

FROM EMPLOYMENT TO EMPLOYABILITY: THE ROLE OF ACTIVE LABOR MARKET POLICIES IN CROATIA

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Abstract

High unemployment represents striking economic failures that are costly not only to individuals directly affected, but also to the economy and society as a whole. Measures of Active Labor Market Policy (ALMP) - such as training, wage subsidies, public employment measures, and job search assistance - are widely used in European countries to combat unemployment. Croatia, as an EU candidate country, also has a long tradition in ALMP since rising employment is continuously at the top of the Government policy agenda targeting at economic growth and development. The purpose of this paper is to present ALMP and their role in combating the unemployment. Particular attention will be given to the ALPM of the EU and its implications for Croatia as a candidate country. The paper is organized as follows. After introductory remarks, the section 2 provides a theoretical background on the ALMP and relevant measures and discusses the ALMP in the EU Section 3 presents the ALMP in Croatia and discusses its status and perspective. The paper concludes with the section 4, suggesting further research focus, as well as some policy suggestions.

JEL classification: F16, J23,

Keywords: employability, active labor market policy and measures, EU, Croatia

1. Introduction

The unemployment represents one of the major economic and social problems faced by the contemporary society. Many countries of the European Union (hereinafter: EU) have been troubled by high unemployment rates, which has been recognized as a problem for achieving economic and social welfare and translated into creating legislative and institutional framework that will promote greater employment and social cohesion. Thus, the promotion of viable employment is a major component of the EU's Cohesion Policy and activity.

The efforts targeting a reduction in unemployment and its economic and social costs have been the most evident through European Employment Strategy (hereinafter: EES) since 1998 that was articulated in the form of Employment Guidelines adopted in line with art. 128 of the Amsterdam Treaty. The EES was based around four main pillars: improving employability, developing entrepreneurship, encouraging adaptability of businesses and employees to

economic changes and strengthening equality of opportunity and it was later integrated into Lisbon strategy (2000) by setting a target to reduce unemployment, i.e. to reach employment of 70% by 2010, create more and better jobs and thus ensure sustained growth for all EU member states. The mid-term evaluation of the Lisbon strategy revealed that the European economy has been failing to deliver expected performance particularly in terms of employment and job creation and the Lisbon strategy, together with EES got the fresh momentum in 2005 by the Commission shifting the focus from the targets to be attained to the actions to be taken. These actions were built around the objectives of full employment, quality at work and cohesion and delivered under 10 priorities: activation and prevention, job creation and entrepreneurship, adaptability and mobility, human capital and lifelong learning, labor supply and active ageing, gender equality, integration of people at a disadvantage, making work pay, undeclared work, and regional disparities. In another words, the language of employment policy and active labor market programs has denoted a shift from 'abandoning' the traditional goal of full employment to pursue the goal of full employability.

In this context, numerous authors have analyzed interventions on labor market intended to activate unemployed and to ensure employment opportunities to the most disadvantaged groups in the labor market (e.g. Levy, 2005; Lönnroth, 2000; Calmfors, 1995). The labor market activation conveys basically two ideas: (i) people should derive their income primarily from paid employment, as opposed to government transfers, and (ii) the goal of policy is not simply to minimize unemployment, but also to maximize total employment. In other words, in addition to reducing formal unemployment, the goal of activation is to move people outside the labor force – stay-at-home mothers, disabled workers, early retirees, discouraged workers – into the labor force. This shift in goals is reflected in changes in the instruments for measuring labor market performance, such as targets for labor force participation rates or ratios of “active” to “inactive” adults.

