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## **EUROPEAN SOCIAL CHARTER**

Ad hoc report on the cost-of-living crisis

submitted by

**THE GOVERNMENT OF CROATIA**

Report registered by the Secretariat

on 02 January 2024

**CYCLE 2024**

**Ad hoc report on the cost-of-living crisis  
European social charter**

- 1) *Please provide information as to whether and how the statutory minimum wage is regularly adjusted/indexed to the cost of living. Please indicate when this last happened, specifically whether it has been adjusted /indexed since the end of 2021.***

The Government of the Republic of Croatia regulates the amount of the minimum wage every year by Regulation.

The Minimum Wage Act ("Official Gazette", No. 118/18 and 120/21) in the provision of Article 6, paragraph 1, states: "The amount of the minimum wage for each calendar year shall be established by decree of the Government of the Republic of Croatia, on the proposal of the minister responsible for labour.

The Regulation on the minimum wage for 2023 ("Official Gazette", No. 122/22) established a minimum wage of €700 gross.

The Regulation on the minimum wage for 2022 ("Official Gazette", No. 117/21) 622€ gross.

- 2) *Please provide information on any supplementary measures taken to preserve the purchasing power of the minimum wage since the end of 2021.***

The Government of the Republic of Croatia, continuing the efforts to contribute to working and living conditions by increasing the minimum wage, the Decree prescribing the new minimum wage for 2024 was adopted at the session held on October 19, 2022. For the year 2024, a new amount of the minimum gross salary of 840€ has been prescribed, and it refers to full-time work.

The minimum gross salary has grown by 140€ or 20% compared to 2023, which is significantly higher than the inflation rate in the first 9 months of the 2023. If we look at the last 5 years, we can calculate that the gross salary in that period increased by 342€. In other words, it is 68.8% higher than in 2019.

At the 147th session of the Government of the Republic of Croatia, a comprehensive autumn package of measures to help citizens and the economy was presented in the total amount of 2.786.700.000,00€, which contains measures to protect against rising energy and food prices, as well as numerous subsidies and assistance for citizens, public and private sectors.

Furthermore, the prices of nine basic food products are also limited. The Decision on direct measures to control the prices of certain food products also was adopted, limiting the prices of those nine food products (oil, flour, sugar, meat, ...) by more than 30 percent, to preserve the purchasing power of citizens.

- 3) *For States Parties with no statutory minimum wage, please describe any measures taken to preserve the purchasing power of the lowest wages since the end of 2021.***

In the Republic of Croatia there is statutory minimum wage.

- 4) *Please provide information as whether the cost-of-living crisis has led to the extension of in-work benefits.*

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- 5) *Please provide information on changes to social security and social assistance systems since the end of 2021. This should include information on benefits and assistance levels and the allocation of benefits*

As part of the amendments in 2021 to the Pension Insurance Act, the possibility of working up to half, of the full-time, while paying the full amount of the pension, was introduced for beneficiaries of family pensions. The same legal changes enabled the payment of the lowest pension for the duration of the service period, instead of the pension that would be paid based on the salary earned during the working lifetime.

To reduce the poverty of the elderly, and with the aim of ensuring their basic social protection, from January 1, 2021, the institute of the national allowance for the elderly was introduced. It is a monetary income that contributes to the reduction of poverty and social exclusion of persons who did not secure income for old age during their working lifetime and cannot achieve them in any other way. The compensation is awarded as a monthly income to Croatian citizens over 65 years, with a long-term residence in the Republic of Croatia, who are not beneficiaries of a pension or rights from the social welfare system.

With the legal changes that entered into force on January 1, 2023, all family pensions were increased by 10%, and the lowest pensions were increased by 3%. The same legal changes enabled simultaneous use of a personal pension (old age, premature old age, disability) and a part of the family pension after the death of the partner, subject to the conditions of age and amount of the total pension income.

