



EMIN Context Report

CROATIA

Developments in relation to Minimum Income Schemes

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EMIN2 project

Context Reports: CROATIA

State of play on minimum income schemes and National EMIN Networks

What is EMIN?

The European Minimum Income Network (EMIN) is an informal Network of organisations and individuals committed to achieve the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes. The organisations involved include the relevant public authorities, service providers, social partners, academics, policy makers at different levels, NGOs, and fosters the involvement of people who benefit or could benefit from minimum income support.

EMIN is organised at EU and national levels, in all the Member States of the European Union and also in Iceland, Norway, Macedonia (FYROM) and Serbia.

EMIN is coordinated by the European Anti-Poverty Network (EAPN). More information on EMIN can be found at www.emin-eu.net

What is the Context Report?

In 2014 individual Country Reports were produced under the EMIN project which outlined the state of development of Minimum Income Schemes in the country concerned. These reports also set out a road map for the progressive realisation of adequate Minimum Income Schemes in that country. These Country Reports can be found on www.emin-net.eu (EMIN Publications). This Context Report gives an update on developments in relation to Minimum Income Schemes in (CROATIA) since the publication of the Country Report.

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The information contained in this report does not necessarily reflect the official position of the European Commission.

Definitions used in the EMIN Project

Minimum Income Schemes are defined as, income support schemes which provide a safety net for those of working age, whether in or out of work, and who have insufficient means of financial support, and who are not eligible for insurance based social benefits or whose entitlements to these have expired. They are last resort schemes, which are intended to ensure a minimum standard of living for the concerned individuals and their dependents.

EMIN aims at the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes.

Adequacy is defined as a level of income that is indispensable to live a life in dignity and to fully participate in society. Adequate Minimum Income Schemes are regularly updated to take account of the evolution of the cost of living.

Accessible is defined as providing comprehensive coverage for all people who need the schemes for as long as they need the support. Accessible Minimum Income Schemes have clearly defined criteria, they are non-contributory, universal and means-tested. They do not discriminate against any particular group and have straightforward application procedures. They avoid:

- institutional barriers such as bureaucratic and complex regulations and procedures and have the minimum required conditionality,
- implementation barriers by reaching out to and supporting potential beneficiaries
- personal barriers such as lack of information, shame or loss of privacy.

Enabling is defined as schemes that promote people's empowerment and participation in society and facilitates their access to quality services and inclusive labour markets.

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I. Evolution in laws and regulations regarding minimum income schemes

This section indicates changes to the main minimum income scheme in the country since the EMIN1 project ended in 2014, in particular changes to schemes that were dealt with in the EMIN1 project. In countries where several minimum income schemes coexist, please give priority to minimum income schemes for the working-age population. The **country report** from the EMIN 1 project is available at <https://emin-eu.net/emin-publications/> but not for Croatia while Croatia did not participated in EMIN 1.

Croatia has a single basic Minimum Income scheme which is termed Guaranteed Minimum Benefit (GMB); (Croatian term-Zajamčena minimalna naknada – ZMN). GMB was introduced in a Social Welfare Act in 2013 and replaced previous social assistance (O.G 157/13), came into effect on 1 January 2014. The GMB (ZMN) is a national scheme, administered by Centres for Social Welfare under the authority of the Ministry of Social Policy and Youth and is means and asset-tested. It is universal non-contributory scheme financed by taxes from central state budget.

The aim of the GMB is to ensure a minimum level of income for each individual or family whose income level is lower than the level set by the law. It is increased for vulnerable groups such as single persons, people with general incapacity for work, pregnant women and children in a single-parent family.

1. Entitled beneficiaries.

Beneficiaries of the GMB are single persons or families who do not have enough money for the basic means of life, those who have insufficient income from work, property income, or from the person liable to pay support if the welfare centre establishes that the person concerned is not able to provide support.

The following persons are also entitled to guaranteed minimum benefits:

- physically or mentally disabled adults or mentally ill children and children who should be subject to a measure of a family-law or criminal law protection,
- physically or mentally disabled or ill adults, elderly, infirm and other persons who, due to a permanent change of their health, are not able to provide for their basic means of life,
- other persons who are in need due to disturbed relations in their families, alcohol addiction, drug addiction, addiction to other narcotic substances, other forms of socially unacceptable behaviour or other reasons.