Being the EU candidate country, Croatia is placing a great effort to combat the unemployment which has been persistent macroeconomic problem for several decades and which magnitude is again challenged by the current world financial crisis and threatening recession. The Croatian labor market is characterized by a low degree of activity on the part of the population, a high unemployment rate, a pronounced problem with long-term unemployment and a high structural disproportion between supply and demand. Because of the relatively high share of the unofficial economy, there is a large difference between the administrative unemployment rate and that shown by surveys. Analysis of the situation on the Croatian labor market shows that significant structural issues still remained unsolved (such as inflexibility, mismatch between supply and demand with respect to profession and education, and similar). Also, fairly limited creation of new jobs still persists. The employment rates of men and women and the

employment of young people are among the lowest in comparison with the EU-27 (for comparison, see EUROSTAT, 2009) and the attainment of the Lisbon objectives seems fairly distant. Existing problems can be eased inter alia by the active labor market policies (hereinafter: ALMP), i.e. by particular programs of education and training created to overcome individual personal limits as burdens for employment.

2. Active labor market policies

2.1. ALMP definitions and theoretical justification

Labor market policies¹ that address unemployment can be divided into two categories - active and passive. Passive measures include payment of unemployment benefits in the form of unemployment insurance or social assistance and the like, while the active are demand-side measures that are intended to 'activate' the unemployed to enhance their employability.

According to the OECD (1993) classification, active programs are divided into 5 types. Public employment services and administration include services such as placement, counseling and vocational guidance; job-search courses and related forms of intensified counseling for persons with difficulties in finding employment; support of geographic mobility and similar costs in connection with job-search and placement. In addition, all administration costs of labor market agencies (at central and decentralized levels), including unemployment benefit agencies (even if these are separate institutions) as well as administrative costs of other labor market programs are included. Labor market training takes in programs that are intended for special (i.e. vulnerable) groups and include costs of course and sustenance allowances to trainees as well as subsidies to employers' for enterprise training. These measures are divided into two sub-categories – training for unemployed adults and those at risk and training for employed adults. Youth measures include special programs that are focused on having youth making a transition from school to work. These measures include those that are targeting unemployed and disadvantage youth (e.g. young people who do not follow regular upper secondary or vocational education) as well as they support apprenticeships and similar forms of youth training in enterprises through which young people obtain valuable work experience. Subsidized employment encompasses measures that are promoting or providing employment for persons and groups that are denoted as priorities in labor market policy. These targeted measures are divided into three categories: subsidies provided to the regular employment in the private sector, support of unemployed persons starting enterprises and direct job creation (public or non-profit). Measures for the disabled are exclusively focused on

¹ Labor market policies differ from general employment policies since they are public interventions in the labor market that are targeted towards *particular* groups.

people that need assistance for employment or maintaining employment in other than ordinary way. These measures include vocational rehabilitation, i.e. training that is adjusted to their abilities as well as sheltered work and subsidies to regular employment.

ALMP classification based upon Eurostat's Labor Market Policy database (2008) does not significantly differ from OECD classification. There are three different types of interventions that are recognized in the European Union: (i) Labor Market Policy Services (LMP Services) – they include costs of providing services to jobseekers together with all other expenditure of the public employment services; (ii) Labor Market Policy Measures (LMP Measures) – they cover active interventions to help unemployed and other disadvantaged groups through training, job rotation/job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives); and (iii) Labor Market Policy Supports (LMP Supports) – they include out-of-work income maintenance and support, as well as early retirement.

Theoretical justifications for the provision of ALMP derive both from equity and efficiency reasons. Equity and redistributive reasons are at the basis of targeting these policies to the most disadvantaged in the labor market as the lack of employment appears to be one of the major pathways to poverty in Europe. Efficiency arguments are based on the mobilization of labor supply both in quantitative and qualitative terms that may improve the functioning of the labor market and increase productivity without increasing wage pressures. In another words, they increase labor market efficiency, productivity, employment outcomes and earnings for the unemployed. According to Calmfors (1994), the benefits can be summarized as: (i) facilitating matching efficiency in the labor market through more active job search; (ii) maintaining labor force participation by maximizing the effective labor supply which applies downward pressure on wages and increases employment; (iii) reducing welfare losses from unemployment by increasing the probability of employment, guarding against future unemployment and producing a higher wage than would otherwise be obtained; (iv) increasing labor productivity through skill formation due to formal training or counteracting skills atrophy through job creation programs; and (v) speeding up job search due the 'work test' effect of ALMP that make unemployment less attractive.