At the 274th session of the Government of the Republic of Croatia, held on December 28, 2023, was decided on the payment of a one-time cash benefit to pension beneficiaries to mitigate the consequences of the rising cost of living.

Beneficiaries of a pension up to 300€ are entitled to a sum of 160€, beneficiaries between 300.01 and 435€ are entitled to a sum of 120€, beneficiaries of 435.01 up to 570€ are entitled to a sum of 80€, beneficiaries from 570.01 to 700€ are entitled to a sum of 60€ and beneficiaries from 700.01 to 840€ are entitled to a sum of 50€.

The one-time cash benefit will be made by the end of December 2023 at the latest.

- 6) *Please provide information as to whether social security benefits and assistance are indexed to the cost of living, as well as information in particular on how income-replacing benefits such as pensions are indexed. Please indicate when benefits and assistance were last adjusted/indexed.*

Pensions are adjusted to the cost of living. The current pension value adjustment rate, which applies on January 1 and July 1 of each calendar year, is determined in way that the current pension value is adjusted to the rate derived from the combined changes in the average consumer price index and the average gross amount of the pension and

salaries of all employees in the Republic of Croatia in the previous half-year compared to the previous half-year. If the share of the change in the consumer price index in the total rate is 50% or less, the pension adjustment rate is determined by combining a 30% change in the consumer price index and a 70% change in the average gross salary. When the share of the change in the consumer price index is greater than 50%, the pension adjustment rate is determined by combining a 70% change in the consumer price index and a 30% change in the average gross salary. As of July 1, 2023, the rate of increase in the current value of the pension is 8.42%.

National elderly allowance is also subject to indexation. Starting from January 1, 2022, the amount is adjusted annually based on the change in the consumer price index of the previous year compared to the one before. The last indexation of the state allowance for the elderly was carried out on January 1, 2023.

**7) *Please provide information as to whether any special measures have been adopted since late 2021 to ensure persons can meet their energy and food costs, such as price subsidies for energy, fuel, and basic food items.***

Since 2021, the Government of the Republic of Croatia adopted six decisions on the payment of one-time financial aid. These measures were aimed at pensioners with lower pensions to mitigate the effects of the crisis caused by the COVID-19 disease, rising energy prices, inflation, and the cost of living.

On February 16, 2022, the Government of the Republic of Croatia presented the first 637.069.480,39€ package of measures to mitigate the rise in energy prices for households, businesses and farmers, which included limiting electricity prices to 9.6% and gas up to 20%, reduction of value-added tax on natural gas, thermal energy, some food and agricultural products, subsidies on the price of gas from households, changes in the compensation system for the socially disadvantaged and pensioners.

As part of the measures to mitigate the rise in energy prices, the Government of the Republic of Croatia, at its session held on March 9, 2022, adopt the Decision on subsidizing part of the end price of gas supply for end customers in the "household" category and for end customers who are not "households" with annual gas consumption up to 10 GWh, which enabled the distribution of funds in the form of subsidies for the final price of gas to all households in the Republic of Croatia in the total amount of 79.633.685,04€ and to micro, small and medium-sized enterprises in the amount of 79.633.685,04€, for the period from April 1 2022 until March 31, 2023. Regulation on the amendment of the Regulation on determining the highest retail prices of oil derivatives (Official Gazette, No. 35/22). To protect consumers and regulate the market, the Regulation prescribes the highest level of retail prices for certain petroleum derivatives that energy entities, which are engaged in wholesale trade in petroleum derivatives and/or retail trade in petroleum derivatives, may apply in the territory of the Republic of Croatia, for an uninterrupted period of no longer than 9 days. The maximum amounts of retail prices include the unit price of petroleum products, excise duty and VAT.

Due to the Regulation on elimination of disturbances in the domestic energy market (Official Gazette, No. 104/22 and 106/22), due to disturbances, stable prices of electricity and thermal energy are ensured on the domestic energy market, for the

"household" category and customers of the "business" category in accordance with the Electricity market Act (Official Gazette, No. 111/21), i.e. for all final customers of thermal energy on heating systems, and for gas customers.