2. Conditions.

1. Nationality:

Nationality required, but foreign nationals with residence permits are entitled to benefits in accordance with treaties. Beneficiaries of international protection and their family members legally residing in Croatia are entitled to social welfare according to the provisions of the Social Welfare Act (Official Gazette No 157/13, 152/14 and 99/15) and (the International and Temporary Protection Act-Official Gazette No 70/15).

2. Residence: *Permanent, exceptionally temporary.*

3. Age: No age requirements.

4. Means-related conditions described below:

Immovable property, property rights and other domestic or foreign assets owned by single persons, families or household members are taken into account. Guaranteed minimum benefit *is not granted in cases where:*

- the single person or a member of a household owns a second residence or commerce which can be used to provide resources
- a single person or a member of a household who up to three years before the application, sold their property, renounced to their heritage or made a donation of their assets if the sales or the market values of their properties could cover their support.
- a single person or a member of a household owns a property which could be used for generating incomes (through the rental or sale) without compromising the basic needs of life.

Personal property (movable assets):

Amounts of cash in domestic or foreign currency, savings or monetary savings in personal accounts or savings accounts and other domestic or foreign assets owned by single persons are taken into account.

Guaranteed minimum benefit *is not granted in cases where a person owns a registered vehicle¹ or uses a personal vehicle* owned by another legal or natural person.

According many people from the field this condition is too strict especially in a situation when many poor households in a remote villages really need a car for everyday life. This condition should be changed or defined in a way that limit is set to maximum monetary value of the car in possession.

Income and (other) benefits:

Individual income or family income, earned in the three-month period preceding the month of the claim, is taken into account. All income from gainful activity, property or social security is taken into account, unless otherwise specified below, under "Exemption of resources".

Exhaustion of other claims:

Entitlement to Guaranteed minimum benefit is conditional upon not being able to secure one's subsistence through own work, rights arising from work or insurance, income from property or other sources (including benefits), receipts under other regulations, assistance of the persons obliged to support him/her, or in any other way.

Exemption of resources:

The following income is not taken into account in the means test:

- *housing allowance (Naknada za troškove stanovanja),*
- *fuel allowance (Troškovi ogrjeva)*
- *disability allowance (novčana naknada za tjelesno oštećenje),*

¹ unless the vehicle serves for the transport of the single person or a member of the household because of disability, old-age or limited mobility, or due to lack of transport connections

- allowance for assistance and care (*Doplatak za pomoć i njegu*),
- allowance for prosthetic devices,
- *personal disability allowance (Osobna invalidnina)*,
- child support,
- state subsidy in agriculture, fishery and forestry,
- financial compensation for animals which were killed or died during the implementation of measures based on special regulations on veterinary medicine
- scholarship for students during their regular or university education up to their 29th birthday,
- compensation received by a foster parent to help take care of the child concerned,
- financial assets received from donations by legal and natural persons for health-care needs, or one-off donations up to the amount of HRK 5,000 (€664) per year.
- funds received for coping with the consequences of natural disasters,
- the funds received for child support up to the amount of temporary support at the welfare centre.
- financial allowances for students during their practice and learning
- financial assistance and travel expenses who has not started yet work, financial assistance and travel expenses for an unemployed person in education organised and paid for by the Croatian Employment Service
- social allowances provided on the basis of special regulations on the rights of Croatian Homeland War Veterans and members of their families and on the protection of disabled war veterans and disabled civilian war victims.
- financial assistance for buying clothes for new-born babies from local and regional government,
- income from dividends and monetary assets realised from sales of shares by members of, the Croatian Homeland War Veterans Fund, who are disabled or members of the families of Homeland War Veterans. .
- social assistance and benefits provided by regional or local government.
- social assistance and benefits provided by regional or local government.