Potential drawbacks of the ALMP cannot be ignored. Fay (1996) points out at several disadvantages: most programs are vulnerable to deadweight loss, displacement and substitution effects; all ALMP are susceptible to attachment effects where participants reduce job search efforts in order to concentrate on program completion; a particular concern with targeted public sector job creation schemes is the possibility of stigmatization of participants; ALMP programs have the potential to crowd out private sector jobs if conditions of

additionality are not imposed effectively.² Despite these potential difficulties that ALMP can cause, their net impact cannot be inferred from economic theory since there are countervailing effects (Calmfors, 1994; Fay, 1996).

2.2. ALMP evaluation: limits and findings

A large variety of different ALMP programs exists among EU member states and other European countries. Their effects and successes have been subjected to the econometric evaluation yet until today there is no conclusive cross-country evidence exists regarding "what program works for what target group under what (economic and institutional) circumstances?" (Kluve, 2006).

The literature review (e.g. Boeri and Burda, 1996; Hujer and Wellner, 1998; Koning 2001, Dekker et al., 2002) reveals three types of evaluation: meta-analysis, microeconomic evaluations and macroeconomic evaluations.³ The study by Kluve et al. (2007) used a meta-analysis⁴ to evaluate the outcomes of more than 100 ALMP programs in order to identify the types of measures that seem to perform better in Europe and under what circumstances. The analysis has shown that the employment incentives and PES are in between 40% and 50% more likely to positively impact the employment rates than training programs. Interestingly, direct job creation programs in the public sector are 30% to 60% less likely to make a positive impact on employment outcomes than training programs. Out of all ALMP programs, the least successful, i.e. ineffective, are youth programs. Microeconomic evaluation can give a valuable insight into clausal impact of programs, which cannot be obtained using macrodata. Despite their value, these evaluations are still in the nascent stage in the EU. Macroeconomic evaluation is also important especially when relatively large programs in terms of either spending or participants are involved. Their importance comes particularly from the potential size that indirect effects can have and which can even lead to a reversal of the initial findings on program effectiveness based solely on microeconomic evaluation, i.e. program evaluation. The few macroeconomic studies available suggest that total spending on ALMP has no significant impact on aggregate labor market variables, such as unemployment and employment rates. Spending on training policies turns out to be the sole ALMP measure having a positive impact on aggregate labor market variables.⁵

² Maré (2005) offers more detailed explanation on indirect effects of the ALMP.

³ The extensive review on emirical studies related to the ALMP evaluations can be found in Kluve (2006).

⁴ *Meta-analysis* is a technique for analyzing and summarizing the results of different studies, each of which answers the same question (in this case, the size and direction of the impact of a particular ALMP on post-program employment prospects).

⁵ Source of data: European Commission: Employment policy: active labor market policies, available at

It is interesting to notice that the results of microeconomic evaluations and of some macroeconomic studies show certain contradictions. There are cases when program evaluations (microeconomic evaluations) find that the training program has rather mixed effects, but almost always a statistically insignificant impact on participants' future employment prospects. By the same token, macroeconomic studies tend to find that training is the only category of ALMP that has a significant positive impact on aggregate labor market outcomes. This apparent paradox can be solved by extending the observation period to include the post-participation effects of training.

2.3. ALMP expenditures in the European Union

Based upon the statistics of the Eurostat's Labor Market Policy database (2008), EU-27 spent 1.9% of GDP on labor market policies in 2006, but the level of expenditure among countries have been significantly varying. Among the EU countries with the highest LMP expenditure were Germany and Belgium with the percentage of nearly 3%, while the lowest percentage of less than 0.5% was recorded in the Baltic countries (e.g. Estonia, Lithuania, Romania, and Czech Republic). Majority of countries had expenditure on LMP lower than the EU-27 average. Even though the EES calls for the strengthening of spending on ALMP, the EU countries have not made a significant shift from passive to active measures. On the total expenditure on LMP, 57% was spent on unemployment benefits, more than 26% on active LMP measures, and 11% on LMP services for those who are seeking jobs.

