 2002). Family has changed in terms of size, as well as sex and age composition, family roles and distribution of family life obligations (Dobrotić 2007, according to Švab 2006).

The main demographic trends in Zagreb over the last decade will be briefly presented here, and comparisons to the rest of Croatia will also be drawn.

From 2000 until 2010 the number of (live) births in Zagreb has modestly increased, whereas the number of deaths has been more or less stable (Zagreb Almanac 2010; DZS 2011). Zagreb, like Croatia overall, was characterized by negative natural increase rates, and while in 2007 Zagreb was among the four counties with the lowest population growth, in 2008 this trend was inversed and as soon as in 2009 Zagreb was one of only four counties with positive population growth trends (Social Council of the City of Zagreb 2011).

Graph 1 - Number of births and deaths in Zagreb, 2000-2010



Source: Zagreb Almanac (2010); DZS (2011)

In the same period the increase of children born out of wedlock is noticeable, albeit their share is still relatively low.

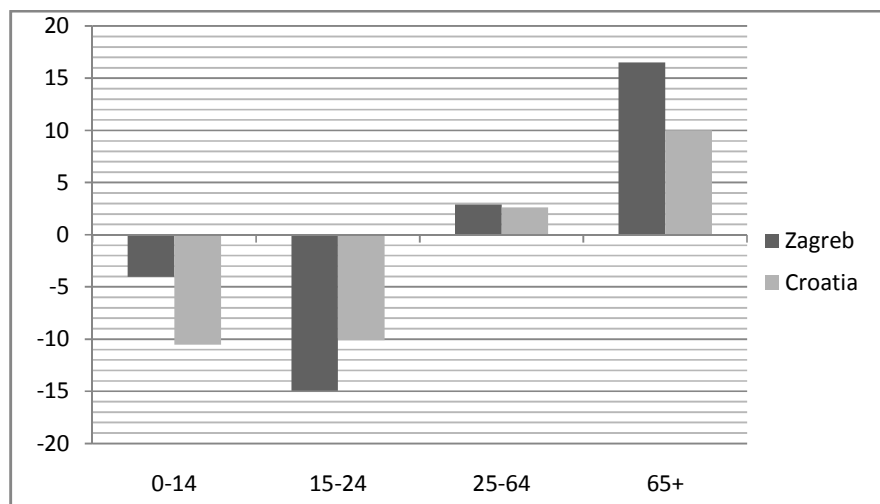
Table 8 - Number of children born out of wedlock in Zagreb, 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Live births - total	7,733	7,013	7,019	7,134	7,160	7,585	7,563	7,900	8,345	8,792
Born out of wedlock	738	717	740	759	749	766	814	948	1036	1137
Born out of wedlock (%)	9.5	10.2	10.5	10.6	10.5	10.1	10.8	12	12.4	12.9

Source: Zagreb Almanac (2010)

Although the above presented data show an inversion of the negative demographic trends in recent years, the trends related to the age structure of the population, that is, the increase of the share of the old, and at the same time the decrease of the share of the young population, are the main problem. This problem is present not only in Zagreb, but also in Croatia overall. While in 2001 the 0-14 cohort in Zagreb was 15.8 percent, in 2009 it was 15 percent. On the other hand, the 65+ cohort rose from 14.9 percent in 2001 to 17 percent in 2009 (Social Council of the City of Zagreb, 2011). As far as the structural characteristics of its population are concerned, Zagreb does not differ significantly from Croatia on average, although in the respective time period a greater increase of the old population was registered.

Graph 2 - Changes in age structure 2001-2009



Source: Social Council of the City of Zagreb (2011).

Regarding the trends of marriages and divorces, they are relatively stable over the observed time period. The marriage rate in Zagreb equals approximately 5 marriages per 1,000 inhabitants, which is in line with the national average. On the other hand, Zagreb is characterized by higher divorce rates than Croatia overall (Social Council of the City of Zagreb 2011).

Table 9 - Marriages and divorces in Zagreb, 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Marriages	3,938	3,789	3,912	3,912	4,022	3,824	3,919	4,209	4,183	4,122
Divorces	1,030	1,131	1,109	1,131	1,204	1,170	1,137	1,082	1,125	1,030

Source: Zagreb Almanac (2010).

Table 10 - Marriage and divorce rates in Zagreb and Croatia, 2001-2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Marriage rates									
Zagreb	4.86	5.0	5.0	5.1	4.9	5.0	5.4	5.3	5.2
Croatia	5.0	5.1	5.0	5.1	5.0	5.0	5.2	5.3	5.1
Divorce rates									
Zagreb	298.5	283.5	289.1	299.4	306.0	290.1	257.1	268.9	249.9
Croatia	211.5	197.1	220.9	219.6	220.6	210.5	206.8	215.0	226.8

Source: Social Council of the City of Zagreb (2011)

As regards the total fertility rate, it can be described as generally low, where Zagreb has a lower rate than Croatia on average (in Zagreb in 2007 it was 1.35 compared to 1.40 in Croatia) (Social Council of the City of Zagreb 2011). Furthermore, the trend of increase of the average age of the mother at first birth in Zagreb is noticeable from 2000 onwards, with a decrease of the share of mothers aged 15 to 19, as well as of those aged 20 to 29, and at the same time increase of mothers aged 30 to 39 and 40 plus. Whereas in 2000 the

greatest number of children were born to mothers aged 20 to 29, in 2009 those were mothers aged 30 to 39 (Zagreb Almanac 2010).

Concerning the composition of households, according to the 2001 census in Zagreb there was a higher share of two-member households (30.1 percent) compared to Croatia's average (26 percent), as well as a greater share of single households (23.2 percent in Zagreb; 20.8 percent in Croatia). Additionally, the average number of household members was lower in Zagreb (2.8) than in Croatia overall (3.1).

As regards the types of families with children, in Zagreb there was a greater share of families with one child (50.2 percent) than in Croatia overall (46 percent) with, at the same time, a smaller share of families with two children and three and more children (10.2 percent, compared to 13.2 percent in Croatia) (Social Council of the City of Zagreb 2011).

Zagreb is also characterized by a greater share of single parents in the total number of families with children (20 percent of mothers with children and 3.6 percent of fathers) than in Croatia overall, where the share of single mothers is 17 percent and single fathers 3.5 percent. In absolute figures, according to the 2001 census in Zagreb there were 162,803 families, of which 123,932 couples with children, 32,920 mothers with children and 5,951 of fathers with children (DZS 2001).

Nevertheless, when compared to the EU 15, Croatia has a smaller share of single-member households, single-parent households and couples with children (Dobrotić 2007a).

As described in the Programme of Social Policy for the City of Zagreb 2009-2012, the number of single-parent families has been increasing in Zagreb, but there is no official statistical data on their actual number for the last couple of years.

Concerning the instruments supporting the work-family life balance, it needs to be taken into account that in Croatia, unlike in many European countries, part-time employment is exceptional rather than usual, at the same time with relatively undeveloped services for children. This also has to do with familialistic/traditional family patterns, which puts greater pressure on employed women.