- 8) *Please provide up-to-date information on at-risk-of-poverty rates for the population as a whole, as well as for children, families identified as being at risk of poverty, persons with disabilities and older persons. Please show the trend over the last 5 years, as well as forecasts for upcoming years.***

According to the 2021 census, the Republic of Croatia had 3,871,833 inhabitants, of which 1,865,129 were men and 2,006,704 were women.

The data presented in the tables were taken from the websites of the National Bureau of Statistics (Table 1 and Table 2) and the Croatian Employment Service (Table 3).

Table 1 – Poverty risk rate by age and gender

Year	2018.	2019.	2020.	2021.	2022.
Age					
Total	19,3	18,3	18,3	19,2	18,0
Men	18,1	17,2	17,0	17,2	16,0
Women	20,4	19,3	19,6	21,1	20,0
<b>0 – 17 years</b>					
Total	19,7	17,1	16,8	17,1	16,0
Men	19,9	17,6	17,3	15,8	15,7
Women	19,4	16,7	16,3	18,5	16,2
<b>6 – 11 years</b>					
Total	19,5	17,4	15,5	17,3	15,2
Men	20,1	17,9	17,9	16,3	17,6
Women	18,9	16,8	13,1	18,2	12,7
<b>12 – 17 years</b>					
Total	22,7	20,0	20,4	20,7	18,7
Men	21,7	20,6	21,0	18,0	16,9
Women	23,7	19,2	19,8	23,7	20,6
<b>18 – 24 years</b>					
Total	16,7	14,3	12,5	15,0	12,7
Men	16,7	14,6	12,0	13,6	11,8
Women	16,7	14,0	12,9	16,5	13,8
<b>25 – 54 years</b>					
Total	14,3	12,9	12,6	13,1	11,5
Men	14,6	13,6	13,3	13,9	11,5
Women	14,0	12,1	11,9	12,3	11,6
<b>55 – 64 years</b>					
Total	21,9	20,3	20,9	21,7	18,3
Men	20,4	19,2	19,2	19,9	16,8
Women	23,3	21,4	22,4	23,4	19,6
<b>65+</b>					
Total	28,1	30,1	31,0	32,4	32,4
Men	23,5	24,9	25,8	25,9	26,6
Women	31,3	33,6	34,6	37,0	36,5

**Table 2 – Poverty risk rate by household type**

	2018.	2019.	2020.	2021.	2022.
<b>Household without dependent children</b>	21,7	21,8	22,4	23,8	22,1
<b>One-member husehold</b>	44,4	44,7	45,1	47,4	47,8
<b>Men</b>	36,5	37,6	35,6	35,0	35,4
<b>Women</b>	48,9	48,7	50,4	54,3	54,4
<b>One-member, younger than 65, household</b>	38,4	35,4	33,6	33,9	31,3
<b>One-member, 65+, household</b>	48,1	50,3	52,1	55,3	56,5
<b>Two adults household</b>	21,6	23,2	24,2	25,2	23,6
<b>Two adults household, both younger than 65</b>	18,5	17,3	17,4	18,8	15,3
<b>Two adults at least one 65 or 65+</b>	23,5	26,9	28,2	29,0	28,2
<b>Two or more adults</b>	16,5	16,6	17,2	18,1	15,8
<b>Three or more adults</b>	12,1	10,6	10,9	11,5	8,5
<b>Household with dependent children</b>	17,0	15,0	14,6	15,1	14,2
<b>One parent with one or more dependent children</b>	36,7	33,8	30,5	37,5	24,9
<b>Two adults with one child</b>	12,5	10,4	11,1	10,4	11,5
<b>Two adults with two children</b>	9,5	8,9	9,3	10,1	10,8
<b>Two adults with three or more children</b>	31,1	25,6	23,1	22,8	23,3
<b>Two or more adults with dependent children</b>	16,4	14,3	14,0	14,2	13,7
<b>Three or more adults with dependent children</b>	17,1	15,6	14,7	14,7	12,2