As regards to the structure of LMP measures, training accounted for the largest share of EU expenditure, i.e. 41%, followed by the employment incentives which accounted for 24% of the EU-27 total. Training is the most used measure in Austria and Estonia, 86% and 74% respectively, while Slovakia and Czech Republic used it the least, both countries less than 10% of the total spent on LMP measure. The employment incentives support the recruitment of unemployed through wage-subsidies and exemptions to employer's social contributions. As such, they are the most important measures in Cyprus (62%) followed by Luxembourg, Romania, Spain, Sweden and Hungary, which percentages are ranging from 50% and more. On the other end of the scale are Germany, Estonia, Ireland and Norway with percentages of less than 10% of expenditure on LMP measures. Direct job creation measures account for 14.1% of total expenditure on LMP measures. These measures use public money to create community and similar non-market jobs for the unemployed and as such, they are the most used instruments in Bulgaria (74%), Slovenia (41%), Belgium (40%) and Slovakia (38%). Direct job creation is the least significant measure

in Italy and Poland with only 5% of active expenditure, while it is not used at all in Estonia, Cyprus, the Netherlands and Sweden. Supported employment and rehabilitation encompasses measures that aim to promote the labor market integration of persons with reduced working capacities and they account for 12% of the EU-27 active expenditure in 2006. These measures are most popular in the Netherlands (65%), Poland (44%) and the Czech Republic (42%) but in 2/3 of countries this category accounted for less than 10% of expenditure on LMP measures or was not used at all. Start-up incentives that are intended to promote entrepreneurship, i.e. starting own businesses or self-employment, accounted for a little bit less than 8% of EU expenditure on LMP measures. Only in Slovakia, these measures are the most important accounting for 31% of expenditure on LMP measures in 2006. Relatively high percentage was recorded in Germany and Cyprus, i.e. 19% and 18% respectively, and the lowest or none in Ireland, Latvia, Netherlands and the United Kingdom. The least used measures of all are job rotation and job sharing which accounted for less than 1% of all active LMP expenditure in EU. They are only significant in Finland and Sweden, where it consumes 7% and 6% respectively of active expenditure.

3. ALMP in Croatia

3.1. Brief overview of Croatian labor market

As any other transitional economy, Croatian economy was faced with the complex process of transition, particularly privatization that has adversely impacted inter alia labor market, making unemployment one of the most serious economic, social and political problems. The problem of unemployment persisted for more than a decade, with the unemployment rate oscillating at the level of 15%. The peak of unemployment was recorded in 2002 when 389,741 (14.8%) persons were unemployed. The unemployment rate has been decreasing over the years reaching 9.6% in 2007, but the current world financial crisis is threatening this rate to increase once again.⁶ Based upon annual statistics of the Croatian Bureau of Employment (hereinafter: CBE) (2009), following can be denoted: unemployment rate has been decreasing but still significant number of people has been jobless, i.e. 236,741 in 2008; out of total number of unemployed, more than half are women with the tendency that this gender asymmetry not only continues but worsens since this percentage rose from 58% in 2005 to 62% in 2008; unemployed are mostly people with only vocational education for certain professions; according to the age structure, unemployed are mostly young people in the age of 20-24 (12.5% in 2008) and

⁶ Source of data: Croatian Bureau for Employment, Statistical Data, 2009

25-29 (12.1% in 2008), as well as persons in the age of 50 and more (29.5% in 2008). The most vulnerable (unemployed) are women in the age of 50-54.