UNDP research on the quality of life (Dobrotić 2007a) showed that employment status of the mother does not affect her engagement in care and upbringing. Both employed and unemployed mothers with children under 16 spend on average 5 hours per day with their children, whereas in EU countries there is a difference in the time spent with children between working and unemployed mothers (Dobrotić 2007a). Research on the work-family balance shows that respondents more frequently report that work negatively affects their family life than vice versa, while such interferences were shown to be less pronounced in Zagreb than in the other counties in Croatia. In general, the share of respondents in Croatia who experience difficulties in reconciling family and work life several days a week is greater than in EU15, but smaller than in new member states, where respondents from Zagreb again report difficulties less often than in other counties. At the same time, gender differences are greater in Croatia, compared to other European countries, where women more often than man report that work causes them difficulties in meeting their family obligations (Dobrotić 2007b).

As shown above, according to particular demographic characteristics Zagreb differs from Croatia overall (faster growth of the older population, higher divorce rates, higher share of single parents, but positive natural increase rates in the last couple of years). At the same time, research suggest that Zagreb might have more developed infrastructure of (formal)

support to parents, since the quality of life survey showed that respondents from Zagreb reported problems of reconciling work and family life to a lesser degree.

2.2. Public regulation

Preschool care was an aspect of family policy which was decentralized early, and was inherited as such from the socialist period.¹⁸ As regards financial assistance for families with dependent children, the most important measures include child allowances and pronatalist allowance, as well as tax incentives, all administrated and financed by the central government. However, local governments (cities and municipalities) can in their social programmes foresee additional measures in cash or in kind to families with children.

As concerns services for families with preschool children, they are organized at the local level. As stipulated in the Preschool Education Act and its amendments (Official Gazette 10/1997, 107/2007) local governments have the right and responsibility to decide on the needs and interests of citizens living on their territory for organizing the programmes of preschool care and, for that purpose, setting up kindergartens.

According to the ordinance regulating the enrolment of children in kindergartens in Zagreb and the rights and responsibilities of parent(s) (*Pravilnik o upisu djece i ostvarivanju prava...*, 2011) enrolment in programmes of particular kindergarten is available to children whose parents have residence in Zagreb (exceptionally other children as well if there are vacancies). Furthermore, the priority for enrolment is given to particular groups: children of disabled war veterans, children whose both parents are employed, children who live with one (employed) parent, children of single parents and children in foster care or without adequate parental care. Priority is further given to families with three or more underage children, recipients of child allowances and children who are in the year before enrolment in school. Accordingly, single parents are given priority for enrolment of children. It is also important to mention that, according to the said ordinance, children living in extremely severe social or health conditions are not subject to scoring, but the decision on their enrolment is made by the enrolment committee, on the basis of the recommendation of the Centre for social care.

According to the Conclusions of the City Council on the situation and prospects of the preschool system in the City of Zagreb (*Zagreb City Council*, 20/2010), when deciding on the criteria for the fees paid by parents, it is necessary to include the wider public through the participation of pertinent civil society organizations from Zagreb, or by organizing a public debate. According to the same document, the fees to be paid by parents should be means-tested.

As regards the prices for preschool programmes, that is the fees paid by parents, in Zagreb they have not been changed for many years, and as such were low compared to other cities in Croatia (see Baturina *et al.* 2011). Recently proposal for increasing the price, i.e. for introducing different price categories according to household income was put forward. This was met with unfavourable reactions of the general public, especially some civil society organizations, and resistance of parents to the payment of higher fees.

According to the Decision on the right to priority for enrolment of children and the benchmarks for preschool service parents' fees in Zagreb, which is still in force (*Službeni glasnik Grada Zagreba*, 6/2011), participation of parents in costs of the programmes of preschool care in public kindergartens is defined according to the type and duration of programme, as well as depending on the financial situation of the family. Accordingly, the

¹⁸ See Baturina *et al.* 2011.

fee to be paid by parents for a regular 10-hour programme is HRK 200 (EUR 27) for children under 3 (nurseries), and HRK 400 (EUR 53) for children aged 3 to school age. The fee paid by parents for a regular part-time programme equals HRK 200 or 300 (EUR 27-40 EUR). There are several categories of families entitled to a reduced fee, depending on the social status of the family, where single parents pay 50% of the fee. The right to a reduced fee or to a free service is also exercised by children of disabled war veterans and parents with disabilities, depending on the degree of impairment, parents who have two or more children enrolled in the programme, families with three or more underage children, beneficiaries of child allowances and beneficiaries of welfare assistance from the central social welfare system. The programme of the pre-school preparatory course is free of charge for parents of children that are not enrolled in the programmes of preschool care, in the year before enrolment in school, or two years before for children with disabilities.

According to the Proposal of the Decision revising the decision on the right to priority for enrolment of children and benchmarks for beneficiaries - parent fees in public kindergartens in Zagreb, presented at the session of the City Council on 12th July 2011, those with the total income of HRK 8,001 (EUR 1,068) or more per household member should pay the full fee for the programme, while families with income less than this threshold should pay a reduced fee or should be entitled to programmes free of charge, depending on their income. According to the same Proposal, the monthly fees should range from HRK 1,800 (EUR 240) for a full-time (10 hours) programme and HRK 1,170 (EUR 156) for a part-time programme to HRK 200 for a full-time and HRK 130 HRK (EUR 17) for a part-time programme. Children from families with a monthly income of less than HRK 2,000 (EUR 267) per household member should be entitled to free participation in the programme. The Proposal also envisages a reduction of fees by 50 percent for children of single parents, while additional subsidies covering part or all of the cost would be available to children of disabled war veterans, those from families with three or more children, beneficiaries of child allowances, beneficiaries of welfare assistance and parents for their second or every subsequent child enrolled in the programme (Proposal of the Decision revising the Decision on the right to... ..., 2011).

In Zagreb there is an evident, albeit modest, total increase of the number of kindergartens from 2000 to 2010. In this period, 26 new public kindergartens opened (founded by city or municipality), while the number of kindergartens founded by religious organizations remained more or less the same. At the same time, the most significant growth in the number was that of private kindergartens, that is kindergartens founded by the private legal or natural persons, especially between 2008 and 2009. These data are presented in the following table.

Table 11 -Kindergartens and other legal persons providing programmes of preschool care, 2000 to 2010

<i>Beginning of the year</i>	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	/01	/02	/03	/04	/05	/06	/07	/08	/09	/10
Total	196	198	200	206	218	218	220	226	235	260
Public	179	181	180	180	182	182	184	189	191	205
Private	2	2	5	9	20	20	20	21	28	40
Private - religious org.	15	15	15	17	16	16	16	16	16	15

Source: Zagreb Almanac (2010).

Table 12 - Number of children in programmes of preschool care, 2000 to 2010

Beginning of the year	2000 /01	2001 /02	2002 /03	2003 /04	2004 /05	2005 /06	2006 /07	2007 /08	2008 /09	2009 /10
Number of children - total	27,324	27,756	28,032	28,243	29,663	30,003	31,274	32,169	32,884	34,713
< 3 y.o.	6,169	6,090	6,408	6,438	6,604	6,871	7,861	8,283	8,349	8,808
3 - 5 y.o.	12,032	12,183	11,794	11,488	11,807	11,581	11,987	12,369	13,040	13,839

Source: Zagreb Almanac (2010).

In the same time period there was also a growth in the number of children covered by programmes of preschool care, where a greater growth is noticeable in the programmes of nurseries, although the coverage of children under three is still significantly lower than the coverage of children in kindergartens.

It should be noted that the coverage of children in kindergartens (aged 3 to 4) in Zagreb and the Zagreb County is over 68 percent, which is at the same time the greatest share among all counties in Croatia (Dobrotić *et al.* 2010). Earlier, in WP2, we already discussed the problem of great regional disparities as regards the coverage of children in Croatia¹⁹.

