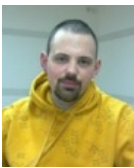


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The beginning of the end or the end of the beginning? A framework for understanding youth unemployment in Croatia

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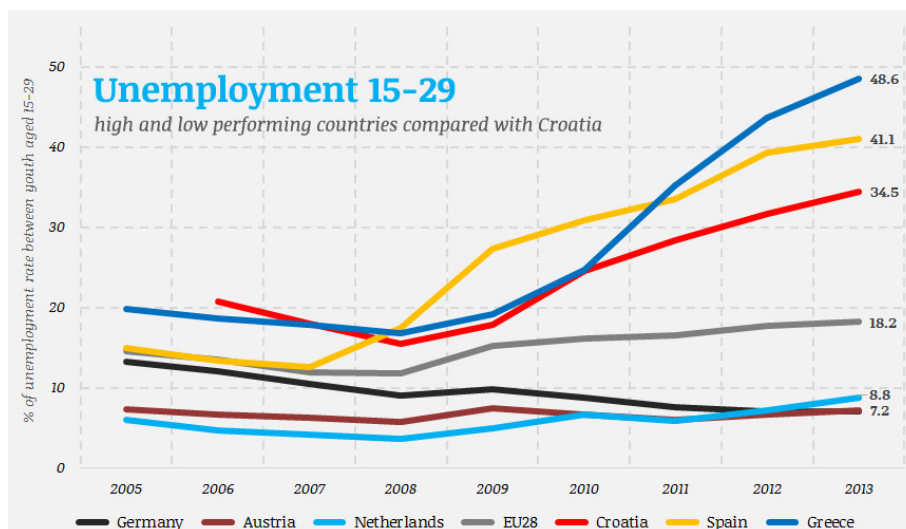


"Youth unemployment in Croatia did not simply explode during the Crisis: it was there all the time, it is structural in nature and was systematically ignored." **Nikola Buković** of the Croatian Youth Network lays out a framework to understand and tackle this monumental problem via three dimensions – governance (policy-makers), labour market supply (education) and labour market demand (economy).

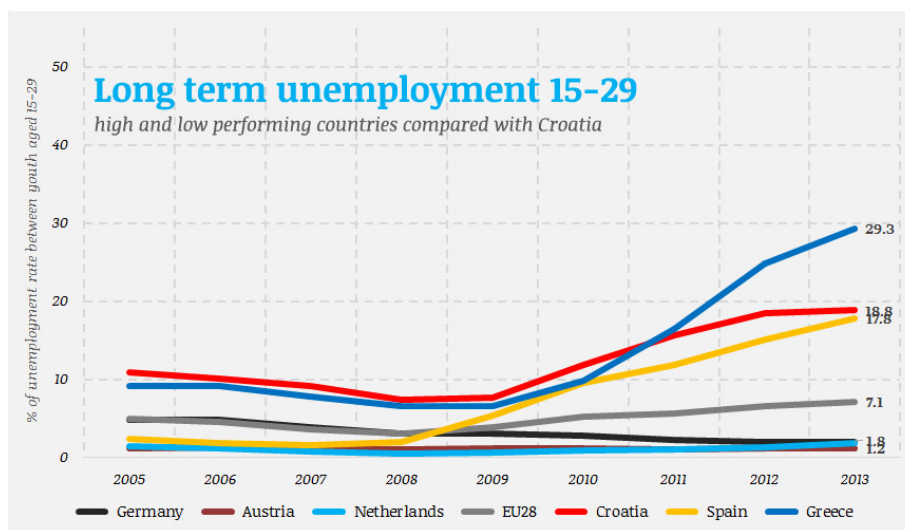


Banksy's 'No Future' mural in Southampton

It seems appropriate to begin any reasonable deliberation on youth unemployment with some facts and figures. An insight into the current position can be seen through two key labour market indicators: the unemployment rate and the long-term unemployment rate; applied to 15-29 population these data reveal a lot about the Croatian situation.