**Table 3 - presentation of the average number of unemployed persons with disabilities by age and gender in the last 5 years (the table is divided into two parts)**

Year	2018.		2019.		2020.	
Age	Total	Women	Total	Women	Total	Women
15-19	311	133	280	121	265	118
20-24	900	413	865	393	967	436
25-29	739	342	673	311	740	329
30-34	739	376	671	331	716	362
35-39	669	307	625	298	690	329
40-44	655	277	690	303	690	303
45-49	536	253	602	280	602	280
50-54	629	280	624	283	624	283
55-59	540	219	611	221	611	261
60+	303	92	289	99	333	114

Year	2021.		2022.	
Age	Total	Women	Total	Women
15-19	247	109	267	116
20-24	912	400	818	350
25-29	728	323	747	347
30-34	684	348	641	318
35-39	655	330	682	353
40-44	700	313	711	334
45-49	616	273	693	312
50-54	604	275	694	337
55-59	640	273	731	340
60+	398	147	434	180

Following the social policy implemented by the Government of the Republic of Croatia, we would like to emphasize that the new Personal Assistance Act entered into force on July 1, 2023, and the Inclusive Allowance Act was adopted in the Croatian Parliament on December 15, 2023. The inclusive supplement combines 4 existing fees, and the projections are that the fee will be 50-100% higher than the sum of the existing fees.

Furthermore, "Zaželi - women's employment program" project is open to the entire labour market, 600 people applied, which ensured the social service of home help for almost 150,000 elderly people throughout the Republic of Croatia. This project is financed by the European Social Fund and the budget of the Republic of Croatia.

Also, with the amendments to the Child Allowance Act, the Republic of Croatia additionally strengthens support for families for supporting and raising children, and the income tax will be increased from 70% to 140% of the budget base. This will double the number of beneficiaries and the number of children covered by the allowance from last year's 126,000 to 271,000, or from 247,000 children to 511,000 in the next year, 2024.



With the adoption of the new Social Welfare Act (Official Gazette, No. 18/22, 46/22, 119/22 and 71/23):

1. The basis for the guaranteed minimum compensation (GMC) was increased from 106 to 132€, the percentage of the personal factor for certain categories of users for the calculation of the amount of the guaranteed minimum compensation was also increased, and the conditions for recognizing said compensation were flexible. We also increased the maximum amount of GMC for households from 100% to 150% of the gross amount of the minimum wage in the Republic of Croatia. We have expanded the circle of beneficiaries: a homeless person who uses the service of a shelter, a victim of domestic violence and a victim of human trafficking who are recognized with the temporary accommodation service in crisis situations are recognized with 50% of the amount of the guaranteed minimum compensation.
2. The new Social Welfare Act introduced changes related to compensation for housing costs and compensation for firewood costs, which are combined into one compensation - Compensation for housing costs. The right to compensation for housing costs of local self-government units must be recognized in the amount of at least 30% of the GMC amount recognized for a single person or a household.
3. We have increased the amount of compensation for the personal needs of users of the right to accommodation or organized housing according to the needs of individual user groups (from the previous 20% of the base for all users to 50% of the base for a child attending primary school, an adult and the elderly and 70% of the base for a child and a younger adult, a high school student and another younger adult).
4. We have expanded the circle of persons who can be granted the right to caregiver status.
5. We have increased the amount of compensation to parents to 900% of the base, i.e. 597€ to caregivers/caregivers for a child with developmental disabilities and a person with a disability who cannot be included in programs and services in the community due to their health condition, and to a parent who independently cares for two or more children with developmental difficulties or persons with disabilities, the compensation is additionally increased by 400% of the base and amounts to a total of 796€.
6. Depending on the child's age, we have increased the allowances for children by 20 to 42% and amounts from 335€ to 378€, and for adults the allowances for adults have increased by up to 25% and amounts from 299€ to 331€.
7. We increased the compensation for the work of a traditional foster carer by about 60%, while the compensation for foster carers who perform foster care as a profession increased from 15 to 60 % and will amount to between 597€ and 929€ for specialized foster carers for children and 530€ for standard foster carers. By increasing the remuneration for the work of foster parents and maintenance fees, more than 11.414.161,52€ was additionally secured in the State budget.