The growth in the number of private kindergartens over the last decade shows that private preschool institutions have gained greater importance and acknowledgment, as an answer to a demand for child care services, and speaks about the change in the structure of service providers. This indicates a strengthening of the role of private initiatives in the field of family policy and child care in Zagreb. With a view to greater coverage of children in preschool programmes, the City of Zagreb co-finances programmes in private kindergartens, including those of religious organizations, a measure featuring in the "Social Policy of the City of Zagreb 2009-2012". In 2010 the City of Zagreb spent HRK 35,330,400 HRK (EUR 4,717,000) for that purpose, where financial support provided by the City was HRK 1,000 (EUR 133.50) per child, and an additional HRK 3,000 (EUR 400) per group for didactic and other materials for work with children. Furthermore, within the framework of widening the capacities of kindergartens, the City of Zagreb has supported the foundation of new or widening of the existing kindergartens, most notably for children under three (nursery programmes). Moreover, the City rents their public premises at a subsidized price for the purpose of preschool programmes. Examples of public-private partnerships should also be mentioned, owing to which the capacities were increased by 10 groups (in two kindergartens) in 2010 (Grad Zagreb 2011).

The earlier described trends of change in the family structures, that is the increase in the number of single-parent families, were recognized and addressed in the Social Policy of the City of Zagreb 2009-2012. The document stipulates a need for recognition of pluralisation of familial forms, and among other, an increase in the number of single-parent families, as well as the need for state intervention. The document deals with family policy in its part, with an overview of the current state of affairs and measures of family policy in Zagreb. It is stated that the share of single parent families in Zagreb is higher than the Croatian average and that trends suggest that it might continue to increase.

When analysing the measures aimed at single-parent families, the said document envisages one targeted measure entitled "*Assistance to single-parent families*". This measure includes: free summer and winter holidays for children of single parents of preschool and

¹⁹ More in: Baturina *et al.* 2011.

school age; the right to presents for St. Nicholas Day and Easter for children under 12 regardless of the number of children in family, free foreign language and IT courses for parents, keeping of a database of beneficiaries and of single parents in Zagreb, free family counselling and legal advice in the Zagreb Family Centre (Zagreb City Council 2009). In 2009 the counselling services in the Family Centre were used by 36 of 2,024 total beneficiaries coming from single-parent families. In 2010 67 single parents used the counselling service, mainly single mothers, of 116 family counselling services provided in total (City of Zagreb 2010, 2011). According to the report, the greatest need for advising single parents relates to the problems of low income (poor financial situation, exercising the right to alimony and child allowances), custody, right of child to meet and spend time with the other parent, help in interpretation of legal provisions (e.g. accessing the right to survivor's pension) (City of Zagreb 2011).

As can be seen from the above, this measure encompasses different services for children and parents, as well as assistance in kind, whereas specific financial assistance is not envisaged by this measure.

Other measures of family policy in this document (Social Policy of the City of Zagreb...) and stipulated in the Decision on Social Care Provided by the City Council (Zagreb City Council 2010), to which single parents (among other) can be entitled are: Assistance in the purchase of infant items, Dairy products assistance, and Assistance in kind to families with three and more children (later renamed "Assistance in family packages").

Assistance in the purchase of infant items is declaratory in the function of stimulating pronatalist policy, where the amount of assistance increases with every child, as well as in the function of increasing quality of life for families with children, especially those with more children (Zagreb City Council 2009). This measure is not income tested, and all parents (with residence in Zagreb) are entitled to it regardless of their financial situation. The Social Policy of the City of Zagreb 2009-2012 (Zagreb City Council 2009) envisages the amount of assistance for the first child to be HRK 3,000 (EUR 400), for the second child HRK 6,000 HRK (EUR 800), and for the third and any subsequent child HRK 9,000 (EUR 1,200). However, in the Decision on cash assistance for the purchase of infant items (Službeni glasnik Grada Zagreba, 8/09) amounts were set as follows: HRK 3,600 (EUR 480) for the first child, paid over three years, HRK 7,200 (EUR 961) for the second child, also paid over three years, and HRK 66,000 (EUR 8,812) for the third and any subsequent child, paid over six years. With the later revisions of the Decision (Službeni glasnik Grada Zagreba, 20/10) the amount of the assistance was reduced to HRK 1,800 (EUR 240) for the first child paid over one year, HRK 3,600 (EUR 480) for the second child, paid over two years and HRK 54,000 (EUR 7,210) for the third and any subsequent child.

In 2009 there were 3,405 assistances paid for the first child, 2,437 for the second and 1,093 for the third or subsequent child. In 2010 the number of assistances was 2,782 for the first, 2,155 for the second, and 918 for the third or subsequent child (City of Zagreb 2010, 2011).

Dairy products assistance is a measure aimed at parents of a child aged up to 12 months, if there is a need for additional feeding. It is income tested, based on the criterion that income per household member does not exceed 200 percent of the baseline (which is defined as the baseline for welfare assistance defined by the Croatian Government, increased by 20 percent) (Zagreb City Council 2009). In 2009 there were 124 beneficiaries of this assistance and in 2010 there were 138 (City of Zagreb 2010, 2011).

Finally, the *Family packages assistance* (which includes necessities such as food products, cleaning and hygienic products) is available to families with three or more under age

children beneficiaries of welfare assistance as defined by the Social Welfare Act (Official Gazette, 73/97, 27/01, 59/01, 82/01, 103/03, 44/06, 79/07, 123/10) in case of necessity. An income-tested assistance in kind is also available for families of war veterans (Zagreb City Council 2009, 2010). Single parents were eligible if they had one or more underage children and are beneficiaries of welfare assistance, during necessity. This right was extended to single parents regardless of the number of children in 2009, by revisions to the Decision on social care (Službeni glasnik Grada Zagreba 22/09).

In the period between the enforcement of the abovementioned revisions (24 September 2009) to 31 December 2009 the right to family packages assistance was used by 24 single parents with 37 children in total, whereas in 2010 there were 134 single parents with 276 children in total. Moreover, the right to meals in public kitchen in 2010 was used by 50 single parent families, of 136 beneficiaries in total (Grad Zagreb 2010, 2011).

Finally, it needs to be mentioned that according to the revision of the Decision on scholarships of the City of Zagreb for students of poorer financial situation (Službeni glasnik Grada Zagreba 22/09), children of single parents - candidates for scholarship are given additional points for the indicators of poor financial situation (City of Zagreb 2010).

Alongside the above described measures of family policy defined by the City of Zagreb, single parents are also entitled, based on an income test, to some other measures of assistance within the central social care system, as defined by the Social Welfare Act (Official Gazette 73/97, 27/01, 59/01, 82/01, 103/03, 44/06, 79/07, 123/10), where the most significant measure is welfare assistance. According to this Act, the amount of defined assistance is increased by 25 percent if the user is a child of a single parent.

Table 13 - Number of children of single parents - beneficiaries of welfare assistance, 2005 - 2011

Year	2005	2006	2007	2008	2009	2010	2011
Croatia	6,036	5,625	5,035	4,510	4,160	4,193	4,174
Zagreb	941	801	698	642	577	653	667

Source: Ministry of Health and Social Welfare: Monthly statistic reports on the beneficiaries and assistances within the social care system (various years).