3. Requirements for job search.

Those beneficiaries capable of work must be registered at the Croatian Employment Service and must accept any offers of work, regardless of their qualifications or experience, including temporary and seasonal jobs. If beneficiaries of guaranteed minimum benefit refuse a job offer or terminate their employment, their right to benefit is suspended. The following categories are exempted from these requirements:

- a person who is less than 5 years away from entitlement to an old-age pension,
- children aged below 15 years,
- persons over 65 years,
- disabled persons,
- children from age 15 years until age 18 or longer if in regular education (up to 29),
- a person established as being temporarily unemployable by a competent authority
- pregnant women and new mothers up to 6 months after giving birth and
- parents caring for a child up to the age of one - for twins up to 3 and for a severely disabled child, up to 7.

4. Calculation of GMB cash benefits:

The base for determining the amount of Guaranteed minimum benefit (Zajamčena minimalna naknada) is established by the Government but it cannot exceed the gross minimum wage, which for 2015, amounts to HRK 3,029.55 (€402) in order to encourage working-age beneficiaries to return to the labour market. The amount receivable varies according to the composition of the household

The unit for the calculation of benefits *is the individual (in case of single persons) or the household.*

Impact of family composition.

The amount of the guaranteed minimum benefit varies according to the composition of the household, as specified below, under " Amounts".

Amounts.

The calculation base of the guaranteed minimum benefit (*zajamčena minimalna naknada*) is HRK 800 (€106) since 8 October 2014. The amount of the guaranteed minimum benefit is determined as a percentage of the calculation base as follows:

- Single person incapable of work: 115%;
- Single person capable of work and who is a lone parent: 100%;
- Adult household member: 60%;
- Child: 40%.
- Child of a lone parent: 55%
- If a single person or a household generates income, the amount of the guaranteed minimum benefit is the difference between the amount of the minimum benefit and the average monthly income in the previous three months. The amount of the benefit shall not exceed the gross minimum wage (in 2015, HRK 3,029.55 (€402)).

Recipients of guaranteed minimum benefit, whose child is placed in a students' dormitory as a secondary school student, have their benefit increased by the amount of the cost involved. Recipients of guaranteed minimum benefit are entitled to Housing benefits (Naknada za troškove stanovanja), up to half the amount of the guaranteed minimum benefit.

3. Duration and time limits.

Guaranteed minimum benefit can be successively renewed whenever a situation of need appears or it can be unlimited. In circumstances stipulated under the Act (e.g. the beneficiary receives hospital treatment, is in police custody or detention, is in temporary accommodation, or is continuously living in abroad for more than 2 months), the guaranteed minimum benefit can be suspended for 6 months.

Those beneficiaries who find work whilst claiming the benefit may continue to receive ZMN for the *first three months of employment in decreasing* amounts from 100% in the first month, to 75% in the second month, and 50% in the third month

4. Indexation – No automatic indexation

Housing, heating and energy allowances (for GMB beneficiaries).

Housing benefits (*Naknada za podmirenje troškova stanovanja*) include the cost of rent, electricity, gas, heating, water, water drainage and other housing costs. *Housing benefits are compensated by local governments or the City of Zagreb*, for up to 50% of the monthly amount of the Guaranteed minimum benefit to which the individual or household is entitled.

Recipients of Guaranteed minimum benefit who use wood for heating are entitled to Fuel allowance (*Troškovi ogrjeva*) consisting of 3 cubic metres of firewood once a year or a financial amount determined by *the competent regional government*.

Beneficiaries of *guaranteed minimum benefit and of personal disability allowance* are entitled to the Benefit for energy buyers at risk (*Naknada za ugroženog kupca energenata*). *The monthly amount of the benefit is determined by Government Regulation and is up to maximum HRK 200 (€ 26)*.

These benefits can be renewed and are unlimited in time.

Assessment of claims.

Claims for benefit need to accompany by the necessary documents showing that the various conditions for entitlement are met. The Social Welfare Centre (*Centar za socijalnu skrb*) is responsible for assessing entitlement. The beneficiary is required to inform the competent authority of any changes in the circumstances on which the decision is based. The need for assistance is re-assessed in such cases.