Employment rates in Croatia have been oscillating at the level of 43% since 2000. Even though the employment rate has been increased from 41.8 in 2001 to 44.2% in 2007, such an increase can hardly make a difference on the labor market. Compared to other countries of the EU, Croatia is still on the bottom of the scale (see Eurostat, Employment database, 2008). If we add to this the problem of gender asymmetry on the labor market, as well as the low employment of youth and older people, it is evident that reaching Lisbon goals of 70% employment rate by 2015 and increasing the number of women, youth and older employed, becomes a challenging task for Croatia. Such a low employment rate can be explained by Homeland War (1991-1995) and its consequences upon economic and social life of the country, transition and privatization, creation of gray economy, feeble macroeconomic performance in general, growth based upon the trade rather than production, weak export performance, etc. However, much of this problem can be attributed to the various government policies – or lack of it - that directly or indirectly impact the employment rate (e.g. social policy, employment policy, etc.).

3.2. Croatian active employment policy

According to the Croatian Employment Law (The Official Gazette, NN 59/96, Articles 48 through 51), the active employment policy is defined as a set of measures and activities conducted by the Croatian Bureau for Employment (hereinafter: CBE) with a goal to improve labor market, employment, self-employment, to maintain existing employment if there is an economic reasoning behind it, to ease the employment of particular groups or individuals on the labor market, to reduce unemployment and to provide employers with employees. The active employment policy particularly encompasses following: programs for education and training, programs for opening of new jobs, programs for adjustment of jobs for particular groups of unemployed, individual programs for self-employment of unemployed, preparatory programs for employees in firms and other legal entities who are moving to new production programs or who are moving to work with new technologies; programs related to making feasibility studies, research and other projects related to labor market; programs of humanitarian, ecological, utility, infrastructure, culture and monument preservation and other activities if they are directly employ unemployed; sanitation programs of firms and other legal entities if they ensure profitable business in the long run; programs of spatial and professional mobility.

As foreseen by the Law on Employment, CBE is in charge of creating measures of active employment policy, as well as to determine financial means necessary for measures to be realized. Also, the CBE determines the priority in

conducting measures of active employment policy. Means which are intended for the implementation of ALMP measures can be approved in forms of credit, as well as they can be invested in order to implement the program which ensures employment of bigger number of persons.

3.3. ALMP measures in Croatia

Croatia has relatively long tradition in creating measures intended to reduce the unemployment and stimulate employment. During 1950s, employment services together with unions and firms had been creating measures for employment of particular unemployed groups such as women, people with no or low qualifications as well as people with limited working abilities. These measures encompassed mostly creation of new jobs in smaller production or service workshops and organization of vocational courses in duration between 1- 6 months. In 1960s, these courses became very important function of employment services with the goal to re-qualify and vocationally train unemployed persons, as well as they included employed persons that were threatened by unemployment making sure that they maintain the job. Due to the fact that the youth unemployment had been significant, employment services were also occasionally creating measures stimulating employment of young persons, usually in form of financing internships, which proved to be quite successful.⁷ Until 1998, ALMP have been applied with an occasional break due to the lack of financial means.⁸

High level of unemployment in 1990s, coupled with feeble macroeconomic performance as the aftermath of the transition and Homeland War (1991-1995), induced the Government to re-think the employment policy with greater emphasis on active measures formulated in National Employment Strategy. This strategy stated that the active policy measures should be focused on following: improving the level of information among unemployed as well as establishing better cooperation and communication with employers with a goal to be better acquainted with their needs for workers; organizing educational programs for unemployed and those employed who are representing a surplus in firms or for the purpose of restructuring the educational structure of employed; focusing on the most vulnerable groups among unemployed such as youth, women, invalids, etc.; organizing public work for those who are long term unemployed and those who have low qualifications; stimulating self-employment through credit lines, organizing seminars that inform potential candidates on administrative procedures when starting a business and the like; encouraging cooperation between CBE and Association of Employers and unions in order to define plans of solving the problem of workers' surplus; considering regional particularities, i.e. encourage regional offices of the CBE

⁷ More detailed exposition of measures prior to 1990s can be found in Kerovec (1995).