Statistics of the Ministry of Health and Social Welfare indicate that a slight drop in the number of children of single parents - beneficiaries of (permanent) welfare assistance in the observed period was recorded between 2005 and 2011. The number of beneficiaries for the City of Zagreb also dropped in the period from 2005 and 2011. The drop was more significant in 2006 and 2007, but it stabilized afterwards.

The above data indicate that, in its documents, the City of Zagreb has recognized families of single parents as a socially vulnerable group and has provided certain measures of support. Specific measures of support include assistance in kind (family packages, holiday gifts...) and certain privileges in exercising of their right to pre-school child care (priority on application lists, additionally subsidized prices of accommodation). Single parents can exercise their right to increased financial assistance within the social welfare system, namely the right to welfare assistance.

It can also be seen that the assistances to single parents in the observed period were extended, e.g. family package assistance was extended to include single parents regardless of the number of children and additional points were introduced for single parents' children when the City of Zagreb's scholarships are awarded.

It seems, however, that the unfavourable economic trends of the past years have affected the changing of the amounts of cash benefits: thus, the amounts allocated for infant items have been reduced and the local government proposes that kindergarten prices be increased and that means test criteria be introduced.

3. TRENDS IN THE HOUSING FIELD - CITY OF ZAGREB

3.1. Socio-economic trends

Although housing is one of the important issues in a city's development plan²⁰ unfortunately it is not sufficiently researched. Statistical data have limited coverage and due to a lack of information, such as trends of housing prices or housing market demand and supply, a lot remains unknown about the functioning of the housing market. After the 1990s, where speculative developers dominated the market, in 2000s the state and the city became visible stakeholders in housing provision. The current situation on Zagreb's housing landscape is 15,000 unsold housing units and an almost frozen housing market with decreasing housing prices.

Housing tenure structure

During the 1990s the privatisation of the public housing stock which lasted until the beginning of the 2000s, was the dominant topic in the field of housing. As a result of that reform, the housing tenure structure underwent major changes. In 1991, public housing accounted for 45.4²¹ percent of the housing stock i.e. 122,787 units, and some 108,000 such units were sold²² (Bežovan 2005). As Table 1 below shows, 80.8 percent of households are homeowners.

Table 14 - Housing tenure structure in Zagreb, 2001

Housing Tenure	Zagreb	
	Households	100.0%
	275,464	
Homeownership	222,697	80.8
Private renting	11,742	4.3
Social housing	9,630	3.5
Renting part of the flats	2,630	0.8
Housing with relatives*	23,375	8.5
Others	5,731	2.1

Source: Census 2001.

*Professionals from Statistical Office believe that 50% of these are on the private rental market.

Public housing sale meant a reduction of municipal housing which catered for the needs of the low income population. Only 9,630 (3.5 percent) of households live in houses which can be regarded as social housing. This residual part of housing stock in terms of quality and location will be soon reduced because there are 3,227 units for which restitution has been requested²³. Thus only 5,400 units i.e. 1.9 percent of households in Zagreb live in real

²⁰Zagrebplan, Razvojna strategija Grada Zagreba, 2011-2013.

²¹ On the level of the country share of public housing was 25 percent.

²² Privatisation of housing changed attitudes towards house and now that housing stock is better maintained, management of these housing units is improved, owners care more the environment and now it seen as a value for the family.

²³ In fact, legally sitting tenants were not in position to buy these housing units.

social housing in 2001 year. In comparison to other capitals in the region, Zagreb has the lowest share of social housing and public housing in the housing stock²⁴.

Tenants paying market rents, 14,372 (5.2 percent) of them, are one of the most marginalised groups in the housing market. Statisticians believe that a half of those who live with relatives and those in the category of others could be added to this. According to these estimations, 14,553 households would be added to the tenure of market rental sector. This means that approximately 28,925 (10.5 percent) households in Zagreb belong in this category, i.e. rent housing and pay a rent on a regular basis, without a contract stipulating the actual amount of rent, duration of lease, and other relevant conditions. Tenants in the market rental sector, mostly migrant population to the city, younger people, low-income families, can be considered as the most deprived population group and also socially excluded people. For the most part, these tenants rent flats on the outskirts of the city in neighbourhoods often segregated from other parts of the city.

In order to bridge the gap of affordability and to survive, tenants rent smaller flats, e.g. sized approximately 40-50 m² for a family of four. A larger part of the housing stock inhabited by tenants is overcrowded (Bežovan 2005).

Housing and other indicators of the housing standard

The average area of occupied housing in Zagreb has had a low relative increase, only 3 m² per unit during the 1990s, and equals 66.7 m². Also, housing surface per inhabitant is low and equals 23.7 m², which shows an increase of 2.4 m². 2.8 household members live in a unit that has on average 2.5 rooms, which is a slight increase in comparison with 1991. The number of households exceeds the number of housing units by 8,015. According to the criterion of one household unit per household, a larger number of households than the number of units stated above is assessed as a quantitative shortage of the housing stock

The first data from the 2011 Census show an impressive increase in the housing stock and it is evident that wealth accumulation through investment in housing is concentrated in the capital.

²⁴ According to the reports from the colleagues Ljubljana has 7.6 per cent, Budapest 6.3 per cent, Prague 10.5 and Bratislava 4.6 per cent. Besides that, the recent report, "Perception survey on quality of life in European Cities- Analytical report", European Commission, Eurobarometar, Zagreb is among the cities where housing affordability is the most important problem, http://ec.europa.eu/public_opinion/flash/fl_277_en.pdf.

Table 15: - Number and Surface of Inhabited Flats and Housing Standard Indicators in Zagreb from 1991 to 2011

Housing and indicators of housing standard	1991	2001	2011
Flats for permanent housing		304,163	372,433
Inhabited flats	257,923	271,183	*
Area m ²	16,248,164	17,663,866	*
Average area of flats in m ²	63.6	66.7	*
Number of households	264,451	272,920	304,375
Number of household members	765,131	781,932	792,875
Flats per 1,000 inhabitants	337	389	470
Average m ² of flats per person	21.2	23.7	*
Average number of rooms per flat	2.4	2.5	*
Average number of persons per flat	2.9	2.8	*
Flats with temporary tenants	*	6,278	*
Spaces other than flats	2,399	386	*
Number of households in these spaces	*	372	*
Total number of people	*	790	*

Source: Census 1991, 2001, 2011.

* No data for 1991 and for 2011.

Overcrowded conditions of the housing stock

Based on comparative indicators of the housing standard, it has been estimated that in 2001 as many as 10.5 percent of the population of the city of Zagreb, i.e. some 81,982 inhabitants living in 16,611 units, lived below the pathological line, up to 10 m² per capita, which is insufficient for a normal psychophysical development of the individual. Furthermore, 57,126 inhabitants have 10.1 to 12.0 m² per capita, and 118,394 inhabitants have 12.1 to 15.0 m². Thus 33 percent of the inhabitants of Zagreb (257,502) who live in 59,127 housing units have up to 15 m² per capita at their disposal (Bežovan 2005).

Overcrowded housing appears as one of the greatest problems in terms of quality of life and is, general speaking, a restricting factor in the development of Zagreb. Cases of three generations living in a flat of 60 m² are not uncommon. Citizens who live in crowded units are exposed to serious mental health risks.

