

Country report: Croatia

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Short information about Croatia: political representation of the elderly and the question of pensions

This report should not be taken as a complex country report. What I want to share with the reader here, are some brief insights into the situation of the elderly in Croatia. As far as I know there was no survey yet, and only few research done on the topic of population ageing or on the quality of life in advanced age in Croatia, which I think is interesting information per se.

Croatia is one of the successor states of former Yugoslavia and has about 4.44 million of inhabitants, which is about 346,000 less than in 1991. But decreasing population is not the only feature that this transitional country shares with other European countries: rapidly decreasing rates of births and marriages, increasing rates of divorces and increasing share of older persons are just a few of them. According to the 2001 census, the latest available data, the share of the older cohorts is 15.7%, which represents about 696,500 persons aged over 65 years (see appendix Table 1). This share is projected to double by 2050.

Croatians have always been a nation with rather high mobility and their Diasporas all around the world are quite numerous. The last wave of emigration was of course associated with recent Balkan wars and with the period of complicated political and economic recovery. The main point for us here is that these emigrants belonged mainly to younger cohorts, while immigrants from other ex-Yugoslavia countries to Croatia during the wars were rather older persons. A kind of generational gap is emerging. I have noticed (as a participating observer) the difference between the inland city life during the year and at the time of feasts when these young people are coming back from all over Europe to celebrate in their hometown. This feature is positive in a way, since some of these better off emigrants can, or may, bring additional financial support for older parents living in the country but, on the other hand, economically motivated emigration has deep negative impact on the integrity of social nets and cohesion.

The Croatian elderly are quite in need of financial support since the average pension is less than 2,000 HRK (approx. 255 EURO), and 37.5% of pensions amount to even less than 1,500 HRK (approx. 200 EURO) – see Table 2 in appendix for details. Just to illustrate the situation, in some cases the monthly medical costs can reach 200 – 400 HRK and basic living costs may be over 1,000 HRK. It requires only basic mathematical skills to see that the disproportion between incomes and costs in retirement age is huge. The replacement rate (net mean pension by net mean wage) dropped from 75% in 1990, to currently 40%. In addition, there is not a national poverty threshold defined in Croatia. However, public criticism is not only aimed at low pensions but also at the high prices of basic household goods and services of disputable quality.

Croatia has embarked on a reform of the pension system in 1999 by transforming the PAYG pension system to a three-pillar system (the first pillar grants a minimum pension without having a direct connection to the workers contributions; the second pillar involves mandatory supplementary insurance (mandatory for persons under the age of 40 at the initiation of the new system – 1 January 2002) and the third one voluntary insurance). As the

ex-Minister of Labour and Social Care - Mr. Davorko Vidović¹ told me: "This was the only reform, which we have brought to successful end...".

There were 1,070,932 people registered in 2003 in the second pillar, contributing 5% of gross wage. However, the inflow is decreasing and people are less likely to choose an insurance company on their own. The administrating agency Regos assigned 79% of the insured to four (of previously seven) existing funds. In 2003, 64% of the insured were aged between the 25 and 39 years. The age group from 40 to 50 years, which could choose at the beginning of the reform whether they want to remain in the old PAYG or join the new system, represented more than 17% in 2003. The average contribution was around 300 EURO per insured and year.

In 1999, the legal retirement age was increased from 60 years for men and 55 for women with 20 years of work experience to 65 years for men, and will be raised to 60 years for women with 15 years of work experience in 2008. The main conditions for early retirement by then are going to be the age of 60 for men with 35 years of work and 55 for women with 30 years of work.

From the Croatian experience we can derive a kind of paradoxical logic – the lower the income of the group, the higher the frequency of social contacts. According to some international surveys these "southern" nations are by tradition more open to community solutions. Personal relationships and social life are important characteristics of the Croatian elderly.

There are three major senior (advocacy) organisations. The first one is the self-organised NGO Centre of Croatian Pensioners (Matica umirovljenika Hrvatske) with regional offices in all bigger cities. Its main goal is to provide widely defined assistance for the elderly in the different fields of social life including e.g. negotiations of discounts at spas or market chains. The Union of the Croatian Pensioners (Sindikat umirovljenika Hrvatske) is member of one of the biggest trade unions umbrella organisation SSSH and membership is not restricted to people at pension age. This organisation represents the interests of pensioners as well as for workers and takes some political action, on national as well as regional levels. The true political representation, Croatian Pensioners Party (Hrvatska stranka umirovljenika), was founded later in the 1990's with the purpose of pressing for pensioners rights, without a primary defined orientation within the political spectrum. It reached its first achievements in the municipal elections in 1997. In parliamentary elections in 2001 CPP has not reached the minimum limit of votes yet became the strongest party outside the Parliament. Resounding success arrived in recent elections in the autumn of 2003 where the party obtained three parliamentary seats. This success was commented upon in the media as "the biggest surprise of the elections" and due to the rather weak position of leading coalition, they have become key player in the parliamentary decision-making processes.