⁸ Babić (2003) offers in more detail a review of ALMP measures from 1993-2001.

to work with institutions of local self-government to define and conduct ALMP measures and ensure additional financial sources which would enable formulation and realization of targeted regional programs; continuing with subsidized financing of youth unemployed that have no previous work experience; ensuring that all active policies are mutually coherent and complementary as well as conducted parallel with other measures at the macroeconomic level; introducing the system of follow up and evaluation of conducted measures. These ten (10) propositions have been constituting guidelines for the CBE to develop programs of active policies.

Based on the National Employment Strategy, the CBE developed First program of ALMP measures in 1998 that offered four measures for the purpose of reducing unemployment, promoting new vacancies, providing assistance in the reorganization of economy and synchronization between supply and demand on the labor market. The measures included: (1) subsidized employment of unemployed persons registered at the CBE without previous work experience; (2) subsidized introduction to work or training; (3) professional training, re-qualification or qualification upgrading for known and unknown employer; and (4) subsidized employment of unemployed war veterans, unemployed children or spouses of deceased or missing war veterans. In 2000, three additional measures were created: (5) women older than age 45 with 20 years of working experience, as well as men older than age of 50 with 25 years of working experience; (6) invalid persons; and (4) all registered unemployed persons that live in the less developed area of the Republic of Croatia and in the city of Vukovar.

In 2002, the unemployment in Croatia reached its peak with 415,352 unemployed persons, which was the highest number of registered unemployed since the beginning of statistical data acquisition on unemployment in 1952. Thus, the Croatian Government passed the second program – Program for the Promotion of Employment – re-designing active measures, symbolically titled: 'From College to Work'; 'From the Classroom to the Workshop'; 'Jobs for All through Education'; 'Profit through Experience'; 'A Chance for Us, too' and 'Jobs for War Veterans'. This (second) program was ceased in 2005 since it did not produce expected results. In two and half years of its existence, only 77,086 were employed through the program and instead that the amount of money for unemployed decreased, it increased from 111,11 mil EUR to 119,57 mil EUR as the rebalance of budget showed in 2005.⁹

In 2005 the Government initiated the creation of Croatian National Employment Action Plan (2005-2008) as the basis for making Annual Employment Plans. The Annual Employment Plan encompasses executive measures which are fully aligned with the European Employment Strategy and

⁹ Source of data: http://www.croatiabiz.com/info_news-article.php?ID=25759, Accessed 7th March 2009

National Action Plan for Employment. Beside subsidized employment, these measures are focused on: stimulating entrepreneurship through co-financing costs of opening new jobs and crafts, subsidizing entrepreneurship credits, self-employment; crediting entrepreneurship in tourism; education of long-term unemployed, persons with lower education and young people who ceased education in order to provide them with necessary skills and increase their employability, as well as to balance supply and demand on the labor market. Particularly emphasis in the Annual Employment Plan is to promote a battle against discrimination of persons who are in disadvantaged position on the labor market (e.g. single parents, invalids, War-of-Defense veterans, etc.) as well as inclusion of people in programs of public work which are conducted by the local self-government. Based upon these guidelines the CBE formulated eight (8) measures: Measure 1: Subsidized employment of young persons without working experience; Measure 2: Subsidized employment of long-term unemployed; Measure 3: Subsidized employment of women above the age of 45 and men above the age of 50; Measure 4: Subsidized employment of special groups of the unemployed; Measure 5.1: Education co-financing for the known employer - new employment; Measure 5.2: Education co-financing for the known employer - job retaining; Measure 6: Education financing for an unknown employer; Measure 7: Public works; Measure 8: Public works - individual projects.

According to the CBE statistics, in the period from 2006 to 2008, altogether 20830 persons were covered by the ALMP measures (table 1).

Table 1 Persons employed by the ALMP measures (2006-2008)

ALMP MEASURES	2006	2007	2008
Measure 1	1024	1226	1003
Measure 2	1238	1693	1290
Measure 3	579	837	706
Measure 4	268	455	351
Measure 5.1	13	85	88
Measure 5.2	362	707	1017
Measure 6	873	2960	2361
Measure 7	448	531	699
Measure 8	---	---	16
Total	4805	8494	7531

Source: Hrvatski zavod za zapošljavanje: Mjesečni statistički bilteni: br. 12, godina XIX./2006.; br. 12, godina XX.2007.; br. 12, godina XXI./2008.