Problems of overcrowded conditions in housing are well illustrated in the statements of two citizens on the Internet forum for the purchase of housing units:

- "I live with my folks in 40 square meters and my younger teenage brother and I have had it! On top of it all, a cousin from Dalmatia came to stay with us for a month to attend a college preparation course... we all almost ended up killing each other..."
- "I would like to know if you live in a large apartment, a small one or in a bedsit. How did you arrange the place and do you sleep in the same room, where do you cook? Come on, I am still looking to buy an apartment of maximum 40 m² (the bank will not give me more money), so I want to know how people function in such a small space?"²⁵

A lack of housing space has been identified by empirical research (Šučur 2007) for 21 percent of households, 24 percent of households had decrepit windows, doors and floors, and 9 percent complained of humidity and roof leaks. One third of the population (Rogić *et al.* 2004) have small flats and poorly equipped flats.

Bad hygienic conditions are one of the problems faced by 4,693 people living in 2,467 units situated in basements. The average size of these units is 40m². In addition, a half of those units, some 2,807 of them, inhabited by approximately 6,282 persons, are deemed unfit for living. Several locations in different parts of city have very bad hygienic conditions. This aspect of the housing crisis is a threat to people's health.

Eviction has been common in the city for a longer period of time. About 2,000 households who occupied vacant housing units mostly during the war live under threat of eviction²⁶. People who have illegally occupied municipal flats, for the most part, face eviction on a daily basis. In 2010 54 households were effectively evicted of possible 214 cases, 24 of 217 possible cases were evicted in 2009, and in the first nine months of 2011 only 12 households were evicted of possible 147 cases. Households earmarked for eviction are frequently temporarily spared under different kinds of pressure, i.e. eviction is often postponed until the next year.

Homelessness is a new and growing social problem visible in the streets and is becoming increasingly relevant for a broad section of the urban population (Šikić-Mičanović 2010). It is estimated that there are 400 homeless people, and the number has a tendency to slowly increase. Recent investments in the city of Zagreb increased the capacities for the homeless. One old shelter was closed due to the low hygienic conditions, and a new one was built. Media and civil society organisations increase public awareness of homelessness and social exclusion, and dispel the myths and stereotypes about homeless people.

The demographic structure of the City of Zagreb and the growing share of older population are a clear warning about the problem of housing for older people. These problems can appear in two dominant forms. First, psychophysical problems of older people and their inability to live alone in housing units which, for their locations and placement within buildings, are not adequate to meet their needs. Second, reduced income, small pensions of older people reduce their possibility to pay for the cost of housing.

Today there are 4,000 users of nursing homes in Zagreb, and some 8,000 additional persons are on waiting lists. The demand for accommodation in in-patient clinics and hospices is particularly high.

²⁵ <http://www.kupiprodej.net/forum/showthread.php?t=838>

²⁶ Members of these families are war veterans and they are putting pressure on the city authorities to gain the right to purchase.

Some downtown areas inhabited mostly by older people are almost segregated, and the buildings show signs of decrepitude, with both flats and common areas badly maintained. For instance, elevators are often not maintained or have been out of order for a long time. These parts of city are recognised as priority for renewal in order to get housing of certain level of quality (Jukić & SmodeCvitanović 2011; Rogić *et al.* 2004).

Social segregation as space evidence of social inequalities for longer period of time is not the topic for empirical research. A recent analysis (Prelogović 2004) suggests a new pattern of segregation, which means a decline of the socio-economic status as one moves from the centre to the peripheral parts of the city. A quality of life survey (Bežovan & Rimac 2008) suggests segregation of population in different parts of cities. Some neighbourhoods known for substandard urbanisation (Rogić *et al.* 2004) riddled with social problems and risks of security got a bed images. Illegally constructed settlements of family houses with poor public infrastructure are marked as segregated parts of the city. Some of these settlements, or their parts, with a domination of Roma population are very much segregated from the other parts of the city.

Provision of a limited number of housing units specially designed for disabled people made a sense of local social policy being sensitive to the position of this very vulnerable group. In the last ten years the city provided 411 flats for disabled people, and currently there are 317 such applicants on the waiting list.

The housing allowance programme, which is part of the social care policy, provides support to a very limited number of families in need, despite a visible increase in the number of beneficiaries over the last ten years (Table 3). There is no empirical evidence of the actual impact of this programme on affordability in the local housing policy.

Table 16 - Beneficiaries of the housing allowance programme in the City of Zagreb for the period 2001 to 2011

Year	Total number of beneficiaries	Of the total number of beneficiaries			
		Number of families	Number of single families	Number of tenants	Number of tenants in social rental units
2001	88	56	32	34	2
2002	206	142	64	49	2
2003	302	217	85	66	1
2004	431	300	131	92	2
2005	553	389	164	119	1
2006	699	495	204	153	5
2007	808	554	254	183	13
2008	938	632	306	209	22
2009	1,113	750	363	249	21
2010	1,339	909	430	303	24
2011	1,568	1,063	505	366	33

Housing market development

The period from 2000 to 2009 was a period of housing boom (Table 4). The 2011 census registered 74,000 newly built housing units in Zagreb.

Table 17 - Number of newly-built flats in Zagreb 2000-2009

Year	Number of flats
2000	2,530
2001	2,580
2002	3,341
2003	4,627
2004	4,015
2005	4,771
2006	6,139
2007	8,895
2008	8,744
2009	4,923

Source: Official statistical data

With the increase of the housing prices in Zagreb during the past ten years affordability became the most challenging issue in the housing market. Affordability of housing is here measured by the ratio between the price of housing per square meter and the average salary.

Table 18 - Relation between salary/housing prices,
Affordability Coefficient for the City of Zagreb

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net salary	518	558	519	632	666	706	724	769	830	841	845
Housing prices HRK/m ²	1,262	1,191	1,217	1,327	1,439	1,505	1,799	1,971	1,836	1,857	1,727
Affordability coefficient	2.4	2.1	2.1	2.1	2.2	2.1	2.5	2.6	2.3	2.2	2.0

Source: Burzanekeznina, Prices are in euro.

During the past eleven years the coefficient of affordability varied from 2.0 to 2.6 salaries for one square meter of housing. In 2007 it meant that one had to work for 14.9 years for an average housing unit of 70 square meters.

Recent developments on the financial market and the overall economic instability made the housing situation in the city more complex and uncertain. Fewer and fewer people of younger generations have are eligible for housing loans. Many young generation households, who have already bought very expensive flats using housing loans in Swiss francs, found themselves in trouble because of the increase of the exchange rate of the Swiss francs. On average, a monthly instalment of such loans increased by 60 percent.²⁷

As housing was one of the most profitable businesses increased investments were largely made by speculative developers. One governmental, top-down programme, for first-time buyers known as the POS Programme, offering affordable housing loans and targeted prices, but with a lower urban standard, provided approximately 4,000 housing units.

As a virtual opposite to that programme, the city created the so-called *Zagreb model of housing construction* as part of the Strategic Plan of Housing Policy in Zagreb (2006). The construction of 2,700 flats for social and public rental and partly for low-income buyers, in

²⁷It is estimated is that there are more than 130,000 such households in the county which are now putting pressure on banks and the government asking for a solution which might help some of them to survive.

an almost suburban location, was intended as a social mix aimed also at social integration of socially marginalised families from the waiting list for social housing.

The main objective of the Strategy was that the City of Zagreb should develop an active housing policy, with the priority to meet the needs of low-income families from the five years old waiting list by providing roughly 900 social housing units. The objective of the Strategy was to increase the social housing stock, i.e. to serve the concept of social integration and sustainable development of the city. Between 2006 and 2009 the city got 869 newly built social housing units, increasing the social housing stock by 16%.