The CPP also played a crucial role in handling „the big robbery of the Croatian pensioners“ as the government debt is commonly called. The debt in concern appeared under the Croatian democratic union (HDZ) governance in 1993. The valorisation of pension benefits was stopped and the discrepancy between the wages and the pensions rose. According to the opposition's calculations, each pensioner lost about 5,000 EURO due to this decision of the government. More than 400,000 claims were made at the Supreme Court and it decided that the government's decision was incorrect and the debt should be paid back to the pensioners. However, the debt was not paid back after this finding and the case was brought before the Strasbourg Court. It is an interesting fact that such a situation – stopping or slowing down the valorisation of pensions – occurred in other transitional countries as well (e.g. in the Czech Republic), but we did not witness such reactions – as a legal procedures – in these countries. Croatia is often criticised for the slow development of law and order.

¹ Ministry of Labour and Social Care was replaced by Ministry of Health and Social Care, Ministry of Family, Veterans' Affairs and Intergenerational Solidarity, Ministry of Economy, Labour and Entrepreneurship by the new government at the beginning of 2004. (The fact that author and ex-Minister have the same surnames is merely coincidental.)

However, it seems that the citizens are able to find ways in which to fight for their rights, when it comes to facing the government's list of priorities, on it there may be other issues far ahead of their legitimate pension rights.

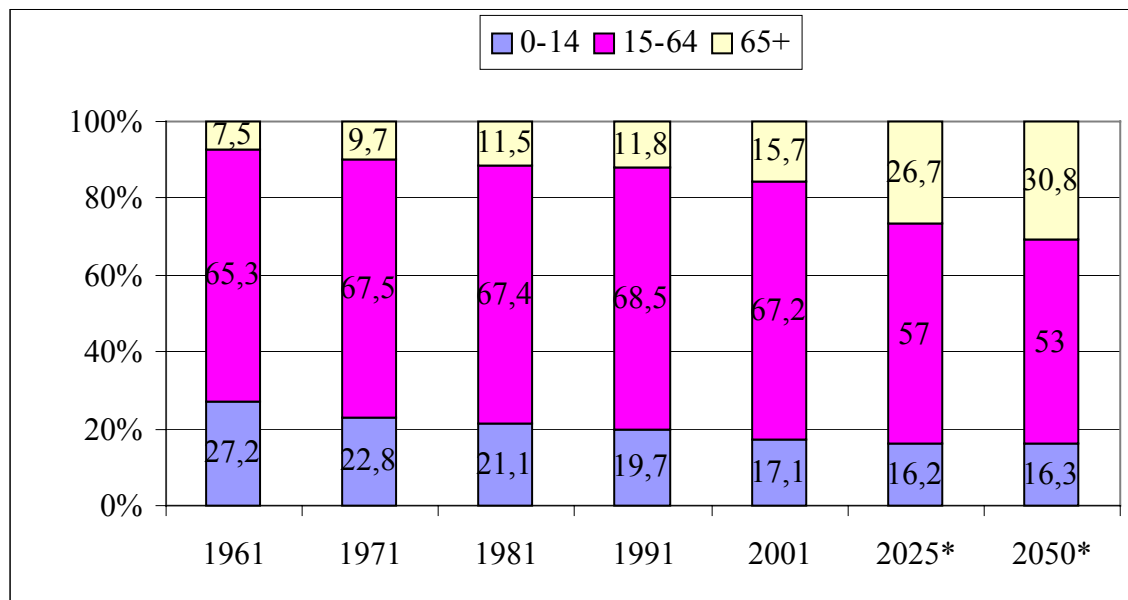
At the end of last year newly elected government, by coincidence the same party, which has ten years ago slowed down the valorisation of pensions, signed an agreement with CPP about changes within the pension benefit system to start acquitting the debt. First, the value of pensions will be adjusted every half a year according to the growth of the mean wage in the previous half year, plus there is an additional 100 HRK and 6% of benefit paid out in October 1998 added to the basic amount of each pension. Since the pensions are taxable, the tax assessment base was increased to cover this addition in order to for pension benefit to increase in the end. Also the governmental control of the administration was reduced by introducing the possibility of delegating members of the Main Board for Pension Insurance by representatives of pensioners, insured and employers. The ideal goal of further negotiations is to reach the equalisation of mean pension with 50% of mean wage by the end of 2004. Further debates are held on the issue whether help for elderly without any (or very low) income or work history should be provided in the shape of national pensions (which would be defined as a right on the basis of citizenship, as it is proposed by the government) or as a kind of social benefit (which pensioners' organisations prefer more).