Workable applicants have to be registered at the Croatian Employment Service (*Hrvatski zavod za zapošljavanje*) as job seekers. Exceptions:

- persons who are less than 5 years away from entitlement acquisition of rights to the old-age pension,
- children up to the age of 15 or older for the period of their regular education, or young adults up to 29 until the end of their reeducation,
- pregnant women and new mothers up to six months after giving birth; parents caring for children up to the age of one for one child, up to 3 for twins, and up to 10 for three or more children, as well as parents on adoption leave,
- a person wholly incapable of working,
- those established as being temporarily unemployable by a competent authority, according to special regulations,
- unemployed family members with no income caring for a child or for an adult family member who is unable to take care of themselves, insofar as the care provided replaces institutional care under the Social Welfare Act (*Zakon o socijalnoj skrbi*).

Reimbursement of benefits.

The beneficiary has to reimburse any Guaranteed minimum benefit (*Zajamčena minimalna naknada*) received unduly as well as compensating the Social Welfare Centre (*Centar za socijalnu skrb*) for damages. The State can also claim another (second) real estate owned by the benefit recipient that is not used for living. This includes cases where the beneficiary knowingly provided false or inaccurate information or failed to provide information liable to affect their entitlement to benefit or the amount concerned. Recovery from the estate of the deceased beneficiary is possible also in some situation.

Special rights in health care.

Health care is covered by the Health Insurance scheme (basic entitlements). The following persons may acquire the right to health care, unless they are entitled to such care in another way:

- recipients of guaranteed minimum benefit, if disabled,
- drug addicts, if receiving specific treatment, and
- persons deprived of legal capacity.

Taxation and social contributions:

Benefits are not subject to taxation or social contribution.

Critical remarks to GMB

It is obvious from the text that Croatian MIS represented by GMB has serious shortcomings. First of all the value of GMB depends on arbitrary decision made by the Government or Ministry in charge. It does not use any kind of Reference Budgets in order to set levels of benefit. A recent study², as part of an EU-wide project, established that the monthly budget required for a healthy diet in Croatia, including kitchen equipment, in March 2015 was EUR 166 (HRK 1269.58) for a single person and EUR 564 (HRK 4313.53) for a family of two adults and two children. AROPE threshold for one person living alone according Croatia Bureau of Statistics was around 280 EUR monthly (HRK 2183) in 2015. On the other side poor single adult person living alone will receive only around 106 EUR monthly for GMB what is not enough for covering only food expenses and it reached only 38% of poverty threshold in 2015. Situation is even worst when one compare family two adults and two children receive around 215 GMB EUR monthly but for covering only food expenses same family needs 564EUR monthly.

Another important point is that in some cases very strict condition in means test procedure result in exclusion of the actually poor from the right on GMB (like having a car could be a reason to exclude someone from right on GMB) *but data and research about non take up rate in Croatia are not available*. On the other hand very illustrative could be comparison of GMB beneficiaries with number of people living below official poverty line. Namely, beneficiaries of GMB oscillated around 100.000 in Croatia on yearly base and people falling below poverty line around 800.000 (in last few years in Croatia)³ what suggest that coverage rate of those below poverty line with GMB was around 12% last years.

Activation of unemployed workable beneficiaries of GMB is very important step in their full integration or reintegration in the labour market and society. However, Croatian system of GMB administration and coordination with Public Employment Service in direction of activation and practice is often very formal in a sense that is more focused on a sanction (for instance if workable beneficiaries of GMB was not appeared on regular monthly counselling meeting about job prospects in Pub. Employment Service that could result in losing right on GMB) than on real activation and inclusion in Active Labour Programs with aim to increase chances for employment of unemployed workable GMB beneficiaries.

Concluding, from the stated above and examples like this aforementioned one could conclude how GMB system in Croatia does not help to the poor to lift them out of poverty and to live decent life with GMB benefits but contrary it helps them only enough just to survive literary described.

II: Use of reference budgets in relation to MI

² European Commission (2015) The Croatian Food Basket. March, web: <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7841&type=2&furtherPubs=yes>

³ For precise numbers see Stubbs and Zrinščak (2015).

Reference budgets or budget standards are priced baskets of goods and services that represent a given living standard in a country.

In this section you will find information in relation the recent evolutions of the construction and use of reference budgets in CROATIA. Information is also given on the usefulness of these reference budgets for policy making or for awareness raising campaigns.