There are 2,127 households on the current waiting list for social housing, while in 2003 the number was 1,900. This is not to suggest that all households from the previous list obtained social housing.

Some Roma families from the list of social housing got flats in this settlement and the conflict they provoked gave this housing project a bad image, separately for these families how are buying flats.

The objective of the Strategy was to introduce innovations in the Croatian housing system and to develop a public rental programme for younger families with children, normally not eligible for social housing due to their substantial income. The level of rent in the public rental programme is higher than in social housing but lower than those on the private rental market (Table 6). Five-year contracts are offered to tenants in this programme and they can make a plan for life carrier. After two public bids, about 476 families signed contracts for these housing units.

Table 19 - Comparison of the rent level in public rental, social rental, free market with the monthly instalment of a bank loan for the same size flat in location Novi Jelkovec, Zagreb

Size of flat in m ²	60	80	100
Monthly instalment of bank loan	505	674	843
Rent on the free market	378	513	757
Rent of public housing	199	253	283
Rent of social housing	29	38	48

Another feature of the Programme is a controlled housing market, aimed at young families up to 35 years of age, low-income homeowners. The price of housing was set at the level of 1,295 euro/m² and the priority of the Programme was to make homeownership more affordable. During the recent crisis the Programme became very competitive on the housing market, currently offering the reduced price of 1,041 euro/m².

The impact of this project on the housing market is visible. The public rental housing programme is a sustainable programme that helps the provision of housing for the most productive part of the population and the large number of such units on offer has brought down the level of rents. Part of the programme aimed at homeowner owners has helped reduce the prices on the housing market.

Statistical data of renting prices per square meter is not available. The level of rents has been decreasing over from 2008, after a rise in last decade. The current level of rent by city districts (Table 7) provides evidence of relatively high prices compared to the level of income.

Table 20 - Average rent level in Zagreb, April 2011

City district	20 m ² - 40 m ²	40 m ² - 60 m ²	60 m ² - 80 m ²	*prices in € 80 m ² - 100 m ²
West	281	414	492	616
East	278	388	514	762
Novi Zagreb	269	373	471	470
Center	324	460	601	786
Zagreb average	288	409	520	659

Source: Jutarnji list, 21.5.2011:40.

3.2. Public regulation

As stated in WP2 housing, the provision of services and benefits to people who have affordability lies within the competence of local authorities. The national regulation on housing allowance provides the framework and local authorities are responsible for implementing the programme in accordance with their means and priorities. In 2001 counties, as units of regional government, took over the responsibility for the heating allowance programme.

The City of Zagreb has two Decisions (by-laws), in fact rules, with eligibility criteria for the bidding process in the allocation of social rental and public rental housing.

A change of regulations in 2004 made it possible for cities to set up non-profit housing organisations within the POS Programme for the purpose of its decentralisation. The change of governance patterns has provided incentives for the development of the welfare mix in this policy area. Political reasons have prevented the creation of such non-profit housing organisations in Zagreb.

In a country with a predominantly liberal market housing practice, the case of a small, local, private foundation providing the building and renting of decent social housing for families with more children almost free of charge might be considered a curiosity. Other third-sector civil society organisations visible in this policy area provide support to vulnerable social groups living mostly below the poverty line. Advocacy activities of newly established and professionally managed civil organisations pertaining to the right to decent housing for vulnerable population groups give a modern image to the field of housing policy.

Spurred by an initiative of older people, in 2009 the City of Zagreb set up the Foundation to deal with accommodation for older people. Through their public campaigns, the Foundation raises funds and provides support for the improvement of housing conditions of the elderly. Counselling the elderly on how to use their own property in order to improve their quality of life and advocating for the development of care for the elderly are important parts of the Foundations' mission.

Conclusion

Policy in the area of housing in the City of Zagreb is a patchwork done more or less on an ad hoc basis and with a lack of political will to deal with these issues on a more constant basis.

The domination of speculative developers made housing unaffordable for large social groups, migrant people of younger generations, low-income groups and other vulnerable social groups.

Overcrowding and housing below a certain hygienic standard are serious challenges for future development. The low level of maintenance, especially of the housing stock inhabited by the elderly, means a reduced quality of life.

Some innovations, like public rental housing with affordable rent and five-year contracts have improved the position of former tenants, which can be considered as a proto-type of socially excluded population. Advocacy work of the United Way Foundation has raised public awareness and calls for new initiatives to improve the quality of housing for the elderly population.

The problems faced by first-time buyers with loans in Swiss francs might produce more problems with unpredictable ramifications.

4. IMMIGRANTS²⁸ IN CROATIA²⁹

4.1. Socio-economic trends

The case of Croatia shows that types of migration and of spatial mobility can be diverse and numerous in southeastern Europe. Much as the new EU members states of eastern Europe, Slovenia, Poland and the Czech Republic, Croatia is also slowly becoming an immigration country.

²⁸In Croatia there is no unique structure for systematic monitoring of relevant data about immigrants. The categories and indicators relevant to our report are not monitored properly. In most cases data are insufficient or even non-existent. In the discussion session of the Committee on Immigration and the Croatian Parliament regarding the proposal for the annual implementation of Plan of Statistical Activities of the Republic of Croatia for 2005 and the report on the implementation of the programme of Croatian statistical surveys for 2003, a representative of the Central Bureau of Statistics said that police records are unacceptable and far from reality and that the Ordinance on the status and work of foreigners in Croatia have certain flaws (Official Gazette no. 36/2008).

²⁹ We decided to join the report on immigrants for Zagreb and Varaždin seeing as specific data for each city is lacking and as issues regarding immigrant rights and regulation of their status are decided at the national level.

Table 21 - Immigrants in Croatia³⁰

Year	Immigrants Croatia - Total	Immigrants-proportion of Croatian citizens - percent	Immigrants-proportion of foreigners - percent	Share of men - percent	Share of women - percent	City of Zagreb	Share in Croatia total - percent	Varazdin County	Share in Croatia total - percent
2003	18,455	88.6	11.4	50.4	49.6	3,981	21.6	847	4.6
2004	18,383	91.7	8.3	51	49	4,327	23.5	806	4.4
2005	14,230	94.0	6.0	53	47	2,311	16.2	175	1.2
2006	14,978	93.1	6.9	54.4	45.6	2,630	17.6	183	1.2
2007	14,622	93.7	6.3	54.3	45.7	2,438	16.8	172	1.2
2008	14,541	86.1	13.9	52.9	47.1	2,265	15.6	175	1.2
2009	8,468	90.0	10.0	54	46.5	1,737	20.5	134	1.6
2010	4,985	83.8	16.2	52.8	47.2	1,112	22.7	67	1.4

Source: Migration of population in Croatia: Central Bureau of Statistics, editions 2003 to 2011

Table 22 - Immigrants by country of citizenship

Year	Total	Country of citizenship							
		Europe	EU	Rest of European countries	North and Central America	Asia	Africa	Australia and Oceania	South America
2001	2,169	1,911			21	23	16	14	11
2002	1,997	1,762			19	34	11	5	12
2003	2,100	2,006			35	31	6	12	7
2004	1,526	1,442	333	1,109	23	37	2	12	12
2005	856	797	225	572	17	23	4	12	4
2006	1,034	967	284	683	30	24	4	2	3
2007	918	854	251	603	21	26	5	8	5
2008	2,026	1,848	536	1,312	40	93	15	20	7
2009	847	729	201	628	17	93	1	4	1
2010	809	735	149	586	24	44	2	3	2

Source: Migration of population in Croatia: Central Bureau of Statistics, editions 2003 to 2011

³⁰ The data on sex and county distributions of immigrants include data pertaining to the total immigration in Croatia, which includes Croatian citizens who immigrated from foreign countries as there is no separate data pertaining only to foreigners.