8. As part of the autumn package of measures to protect against price increases, on September 8, 2022, the Government adopted a Decision increasing the monthly compensation for vulnerable energy buyers and foster parents to 66€, which provided foster parents with a total of 1.836.352,77€ for the implementation of the measure for reducing the impact of rising energy prices on foster parents, increasing the coverage of beneficiaries of the guaranteed minimum allowance, which also covers the cost of housing, utility fees, heating and water services.

**9) *Please provide information on what measures are being taken to ensure a coordinated approach to combat poverty as required by Article 30 of the Charter, and to diminish reliance on last-resort relief, such as food banks and soup kitchens.***

In the period until the end of 2022, the Government of the Republic of Croatia started reforming the system of social benefits. The reform is defined in the National Recovery and Resilience Plan 2021-2026 and the National Plan for the fight against poverty and social exclusion for the period from 2021 to 2027, through the implementation of the measure "Transparency and adequacy of social benefits in the social welfare system". The goal of the reform is primarily increasing the adequacy of the main social benefits aimed at the most vulnerable groups of society and to enable the reduction of inequality, administrative relief and ensure the transparency of the system as well as faster and more efficient realization of benefits by combining the existing social benefits intended for poverty reduction into one benefit and to consolidate the existing social allowances intended for persons with disabilities into one allowance with the introduction of indexation as a standard feature of the allowance. This reform measure aims to achieve better coverage and focus on the needy, equality and adequacy in the exercise of rights, because by unifying benefits, two households in the same economic circumstances would be treated in the same way in terms of achieving the minimum standard of living, i.e. the same conditions would be prescribed in terms of the exercise of rights (census) in the same economic circumstances.

Several phases/activities are foreseen for the implementation of the measure:

1. entry into force of the new Social Welfare Act - 2022 (implemented),
2. creation of an expert-analytical basis for the normative regulation of the functional unification of benefits for persons at risk of poverty and for persons with disabled (executed at the beginning of February 2023),
3. development of a normative proposal based on the expert-analytical basis – 2023 and
4. adoption of amendments to the Social Welfare Act or amendments to the Social Welfare Act and the Inclusive Allowance Act - 2024.

**10) *Please provide information on steps taken to consult with, and ensure the participation of, the persons most affected by the cost of living crisis and/or organisations representing their interests in the process of designing of measures in response to the crisis.***

Pensioners' associations have the possibility of proposing measures to improve the status of pensioners. This was made possible through the work of the National Council for Pensioners and Elderly Persons as an advisory body of the Government, which consists of representatives of the Government and representatives of pensioners and

elderly persons. The National Council discusses issues in the field of pension and health insurance, social policy, and protection of the elderly, and draws conclusions and gives opinions to the Government of the Republic of Croatia. Therefore, it is the highest form of social dialogue and consultation on all important issues of vital interest to pensioners at the national level.

Additional to the report, we would like to mention guaranteed minimum compensation.

The conditions for recognizing the right to guaranteed minimum compensation are determined based on the earned income of the applicant and all members of the joint household and based on the property owned by the applicant and all members of the joint household.

The amount of the guaranteed minimum compensation is determined as a prescribed percentage of the base determined by a decision of the Government of the Republic of Croatia. The basis on which the amount of the guaranteed minimum compensation is calculated is EUR 132.72 and is determined once a year.

The guaranteed minimum compensation for a single person (able to work) is 100% of the base or 132.72€.