For further information on Reference Budgets see: Storms, B., Goedemé, T., Van den Bosch, K., Penne, T., Schuerman, N., and Stockman, S., Review of current state of paly on reference budget practices at national, regional and local level, pilot project for the development of a common methodology on reference budgets in Europe, Brussels, European Commission, 2014 <http://ec.europa.eu/social/BlobServlet?docId=12544&langId=en>

Reference budgets (RB) in Croatia have been constructed three times, the first time more than 20 years ago, as already stated in Storms, et.al, (2014). But despite that development, neither those constructed RB's nor newly developed reference budget is currently in use in Croatia. They were temporal and did not foster significant attempts to continue efforts for developing new and relevant reference budget.

The first reference budget was created in the year 1996. It was called Trade Union Basket (In Croatian "Sindikalna košarica") and it was developed and methodologically formulated by Union of autonomous trade unions of Croatia ("Savez samostalnih sindikata Hrvatske – SSSH" - in Croatian), which in that year calculated first reference budget. Geographical focus was the whole country. In the period 2001-2009 smaller changes in the methodology occurred and in the year 2009 methodology have changed more significantly. Since the year 2010 that RB has not been calculated in Croatia.

Independent trade unions of Croatia ("Nezavisni hrvatski sindikat – NHS" - in Croatia) also developed attempt of Trade Union Basket ("Sindikalna košarica" - in Croatian) in 2002. In 2001-2002 experts from trade union made the large number of consultation with other experts (nutritionists, etc.) and developed the methodology. First Basket was calculated in 2002. In the year 2006 methodology has been changed. Last Trade Union Basket was calculated⁴ in the November of 2011 and it was 892 EUR (6.693 HRK)⁵. The average net salary in Croatia for the year 2011 amounted to 81% of stated Trade Union Basket. Surveys conducted by trade unions have been used to construct these aforementioned reference budgets (1996/2002) which were constructed exclusively by experts from trade unions.

World Bank did the third attempt of reference budget in the year 2000⁶. World Bank, in their Absolute Poverty Line estimation, calculated the food basket as an essential part of poverty line estimation. It

⁴ The calculation of the trade union basket was made for a family whose members are parents and two school-age children. Regular basket not covered education costs (purchase of school books and supplies), health care (food supplements, medicines etc.), holidays and sports activities. The geographical focus of this Trade Union Basket was municipal. The trade union basket was calculated for 10 Croatian cities (Zagreb, Split, Rijeka, Osijek, Vukovar, Zadar, Varaždin, Pula, Dubrovnik, Slavonski Brod) and as well as average on basis of those cities (which we enlisted)

⁵ <http://www.nhs.hr/gospodarstvo/kosarica/>

⁶ More on that attempt in: Luttmer E. (2000). "Methodology." Background Paper No. 2 in World Bank (2000) World Bank, 2000, *Croatia: Economic Vulnerability and Welfare Study, Volume II: Technical Papers*. Document of the World Bank, World Bank, Washington D.C.

was constructed using the 1998 Household Budget Survey (HBS) and in the year 2006⁷ was revised on the basis of 2004 HBS. Researchers constructed the RB. National bureau of statistics in initial stage provided the data and some additional experts were involved in the later phase. Unfortunately, it was used as part of one-off poverty estimations and was not updated or maintained in the meantime.

The people experiencing poverty as disadvantaged groups are excluded from the political and social life of the community. They do not have access to centres of power and are not represented in important social institutions. In some aspects, they informed reference budget processes as research participants. Otherwise, people experiencing poverty were not included in reference budget construction. Civil society also just partly recognize problems of this group but are more dedicated to other providing services and advocacy, or other groups than addressing poverty. Only recently we have an active Croatian Anti-Poverty network.

Aforementioned Trade Union Baskets (SSSH and NHS) were the longest standing budget standards for priced baskets of goods and services that represent an approximation of living standard in a Croatia. But, there were more oriented towards assessing the adequate standard of living and to provide a benchmark for assessing the adequacy of wages. The third reference budget developed by the World Bank, was more oriented to assess the adequacy of social benefits and measuring the extent of poverty.

