

**Labour mobility within the EU in the context of enlargement and the functioning  
of the transitional arrangements**

**VC/2007/0293**

Deliverable 8

The Vienna Institute for International Economic Studies (wiiw)

**Country Study: Croatia**

Hermine Vidovic

**Abstract**

Croatia has been a traditional migration country for decades. During the past several years the number of Croatian migrants in the EU-15 has been stagnant or even slightly declining. Croatia's migration balance has been positive in the past ten years, but flows have been politically motivated to some extent, since most inflows and outflows are related to the return of persons after the war. Due to the emerging shortages in some sectors and/or skills, labour migration to Croatia has been growing in recent years. Most migrants come from the successor states of the former Yugoslavia, in particular Bosnia and Herzegovina and Macedonia, and work in the construction, shipbuilding and tourism sectors. Though calculations on the potential migration flows after a future EU accession are missing, it can be assumed that the numbers will be small, even taking into account those Croats from Bosnia and Herzegovina with a double citizenship.

## Contents

1	Introduction .....	1
1.1	Main characteristics of the Croatian labour market.....	1
1.1.1	The macroeconomic background .....	1
1.1.2	Main features of the labour market.....	1
1.1.3	Demographic development .....	3
1.2	Institutional setting for labour migration .....	5
1.2.1	Regulations on migration .....	5
1.2.2	Labour market institutions .....	6
2	Patterns of labour mobility .....	6
2.1	Emigration to Western Europe.....	7
2.2	Migrant workers in Croatia.....	9
3	Effects of migration on the national labour market and economy.....	11
3.1	Brain drain .....	11
3.2	Remittances .....	12
3.3	Migration potential .....	13
4	Conclusions.....	13
5	References .....	15

## **1 Introduction**

Croatia has a long history and tradition of migration, not only within Europe but also overseas, particularly to the United States, Australia and Canada.<sup>1</sup> Croatia is not yet a member of the European Union; it became an official EU candidate only in 2004 and started entry talks in late 2005. Only recently the EU has announced an 'indicative timetable' for the technical conclusions, provided Croatia meets a number of conditions. Accordingly Croatia may complete membership negotiations by the end of 2009 and is likely to join the Union in 2011. Negotiations on the free movement of workers started in June 2008.

In contrast to the new EU member states (NMS) of Central and Eastern Europe, Croatia exhibits a more diverse pattern of migration which is characterized by the return of refugees who left the country as a consequence of the war in the 1990s, retirement migration and a high but almost stagnant number of traditional labour migrants.

### **1.1 Main characteristics of the Croatian labour market**

#### **1.1.1 The macroeconomic background**

During the first years of transition, Croatia experienced the most severe output decline among the Central and East European (CEE) countries. This was caused, among other things, by the war, the disruption of transport links and the loss of the Yugoslav market. Following the introduction of a stabilization programme in late 1993, GDP grew at impressive rates up until 1997, mainly driven by domestic demand in general and by reconstruction-related investment activities in particular. But growth lost momentum in the subsequent year due to a banking crisis and turned negative by 1999. From 2000, GDP again registered continuous and increasing growth rates (Table 1), backed by strong household consumption and investment activities. Employment losses at the outset of transition were coupled with high open unemployment, associated with early retirement, increasing numbers of disability retirements and support of war veterans.

In the period 2000-2007 GDP rose by an average 4.9% per year. In some years GDP growth was driven by productivity gains rather than by new job creation (jobless growth). According to the respective data source, employment resumed growth from 2001 (registration data) or 2003 (Labour Force Survey) onwards.

#### **1.1.2 Main features of the labour market**

One of the main characteristics of the Croatia labour market is represented by its low employment and activity rates, particularly those of women. A comparison to the new EU

---

<sup>1</sup> Data available on Croatian immigrants from other receiving countries than EU show the following: United States 374000, Australia 51000, Switzerland and Canada about 40000 each.

member states shows that only in Bulgaria and Poland employment rates are lower than in Croatia. The low activity rate may be explained by the extensive use of early retirement schemes during the 1990s, the discouraged worker effect, an increasing number of disability retirements and, last but not least, by the traditional role of women (EIZ, 2006).

**Table 1: Croatia: Selected economic indicators**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
								first half	
Population, th pers., mid-year	4437	4437	4443	4442	4439	4442	4440	4440	.
Gross domestic product, HRK mn, nom.	152519	165640	181231	198422	214983	231349	250590	275078	.
annual change in % (real)	2.9	4.4	5.6	5.3	4.3	4.3	4.8	5.6	4.3
GDP/capita (EUR at PPP - wiiw)	8110	8630	9320	9830	10570	11200	12130	13190	.
LFS - employed persons, th, avg.	1553	1469	1528	1537	1563	1573	1586	1600	.
annual change in %	4.1	-5.4	.	0.6	1.7	0.7	0.8	0.9	.
LFS - unemployed persons, average	298.0	277.0	266.0	256.0	249.5	229.0	198.5	182	.
LFS - unemployment rate in %, average	16.1	15.9	14.8	14.3	13.8	12.7	11.1	10.0	.
Reg. unemployed, th pers, end of period	378.5	395.1	366.2	318.7	317.6	307.9	293.2	254.5	.
Reg. unemployment rate in %, end of period	22.3	23.1	21.3	18.7	18.5	17.8	17.0	14.7	14.5
Average gross monthly wages, HRK	4869	5061	5366	5623	5985	6248	6634	7047	73048
annual change in % (real, net)	3.4	1.6	3.1	3.8	3.7	1.5	1.9	2.2	0.6

Source: wiiw Database incorporating national statistics; IMF; wiiw forecasts.