Youth unemployment rate in selected countries of the European Union (source: Labour Force Survey, visualisation: own)



Youth long-term unemployment rate in selected countries of the European Union (source: Labour Force Survey, visualisation: own)

These charts raise three important issues. Firstly, as is quite well known by now, Croatia is among the three worst performers in Europe when it comes to both indicators. It has the third highest unemployment rate behind Greece and Spain, and the second highest long-term unemployment rate behind Greece. Secondly, the temporal dimension is here of the utmost importance. When we compare the Croatian figures to the EU-28 average over time, it is clearly visible that Croatian performance in both cases has always been worse, even in 2009 when Croatia came closest to EU-28 figures. Consequently, and contrary to the wide-spread understanding that is often promoted by politicians and the press, unemployment did not simply “explode during the Crisis, while youth was disproportionately affected by it”. The problem was there all the time; it is structural in nature and was systematically ignored (or at least downplayed) by more or less all relevant labour market stakeholders, primarily the State, trade-unions and employers. The current difficult, even dramatic situation simply represents logical outcome of such dynamics. Thirdly, the high long-term unemployment rate clearly indicates problems with effective labour market integration. According to the analysis of data on registered unemployment in the period 2008 – 2012 depicted in the [Croatian Youth Guarantee Implementation Plan](#), youth without previous work experience encompasses the bulk of the unemployment structure, although this varies according to age (within 15-19 age group 82% of the unemployed are long-term unemployed, while this share is 40% for 20-24 and 22% for 25-29 age group respectively). Moreover, looking at the data on employment stability (the share of young people finding a job with permanent contract, and the share of young people with temporary contracts compared to the general population), there is a visible trend of increased turn-over and increased incidence of non-standard employment. This results in prolonged periods of unemployment among youth, particularly those without previous work experience and with lower qualifications.

Three dimensions are in my opinion crucial for understating youth unemployment in Croatia: **governance, labour market supply and labour market demand**. The key approach adopted here is that the current situation represents **the sum of systematic failures in all three dimensions/arenas**. As a corollary, any approach which may hope to tackle youth unemployment in Croatia presupposes systematic and simultaneous actions that cuts across all three dimensions.

The policy makers

The first dimension can be referred to as “**governance**”. It relates to the ability of “the system” (intended as key labour market stakeholders) to develop coordinated policies that are well targeted, based on high-quality data, properly financed and continuously coordinated and evaluated. The Croatian system represents in many ways a complete contradiction to this description. An aspect with plenty of room for improvement is the lack of clear target groups in the population between 15-29 years of age. Policy-makers justify this approach by stating that interventions would otherwise end up being too “rigid” and “inflexible”, but in reality such lack of targeting leads to an over-representation of youth with higher education diplomas as beneficiaries of active labour market measures. This can be contrasted with the structure of youth unemployment, which is dominated by youth with lower qualifications. Some progress is visible, not least as a requirement of the [European Semester](#), in the capacities of the Croatian Employment Service to carry out evidence-based policymaking. However, these capacities still remain largely underutilized. Analysis of how well (or badly) certain measures perform usually fail to reach the community of experts capable of proposing useful revisions, while the changes that are made seldom have a clear basis in the data, apart from those that reflect budgetary constraints.

It is also very frequent for active labour market measures to “run out of steam”: due to the budgetary gap, further implementation is not possible in the last quarter of the fiscal year, and sometimes even earlier. This is a well-known issue that is periodically stressed by both beneficiaries and experts. Somewhat surprisingly, among key policy makers this tends to be interpreted as a “job well done” in the sense of efficient budgetary spending, neglecting among other unfavourable outcomes the queuing effect it creates. The likelihood of receiving assistance is thus determined primarily by the exact moment at which the beneficiary becomes a registered unemployed person, creating a tangible and arbitrary inequality in access to basic social rights. In practical terms, a (young) job seeker obtaining the “unemployed” status in the second part of the year may not receive any assistance before the beginning of the next year.

Finally, a lack of administrative capacity to implement, monitor and evaluate employment policy is too often coupled by an absence of continuity and strategic approach to policymaking. It seems that all reforms related to the labour market are characterized as “crucial”. In return, few of them receive such a status in practice, and their development is almost always

accompanied by delayed inception and a lack of any proper administrative setup that would be necessary for effective implementation. Some recent policy documents which illustrate some of these problems: “The National Youth Guarantee Implementation Plan”, “The National Youth Programme 2014 – 2017”, “The Strategy of Development of Social Entrepreneurship 2014 -2020”, “The Strategy for Combating Poverty and Social Exclusion 2014 – 2020” and “The Strategy of Education, Science and Technology”. As a consequence, many documents suffer from a general lack of coherence, leaving a lot of territory uncharted when it comes to coordination, the joint delivery of interventions to cut across a number of departments, and mechanisms for monitoring and evaluation. There has been some progress in recent years with respect to evidence-based policymaking, involving the relevant stakeholders and aligning content with national and EU policy frameworks. However, a serious reflection on the capacities of ministries in charge of labour, education and social policy (to name just a few) for delivering cross-cutting policies for youth unemployment remains to be seen. Continuing “business as usual” will simply not meet the mark, as the outcomes in terms of youth unemployment indicate.