Although Trade Union Baskets (especially that developed by Independent trade unions of Croatia) were transparent and reached the respective level of public recognition and acceptance among various groups in society⁸ unfortunately, for now, we do not have any new attempts for development of reference budgets. It would be useful, with a broader consensus of various relevant stakeholders, to develop a reference budget taken in regards that monetary social benefits are partly determined arbitrarily and without evidence based approach. Namely, as stated above in a case of GMB and other social benefits in Croatia are often constructed by arbitrary decisions of public authorities.⁹

III. Implementation of Country Specific Recommendations on MIS and follow up through the Semester process.

As part of the EU Semester process, a number of countries have received **Country Specific Recommendations (CSR)** on their MIS or more generally on poverty. **Country Reports** can give interesting indications for countries performance with regards to Minimum **Income**. Evidence can also be found in EAPN's assessment of **National Reform Programmes 2016**. In some countries under a

⁷ More on revision in: Nestić D. and G. Vecchi (2006). „Poverty Estimation: Methods and Measurement Issues“ in World Bank, 2006 *Croatia: Living Standard Assessment, Volume 2: Background Papers*, World Bank Report No. 37992, November 2006, pp. 1-20, available at http://siteresources.worldbank.org/INTCROATIA/Resources/CroatiaLSA_Vol2.pdf.

⁸ But also we need to mention that potential challenge was getting a broad acceptance among various groups in society, due to indefinite number of possible consumption patterns

⁹ The basis on which the amount of the GMB was calculated and determined by the decision by the Croatian Government, and it was not set in the law nor in associated regulation, so can it be said to be arbitrary. Developed and methodologically clear reference budget would be relevant for informing that decisions. For the social assistance benefits before GMB, the base for calculation was at 22,5% of the at-risk-of-poverty threshold for a single person using the 60% median income threshold.

Macroeconomic Adjustment Programme; the **Memorandum of Understanding** has reference to MI. In this section you find information about developments in response to these reports and recommendations as well as information on how EU funds are used to support developments in relation to Minimum Income Schemes.

Changes in *the Social Welfare Act (SWA) in Croatia in 2014 and 2015* partially were induced by CSRs (for instance CSR number 4, 2014; number 3, 2015). For instance CSR, number 4 2014: *‘Review tax and benefits systems by the end of 2014, and present an action plan to improve the reactivation of inactive and unemployed persons. Strengthen the effectiveness and transparency of the social protection system by further consolidating benefits, unifying eligibility criteria and linking data from all relevant levels and government entities in the ‘one-stop shop’. Improve the effectiveness and adequacy of social assistance benefits through their better targeting;* number 3, 2015 for Croatia stated: *Tackle the weaknesses in the wage-setting framework, in consultation with the social partners and in accordance with national practices, to foster the alignment of wages with productivity and macroeconomic conditions. Strengthen incentives for the unemployed and inactive to take up paid employment. Based on the 2014 review, carry out the reform of the social security system and further consolidate social benefits by improving targeting and eliminating overlaps.*

Aforementioned SWA change in 2014 came because of CSRs in 2014 (number 4) but SWA changes in 2015 were a reaction to changes and inapplicability of some propositions from SWA 2013 and SWA 2014. In order to activate guaranteed minimum income (GMI) beneficiaries, SWA from 2014 introduced the rule of “social benefits ceiling” the reason behind was reaction to possible accumulation of benefits in a larger family what could produce negative effect on activation in a labour market. So SWA Law from 2014 introduced this rule and sets the maximum of social benefits which cannot exceed the minimum gross salary in Croatia (for one households). But on the other hand in the case of families with more children, that produced negative effects in terms of children poverty protection. Namely, the calculations suggest that families with three or more children on average lost more than 10% of previous minimum income benefits what definitely decreased their living standard with negative effect on child poverty in Croatia.