These changes also touched the administration of health insurance. Whereas the participation on medicament costs is mean tested, the assessment base was increased; so more patients with low income are going to be exempt from payments.

As I hope I managed to point out some interesting features of living conditions of the elderly in Croatia. There is much more to say and much more to be discovered – and that maybe the main message of this “short information about Croatia”.

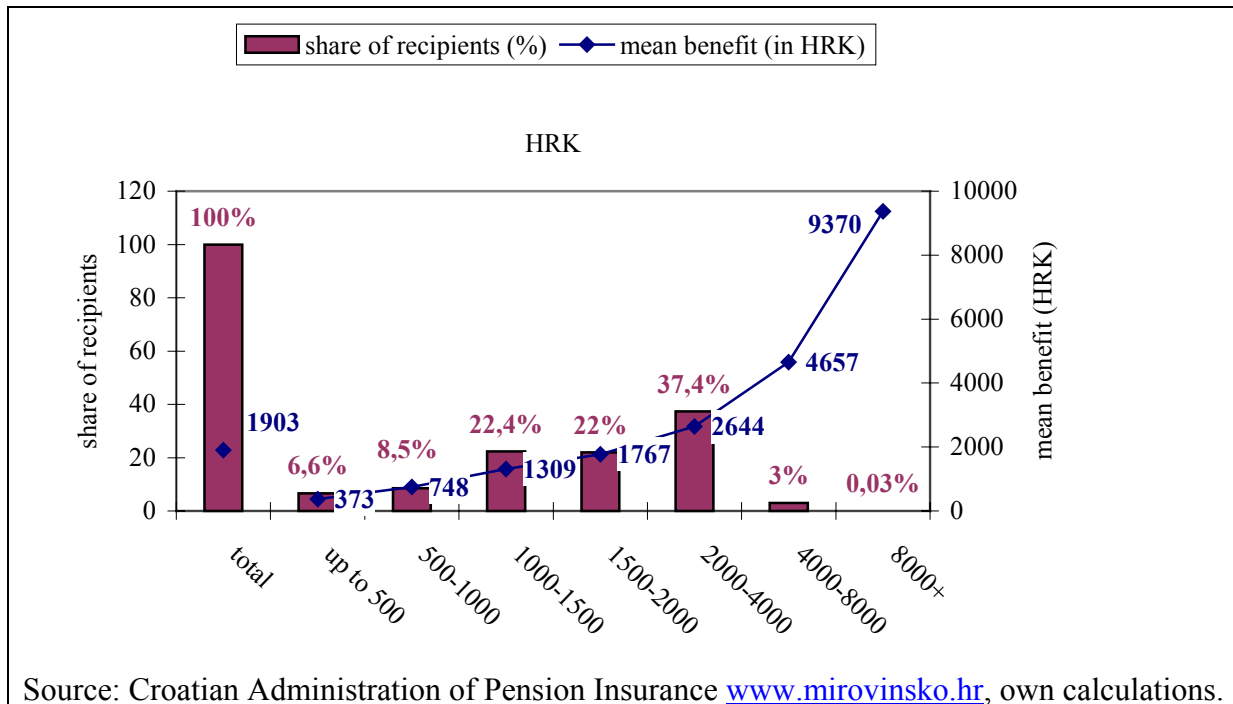
Appendix:

Table 1: Population by age groups according to censuses and projections (in %)



Source: censuses 1961-2001 www.dzs.hr and *projections 2025 – 2050 Population Division, DESA, UN

Table 2: The number of old age pension recipients and mean pension (with addition of 100 HRK and 6% of June 1998 benefit) in March 2004



Some more information can be obtained at:

Croatian Statistical Bureau – <http://www.dzs.hr/>

Agency for Private Pensions Funds and Insurance Supervision – <http://www.hagena.hr/>

Croatian Administration of Pension Insurance – <http://www.mirovinsko.hr/>

Central Register of Insureds – <http://www.regos.hr/>

Croatian Government and Ministries – www.vlada.hr

Source: Hoff, A. (2004) Spring Newsletter 2004 of the Research Committee (RC11) on the Sociology of Aging of the International Sociological Association (ISA). Berlin: German Centre of Gerontology, pp. 18-21.