The education system

The second dimension that requires an immediate attention is **labour market supply**. This is primarily related to the educational system, both formal and non-formal education, and informal learning. Traditionally, an ability to intervene on the supply side is coupled with the “small-state argument”. As emphasized by [Peter Katzenstein](#) referring to the examples of Austria and Switzerland, smaller states should be able to adapt to external pressures more easily through timely and coordinated efforts of key labour market stakeholders. This can be done by changing educational inputs, and is usually associated with an effective system of vocational education and training in upper secondary education together with strong social dialogue.

Croatia is performing badly in this dimension as well, which creates bottlenecks in the transition from education to the labour market. A study carried out in 2012 revealed that up to **42% graduates** aged 15-29 find their first employment in an occupation that was not even remotely connected to their formal qualification. Moreover, unlike in Austria and Switzerland, education is not seen as a key arena for social dialogue by either employers or trade-unions, as indicated by the recent [mapping effort on situation in Croatian three-year VET programmes](#).

One of the obstacles to a meaningful policy intervention in this field is its potential to spur heated and ideologically polarizing debate. On the one hand, employers usually represented by [the Croatian Employers' Association](#) push for more alignment of education to the demands of the labour market, ultimately suggesting enrolment quotas and higher inputs into [STEM programmes](#). On the other hand, a diverse set of actors such tradeunions, civil society organisations and universities, usually work within their own arenas. Apart from the more pragmatic motivations of public sector tradeunions and universities which have to do with protecting jobs of their members and the survival of certain departments, the general argument here is arefusal to submit education to the demands of the labour market. This cleavage makes the situation politically very complicated and sensitive for any official willing to tackle the problems within this arena, while overlapping competencies between the ministries in charge education and labour does little to help the case. The implementation of the Croatian Qualification Framework and the new Strategy of Science, Education and Technology may address some of the challenges regarding coordination. However, finding some common ground between interested parties remains a critical unresolved issue, and one of the key responsibilities shared by minsters in charge of education and labour. If such an arena could be created, the outcomes might be more constructive and the willingness “to play ball” might increase, not the least out of sheer necessity and mutual interest to avert the serious economic and social ramifications of the *status-quo*.

The economy

The third dimension is **labour market demand**. Simply put, the Croatian economy currently does not have the capacity for sufficient job creation which could significantly reduce youth unemployment, nor are there any indications that this will change even in the mid-term. Croatian GDP has been in [decline for five consecutive years in a row](#). Relevant institutions such as the [World Bank](#), [International Monetary Fund](#), even [Croatian Bureau for Statistics](#) and [Croatian National Bank](#) predict further decline in 2014 and possible sluggish recovery in 2015. On a structural scale, this will do little as the existing gap represents a combination of cyclical effects and the political and economic heritage that dates back to the beginning of 1990s. As stated by [Vojimir Franičević](#) in his [2008 report](#) some 300,000 jobs were lost in industry during the 1990s within the framework of privatisation, which was, and still is, a fiercely contested in economic, political and (to a lesser degree) legal sphere. This loss, among other things, permanently reduced the economy’s export potential, directing it towards the import-orientated, fiscally dependent and ultimately unsustainable growth path that characterised the 2000s.

New concepts and ideas on how to generate job creation are urgently needed as the previous models, which focused firstly on public investment, and later on private (foreign) investments obviously did not meet the mark. Greater focus on a social and sustainable economy may be part of the solution, as attested by the [case of Spain](#), where [new kind of firms](#) seem to be challenging persistent negative trends.

An integrated approach is urgently needed

To say it with Churchill, we are nowhere near the end of the struggle, nor at the beginning of its end – but, once the problem is correctly analysed and all forces concur in working together, that might well be the end of its beginning.

In pursuing this effort, it is important to keep in mind that any meaningful attempt to tackle youth unemployment in Croatia has a strong international, particularly EU dimension. Upon its EU accession, Croatia quickly entered [the Excessive Deficit Procedure](#), which may actually hamper efforts at recovering from an already low labour market demand. Finally, any systematic intervention that cuts across all three dimensions discussed above, requires not only competence, political will and public money, but also requires time. Unfortunately, this seems to be the one resource that is running out, both for Croatia and its unemployed youth, as it becomes increasingly difficult to avert the momentum of the negative trends developed over time.

This is all the more reason for all key stakeholders to step up to the mark, assume responsibility and get to work, together, and as soon as possible.

Note: This article gives the views of the author, and not the position of LSEE Research on SEE, nor of the London School of Economics.

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