But on the other hand in Croatia child benefits scheme exist and the child benefit is income tested, which means that families with income below around 200 EUR monthly per capita are eligible to child benefits in Croatia. It means that all GMB beneficiaries with children have a right on child benefits too (while they have less than 200 EUR per capita monthly). Some research (Bejaković at all. 2012) indicated that some families, especially those with more dependent children and those with (“low work profile”) employment chances only in low-salary jobs, could end up in a “welfare trap” with negative effect of different welfare provisions (social assistance, child allowance, etc.) on their motivation for employment. However, it seems that situation changed with the adoption of new Social Welfare Act from 2014 when aforementioned rule of “social benefits ceiling” has been introduced. Finally, this rule “social benefits ceiling” was a positive step towards enhancing work incentives among workable GMB beneficiaries but from the other point of view, it could produce negative effects and diminish protection and standard of children living in poor households. Finally, while minimum gross wage in Croatia is low around 340EUR gross (net 250 EUR) monthly, it is possible theoretically (but not in large proportion in practice) that still welfare trap exists in Croatia. Namely, in situation of bigger households with 4 or more dependent children and with application of social benefits ceiling (340 EUR) for GMB accumulation plus using child benefits in case of opportunity to receive a job offer on minimum wage, this household still could be in situation to think what is a better option for them. So, this is a plastic description which present how is important to improve that interplay between minimum income and minimum wage system in Croatia in the future with aim to minimize ‘welfare trap’ and to improve protection of the poor and workers on low wage jobs at the same time.

Also SWA changes in 2014 as a reaction to CSR number 4, 2014 in order to increase activation of inactive social assistance beneficiaries SWA stipulated that: *the beneficiary who is able to work could be entitled to a guaranteed minimum benefit for no longer than two years*. After right on GMI ended, a beneficiary who is able to work does not have the right to file a new claim benefits for the next 3 months after the month in which the right ceased. This change of SWA showed inapplicable in the context of long lasting recession in Croatia with high unemployment. Namely, a significant number of beneficiaries who are able to work on guaranteed minimum benefits would be left without any income if aforementioned rule were applied. So because of that SWA changes again in 2015 and removed the aforementioned GMI time limit stipulation. Changes of SWA 2015 also increased the GMI for single persons not capable of work and for single parent households with children by 15% and introduced a new benefit of 200 HRK monthly (around 26 EUR) for around 73 000 vulnerable energy consumers what was a step in a good direction.

CSR from 2016 for Croatia especially CSR number 2 part *'Consolidate social protection benefits by reducing special schemes, aligning eligibility criteria, integrating their administration, and focus support on those most in need'* partially repeat CSR number 4 from 2015 insisting on *consolidation of social protection benefits* what could produce positive effect but also negative effect on the poverty in Croatia. Positive or negative effect mostly depends of concrete interpretation and steps that will be induced regarding this CSR by Croatian Government. Namely, criticisms from a number of international organisations, not always evidence based, that Croatia's benefit system is over complex with many opportunities for accumulation of benefits resulted in aforementioned CSRs. On the other hand effectiveness of Croatian benefit system if one compare pretransfer and post social transfer poverty rate is not so distanced from EU27 average. More on that last study about social transfer (Šućur at all., 2016) on local level also showed that local social transfers are more often complementary to those from the central budget and rarely duplicate programs what definitely should be improved in situation when such practice exist.

Concluding, if next reforms in social benefit system in Croatia based on aforementioned CSR2, 2016 would follow *'saving rationale'* in social benefit system for instance if *reducing special schemes* will be interpreted as a chance to *'save'* that could result in deleting some benefits (in order to save). So aforementioned *'saving rationale'* approach could even further deteriorate already low level of social benefits and MIS in Croatia and negatively influence position of the poor in Croatia.

III.1 Have EU funds being used to support developments in relation to Minimum Income Schemes?

According available information it was one project in Croatia financed from PROGRESS (2007-2013) which directly was directed to improve functioning Minimum Income Schemes in Croatia through better coordination of benefits coming from central government and benefits coming from regional and local government units. The result of this project was a publication: *Social protection benefits, expenditures and beneficiaries of social protection programs in Republic of Croatia* which was published by the Ministry for Social policy and UNDP in 2016 and prepared by following authors Šućur, Z.; Urban.I.; Babić Z. and Baran J.