In 2006, the most popular measures were subsidized employment of young persons without working experience and subsidized employment of long-term unemployed accounting for 47% of persons encompassed by the ALMP

measures. In 2007 and 2008, the biggest number of persons was covered by the measure of education financing for unknown employer. The least used measures in the period from 2006 to 2008 were measures targeting new employment as well as public works in form of the individual projects. As far as the expenditures for ALMP measures are concerned, the greatest amount of approximately 72,8 mil EUR was provided in 2007 which was a significant increase from 46,7 mil EUR in 2006. In 2008, the amount provided was 6,7 mil EUR¹⁰.

In order to improve the role and impact of the ALMP on the Croatian labor market, in 2008 Croatia participated in the program called "Active employment measures for groups that are threatened by the social exclusion" within the Phare 2005 program. The main goal of this program is to provide grant schemes for employment purposes for the most vulnerable unemployed groups as well as to provide technical support to the CBE in order to increase the capacity to manage grant schemes. The amount of money ensured for this program was 1,25 mil EUR and 1 mil EUR for grant schemes. There were 11 programs financed by these means.¹¹

4. Concluding remarks

Measures of ALMP – such as subsidized employment, training, public employment measures and job search assistance – are widely used in the EU to combat unemployment. Croatia has a long tradition of ALMP and its measures, yet they have been applied with an occasional break due to the lack of financial means or the lack of expected results. Ceasing all previous programs, the Government initiated in 2005 the creation of Croatian National Employment Action Plan (2005-2008) as the basis for making Annual Employment Plans hoping that it will yield better results than previous ALMP programs. In the period from 2006-2008, 20,830 persons were covered by the ALMP measures. Except for the increase in expenditure designated for the ALMP measures, one can notice a shift in the structure of measures. The most dominant measure of subsidized employment has been caught up by the measures involving various forms of education. This confirms the efforts of the Croatian government to shift its focus from employment to employability, which goes in line with the EU guidelines offered through the European Employment Strategy.

There is hardly any information on the impacts of active labor market policies in Croatia so it is hard to discuss the success of these policies. Namely, it is not enough to only increase the expenditure on ALMP measures, but it is important to evaluate which measures yield the best results. Thus, in order to fully use the

¹⁰ Source of data:

http://www.mingorp.hr/UserDocsImages/GPPZ2007/Odluka_VLADE_o_GP_2007.pdf, Accessed 10th March 2009

¹¹ For more details see the official site of CBE, www.hzz.hr, Accessed 10th March 2009

benefits of ALMP measures on the Croatian labor market, Croatia needs to develop a proper 'evaluation culture', i.e. a comprehensive assessment of relevance, effectiveness, efficiency and outcomes of ALMP measures implemented by the CBE and other stakeholders. This would improve policy design and secure better outcomes. Further, it should develop management system and the capacity of the CBE for the formulation, implementation, monitoring and evaluation of ALMP measures. In addition, the CBE as the prime institution for conducting ALMP measures should increase and improve its human resources, particularly in terms of educating their employees regarding the application of measures (e.g. councilors, specialists working with risk groups, etc.) and their evaluation (e.g. analysts). Increased attention should be focused on competing for foreign grant schemes (particularly coming from the EU) intended to support various employment programs.

Even though the unemployment rate in Croatia has been decreasing since 2004, the unemployment remains one of the (serious) economic and social problems, particularly in the context of the world financial crisis and threatening recession. ALMP can significantly contribute to the fight against unemployment, but they cannot alone solve the unemployment problem. Namely, the main task of the ALMP is to assist unemployed to return to work, which in turns requires a supply of job vacancies in the economy. Thus, more effective ALMP measures are only one element in a comprehensive strategy of macroeconomic and microeconomic measures required to combat unemployment. They should be regarded as a valuable weapon in the fight against unemployment, but as a complement rather than a substitute to other measures

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