A vast majority of immigrants come to Croatia from European countries. In the last 10 years, each year, the largest number of immigrants came from Bosnia and Herzegovina. The second country by the number of immigrants in the past 10 years was Serbia. These two countries also have the largest share of national minorities in Croatia. As for other countries, a significant proportion of immigrants come from Macedonia. Also in the last few years we have noticed a significant increase in the number of immigrants from China.

In Croatia, nationals of 118 countries reside in Croatia with regulated residence. This includes foreigners with passports of their former states that no longer exist and stateless persons.

As of 23 May 2008 32,160 foreigners with temporary and permanent residence were registered in Croatia.

Table 23 - Foreigners in Croatia by citizenship and status (23 May 2008)

Citizenship	Temporary residence	Work permit	Permanent residence	Total
EU - total	3,600	644	4,074	8,318
Bosnia and Herzegovina	6,062	2,236	5,491	13,789
Montenegro	53	2	24	79
Macedonia	671	174	1,086	1,931
Serbia	1423	182	1,043	2,648
Serbia and Montenegro	163	16	1,770	1,949
China	415	176	122	713
Russia	269	109	145	523
SAD	316	13	151	480
Other	933	173	624	1,730
Total	13,905	3,725	14,530	32,160

Source: Horvat (2008).

Nationals of countries that emerged after the disintegration of former Yugoslavia in Southeast Europe (except Slovenia, which is considered as an EU member state), have a total share of 63.5 percent of all foreigners, of which 43 percent pertains to nationals of Bosnia and Herzegovina. That number reflects the strong influence of historical heritage of Croatia as a member of former Yugoslavia and the connections that remained after it had disintegrated. The absence of a language barrier and familiarity with the culture are factors that facilitate the adjustment of immigrants from the states of former Yugoslavia. The large share of immigrants from Bosnia is not surprising because of the special connection between the two countries - Croatian people are one of the three constitutive nations in Bosnia and Herzegovina.

Table 24 - List of top 10 countries whose citizens have regulated residence
in the Republic of Croatia, 23th May, 2008

Citizenship	Temporary residence	Work permit	Permanent residence	Total:
1. Bosnia and Herzegovina	6,062	2,236	5,491	13,789
2. Serbia	1,423	182	1,043	2,648
3. Germany	841	74	1,229	2,144
4. Slovenia	700	71	1,241	2,012
5. Serbia and Montenegro	163	16	1,770	1,949
6. Macedonia	671	174	1,086	1,931
7. Italy	412	103	460	975
8. China	415	176	122	713
9. Austria	326	52	215	593
10. Russia	269	109	145	523
Total 1-10	11,282	3,193	12,802	27,277

Source: Horvat (2008).

As regards age and sex structure, most foreigners are between 31 and 50 years of age (about 25 per cent of all foreigners are men of that age and 16 per cent of all foreigners are women in that age category, or about 41 percent foreigners combined are between 31-50 years old.). Approximately 23 percent of foreigners are between 18 and 30 years old (13 percent of all foreigners are men in that age category and 10 per cent of all foreigners are women in that age category), and 29 percent are older than 51 (17 percent of all foreigners are men in that age category and 12 percent of all foreigners are women in that age category). Only about seven percent are minors and children of preschool age. As concerns the level of education, nearly 50 percent of foreigners have secondary school education, about 27-28 percent are those without qualifications or with low qualifications, and only 10 per cent of them have a university degree. Only about 0.15 percent have a postgraduate degree (Horvat 2008).

When it comes to the purpose of immigration, as of 23 May 2008, temporary residence permit was obtained as follows: 44.5 percent for work, 44.5 percent for family reasons, 8.2 percent for other purposes, 2.5 percent for secondary education and study, 0.2 percent for humanitarian reasons, and less than 0.1 percent for the purpose of scientific research (Horvat 2008).

As for permanent residency, as of 23 May 2008, the predominant reason for seek permanent residency in Croatia was reuniting with family with a share of 55 percent, while only 8 percent of foreigners in Croatia obtained permanent residence for the purpose of work. 36 percent stated other reasons. It should be noted that these other reasons were unspecified and registered as 'other'. In Croatia not even one foreigner has permanent residency for the purpose of doing scientific research, while only 0.14 percent of foreigners in Croatia permanently stay for study (Horvat 2008).

In the year 2008 work permits were issued to 8,397 people, among which 5,897 for new jobs and 2,500 to extend existing work permits. Most work permits for the new hires were issued for the areas of construction (3,630) and shipbuilding (1,700). Besides these sectors, employment of foreigners was allowed in the sectors of tourism and catering, transport, culture, health, science and education, IT and manufacturing industry, but with a much smaller number of work permits. (Katić 2008). The annual quota for the extension of

existing work permits for foreigners in Croatia in 2010 was 6,000 permits and the annual quota for new employment of foreigners in Croatia in 2010 amounted to 928 work permits. Distribution by sector is as follows: construction 300, shipbuilding 243, tourism and catering 138, culture 64, transport 28, health 34, science and education 38, manufacturing 33, agriculture 50 (Official Gazette 150/09). Trends in the issuance of work permits indicate that most work permits are issued in the construction sector and shipbuilding. These two industries are perhaps most affected by the economic crisis so we can expect a reduced influx of immigrants in these sectors. In addition, immigrant labour is required in the tourism sector as well as some specific cultural professions such as ballet or orchestral artists, medical specialists and teachers in some areas. In addition, the sectors in which most work permits are issued are also the sectors with a great share of workers in grey economy, so it can be surmised that there is also a significant number of immigrants working illegally in those sectors. Croatia still has not reached the level of development that would make it a very attractive target for the immigration of young, educated persons who can contribute to its economic development. On the other hand, Croatia is attractive to European retirees for its climate and low cost of living. Considering these current trends of immigration, improvement of the unfavourable age structure does not seem likely. In spite of the high unemployment rates, rising Croatian economy demonstrates a need for specific types of labour. A more significant labour immigration is only a matter of time. Croatian society and Croatian institutions are however not prepared for the social consequences of labour immigration. Immigration flows can be expected from Eastern Europe: Moldova, Ukraine, Belarus, as well as the countries of "former Yugoslavia".