IV. Social and Political Environment and its impact on the fight against poverty and the evolution of Minimum Income Schemes

In socialist time in Croatia poverty was neglected as a topic and as a research phenomena in Croatia. Before 1998 and World Bank's research, there were no relevant indicators of poverty in Croatia. After 2001, the National Statistical office began to track and publish poverty indicators on a regular base. In last years poverty as a serious social problem has become a public awareness mostly in form of academic research and sometimes in the news and the media; but among policy makers and politicians the question of the poverty and the problems of the poor are still undervalued.

Last strategic document in Croatia '*Strategy to combat poverty and social exclusion in Croatia 2014-2020*' was prepared under the coordination of Ministry for social policy and youth in 2014. It is stated in the document that Croatian goal is to reduce the number of people with poverty risks till 2020 with 150.000 persons. The strategy identified four most vulnerable groups in Croatian society mostly exposed to poverty and social exclusion risks: *children and youth, elderly and pensioners, unemployed and disabled people*. The aforementioned strategy is a good base for the preparation of the operational program which was foreseen at the end of the document and until now in 2017 was not formulated.

Aforementioned situation with enacted official Strategy to combat poverty from 2014 without concrete operational programmes even today in 2017 is very symbolic and it very well describes politicians and policy makers 'mood' about poverty issue in Croatia. It is a clear that this Strategy with good aims but without concrete action plan and resources devoted to achieve it, could end up as many other strategies in Croatia- without implementation and concrete results like a nice piece of thematic work. Another problem with potential negative influence on fighting poverty Croatia is the tendency within Croatian government to strictly follow the European semester CSRs which are not always providing a favourable context for poverty reduction but on the contrary insisting just on fiscal improvement, which could result in social expenditure and social benefits 'freezing' with possible negative influence on poverty as it was described in a previous section.

V. Developments in relation to the CROATIAN EMIN Network

For the implementation of the EMIN2 project in Croatia, cooperation with a number of key stakeholders for the success of the project has already been established. Thus, the EMIN2 project in Croatia will be conducted in close cooperation with the Croatian Anti-Poverty Network whose president signed the Contract for EMIN2 with European APN. Croatian Anti- Poverty Network has a wider network of members such as the Croatian Red Cross, Caritas, Croatian Independent Trade Unions and other members... This range of contacts will surely benefit and contribute to the EMIN2 project's public recognition in Croatia as well as its successful implementation.

From other people and organizations, it is important to emphasize close cooperation with the Independent Croatian Trade Unions and their President Mr. Kresimir Sever, who was officially appointed as a trade union representative in the EMIN2 project for Croatia. Mr. Krešimir Sever trade union representative has a long-term experience and public recognition as 'a fighter' for workers' rights. He is very keen on improvement of the position of those workers on low paid jobs and his engagement will definitely contribute the project; especially the part directed towards improvement and better coordination of minimum wage as an instrument to protect law wage workers and minimum income as an instrument to help a poor.

Regarding public authorities for EMIN2 we set up contacts with Ms. Katica Lažeta. Ms. Lažeta, Head of Department for social policy within Ministry for demography, family, youth and social policy confirms her availability to participate in this project and to represent her Ministry what will be very important link for eventual influence on policy recommendation which will arise from the project.

Next step will be meeting with the representative of European Commission in Croatia Mr. Branko Baričević, to inform him about project and to receive his support what will be very important for success of the project. Future steps also include finding an Ambassador of the project EMIN2 among Croatian 'Stars' what will improve visibility and positive image of the project in the broader public. By the end of this year /beginning of the next year we plan to organize a large National conference in Zagreb about adequacy and availability of current MI system in Croatia and future perspectives. We plan to invite and include in active participation at the conference all stakeholders mentioned above and key persons from the academia, political parties and policy makers but also people working in Centres for Social Work and people with experience in poverty to hear their voices too. Next year (2018) in first half of the year we plan to organize a small scale conference in the form of a discussion in three Croatian regional centers (Split, Rijeka and Osijek) to spread the information, conclusion and policy recommendation from Zagreb National conferences but also to include regional and local perspectives in promotion and implementation of EMIN2 project in Croatia. Finally, from the text above it could be concluded that a network of key stakeholders with named persons for the EMIN2 project success in Croatia has already been established.

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