4.2. Public regulation

Croatia has no ministry of immigration or any other central body to coordinate the field of migration. The governance over this area is shared between the Ministry of Science, Education and Sports, Ministry of Foreign Affairs (Department for Croatian Minorities, Immigration and Emigration), Ministry of Regional Development, Forestry and Water Management (Office for Displaced Persons and Refugees), Croatian Heritage Foundation, and the Ministry of the Interior (Directorate for Inspection and Administrative Affairs). There is no authority to implement measures of integration of foreigners as the Ministry of the Interior addresses only statutory issues pertaining to aliens. The other authorities listed above are considered to be responsible only for immigrants of Croatian nationality.³¹

The main instrument of regulation of the immigration policy in Croatia is the Aliens Act which entered into force on 1 January 2008 (Official Gazette, No. 79/07). The Act prescribes the conditions of entry, movement, residence and work of foreigners in the Republic of Croatia. The residence of foreigners may be short-term, temporary and permanent. Many European citizens buy real estate in Croatia and spend a considerable amount of time on the Croatian coast, seeing as we are a well-known tourist destination. Concerns are regularly expressed in public debates about "the high number of possible foreigners that could come" and "the national loss of land and coast". Foreigners intending to stay in Croatia for longer than 90 days and who do not require a visa must apply for a temporary residence permit. A foreign national must be in possession of the permit if she/he: intends to reside in the RC for the purpose of reuniting with family, work, secondary school or higher education, scientific research, or for humanitarian reasons. An application for a permit for the first temporary residence must be submitted by a foreign national to a diplomatic mission or consular office of the Republic of Croatia. The purpose for which the application is submitted must be stated in the application. An application for the extension of a temporary residence permit must be submitted at a police directorate

³¹Usseljenička politika u funkciji razvoja hrvatskog gospodarstva (2008), *Zbornik radova sa međunarodne konferencije*, Hrvatska gospodarska komora.

or police station. This permit is valid for 1 year and can be extended for another year. Permanent residence will be issued to a foreign national who has held temporary residence status in Croatia for 5 continuous years. A foreign national shall be granted permanent residence if, apart from these conditions, he/she is in the possession of a valid foreign travel document and material means for living, has health and social insurance and is acquainted with the Croatian language and the Latin alphabet.

The Croatian social security system applies the principle of compulsory insurance in the host country (*lex loci laboris*) when it comes to pension insurance, while insurance for family benefits and illness benefits are based on the principle of residence provided that in some cases have to be embroidered by citizenship. When migrant workers who have been granted permanent resident status and issued a work permit or are employed in Croatia start to work, they must register in the pension insurance system so that they can enjoy equal rights and obligations as Croatian citizens. Residence in Croatia is not a requirement for the payment of benefits or pensions. When it comes to health insurance, foreign nationals with temporary or permanent residence and a work or business permit in Croatia enjoy equal rights and equal obligations as Croatian nationals. A worker could apply to records of the Croatian Employment Service and the benefits of mediation in the employment of foreign nationals if he/she has a residence in Croatia. Foreign nationals with temporary or permanent residence who have lost a job are entitled to benefits from the system of unemployment insurance (*Izvješće o analitičkom pregledu, Hrvatska; Poglavlje 2.-Sloboda kretanja radnika*).

Under the Aliens Act, a foreigner may be employed in Croatia only if he or she holds a work or business permit, but may not commence employment before obtaining temporary residence status. In accordance with its immigration policy, the Croatian Government determines an annual quota of work permits for foreign nationals. Work permits are issued by the Ministry of Interior upon the request of the employer. It is issued for a limited period of time, which corresponds to the duration of the work contract or other applicable contract, to a maximum of two years. Business permits are also issued by the Ministry of the Interior. It is issued to foreign nationals who have a registered small business, who are engaged in a small-scale business activity, who are working as free lancers, or who conduct business in either their own registered company or a legal entity in which they hold the majority stake. A business permit is essential for foreigners who provide services on behalf of a foreign employer and meet other requirements for a temporary residence permit (Zlataković Winter 2009)³².

In 2003 the Croatian Parliament passed the Asylum Act, which is generally aligned with the relevant international instruments. Applications for asylum are processed by the Ministry of the Interior in the first instance. From 1997 to 30 June 2004 362 asylum applications were submitted. From the beginning of the application of the Asylum Act (1 July 2004) to 30 November 2005, applications for asylum were submitted by 253 foreign nationals. Asylum in Croatia is often requested by nationals of Turkey, Serbia and Montenegro, Iran, Iraq, Pakistan, Bangladesh, West African countries and the countries of the former USSR (*Strategija migracijske politike Republike Hrvatske 2006/2007*). Given that there is still a relatively small number of asylum seekers, the conclusion is that Croatia is not a destination country for this category of aliens. Bearing in mind the Croatian status of

³²The following categories of foreign nationals do not need a work or business permit in Croatia: foreigners with permanent residence status, foreigners with asylum status, foreigners with temporary residence status for the purpose of reuniting with family who are Croatian citizens or foreign nationals with permanent residence status, or with an asylum seeker, victims of the trafficking with temporary residence, foreign nationals who have the status of fulltime school pupils or university students in Croatia, or when they are carrying out jobs via an authorized agent, but without entering into employment contracts, foreign nationals with temporary residence for the purpose of scientific research, foreign nationals with special permission to stay in the RC.

candidate country for EU membership, and trends in the new member states, it is expected that the number of asylum seekers will increase significantly in the next period. The number of asylum seekers in Croatia is relatively low; nevertheless it is an important topic in public debates. Local communities usually oppose the building of asylum centres on their territories irrationally fearing that the asylum seekers could negatively affect their everyday life.

Croatia has been part of the route of unregistered migrants for several years already. They try to enter the countries of the EU by different means, most of which illegal. This problem became even more pronounced after Slovenia and Hungary joined the EU and after the Schengen borders reached Croatia (Zlatković Winter 2009).

Conclusion

It is important to note that foreign nationals residing in the Republic of Croatia permanently or temporarily constitute less than one per cent of the total Croatian population. Due to the demographic and work conditions, Croatia will soon become an immigration country, especially with the accession to the EU. The arrival of economic immigrants could be backed by current drawbacks on the labour market, i.e. a lack of competitiveness and flexibility. Immigration flows may be expected from Eastern Europe besides immigrants from "ex-Yugoslavia", that were the primary source of immigration. We can expect that people from those countries will come in Croatia in search for a better life. Therefore we need to develop an immigration strategy that would help in dealing with the unfavourable age structure and obtain the sort of workers which will help to improve our economic trends.

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THE WILCO PROJECT

Full title: Welfare innovations at the local level in favour of cohesion

Acronym: WILCO

Duration: 36 months (2010-2013)

Project's website: <http://www.wilcoproject.eu>

Project's objective and mission:

WILCO aims to examine, through cross-national comparative research, how local welfare systems affect social inequalities and how they favour social cohesion, with a special focus on the missing link between innovations at the local level and their successful transfer to and implementation in other settings. The results will be directly connected to the needs of practitioners, through strong interaction with stakeholders and urban policy recommendations. In doing so, we will connect issues of immediate practical relevance with state-of-the-art academic research on how approaches and instruments in local welfare function in practice.

Brief description:

The effort to strengthen social cohesion and lower social inequalities is among Europe's main policy challenges. Local welfare systems are at the forefront of the struggle to address this challenge - and they are far from winning. While the statistics show some positive signs, the overall picture still shows sharp and sometimes rising inequalities, a loss of social cohesion and failing policies of integration.

But, contrary to what is sometimes thought, a lack of bottom-up innovation is not the issue in itself. European cities are teeming with new ideas, initiated by citizens, professionals and policymakers. The problem is, rather, that innovations taking place in the city are not effectively disseminated because they are not sufficiently understood. Many innovations are not picked up, because their relevance is not recognised; others fail after they have been reproduced elsewhere, because they were not suitable to the different conditions, in another city, in another country.

In the framework of WILCO, innovation in cities is explored, not as a disconnected phenomenon, but as an element in a tradition of welfare that is part of particular socio-economic models and the result of specific national and local cultures. Contextualising innovations in local welfare will allow a more effective understanding of how they could work in other cities, for the benefit of other citizens.