Agriculture is still an important employer, accounting for 14% of total LFS employment – a fairly high share as compared to the NMS excepting Poland, Romania and Bulgaria. New jobs have mainly been created in the services sector and, after years of steady decline, again in the manufacturing sector.

Following a peak (16%) in 2000, LFS unemployment fell continuously thereafter and reached 10% in 2007. Despite this improvement, Croatia still features the second highest unemployment rate after Slovakia if compared with the NMS. The incidence of unemployment is particularly high (though declining) for young people with a low educational level. Long-term unemployment has become another salient feature of the Croatian labour market (60% of total unemployed), those affected are running the risk of permanent exclusion and finally exiting from the labour market. The groups most affected by long-term unemployment are females, those with low educational level or uncompleted schooling.

An examination of unemployment by educational level shows a less diverging picture than in most NMS. While in the latter the least educated are over-proportionately affected by unemployment, in Croatia the group with the lowest educational level features about

the average unemployment rate, whereas persons with medium education are the only group to exhibit an above-average unemployment rate.

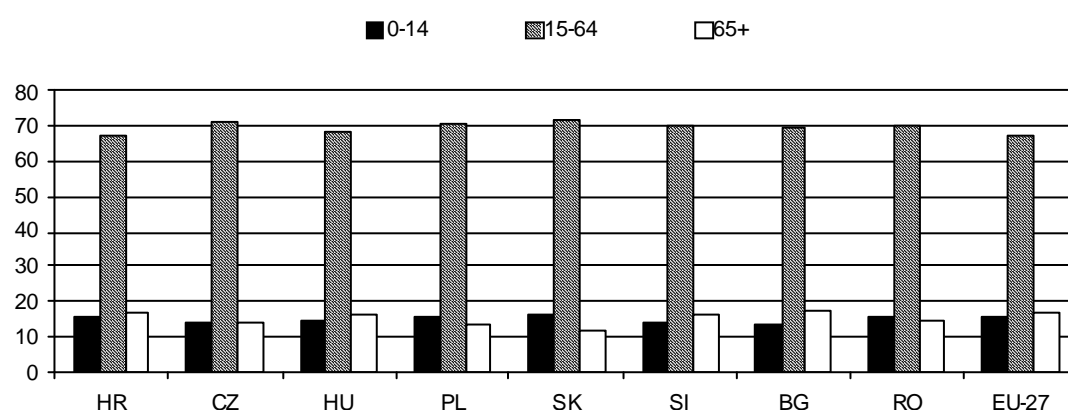
An analysis of unemployment by region shows significant differences in Croatia. Labour market imbalances tend to be highly persistent over time: the regions worst off in 1996 have tended to perform worse in later phases as well, the only exception being the region of Zadar. The city of Zagreb and the county of Istria – the economically most developed regions of Croatia – report the lowest unemployment levels, while in Vukovar Srijem, the least developed county, the highest level is observed.

Similar to most comparable countries, Croatia experienced a real wage decline in the early years of transition, additionally accelerated by the war and by hyperinflation up to 1993, when the real wage level was only 30% of the 1990 average. This period was characterized by an enormous gap between real wage growth and productivity growth. After launching the stabilization programme in late 1993, wage growth surged ahead of productivity growth up until 1999 (gross wages) and 2000 (net wages) respectively. In the subsequent years real wage developments were almost in line with productivity increases. Croatia has a higher wage level than any of the NMS (with the exception of Slovenia), which makes its labour relatively expensive as compared to its competitors.

### **1.1.3 Demographic development**

The population of Croatia has declined during the period of transition, first due to outward migration caused by the war but also due to the natural increase turning negative. Data for 2004 indicate that out of the country's 4.4 million inhabitants, the agricultural population accounted for 5.5%. The highest (and stable) share by far of both population (28%) and labour force (30%) is concentrated in the Zagreb region, whereas almost all other regions have undergone a depopulation process. Croatia, like most of the new and old EU member states, faces the problem of an ageing population. The share of the pre-productive and post-productive age groups in total population is 16% and 17% respectively: thus, in a comparison with the NMS, Croatia ranks second after Bulgaria among the most ageing societies, but compared with the EU-27 the rates are similar. As a result the Croatian social security system has come under pressure, due to the very unfavourable ratio of working to retired people. The working-age population (15-64 years of age) accounted for 67% of the total population in 2007 and was lower than in any of the NMS, but above the EU-27 average (Figure 1).

**Figure 1: Population by age groups in selected countries, 2007**



Source: Eurostat.

**Table 2: Croatia: International migration**

	Immigrants	Emigrants	Net Migration
1996	44596	10027	34569
1997	52343	18531	33812
1998	51784	7592	44192
1999	32910	14285	18625
2000	29385	5953	23432
2001	24415	7488	16927
2002	20365	11767	8598
2003	18455	6534	11921
2004	18383	6812	11571
2005	14230	6012	8218
2006	14978	7692	7286
2007	14622	9002	5620

Note: Data for 1996 and 1997 do not include the territory of Croatia occupied at that time.

Source: Statistical Office of Croatia

The migration balance has been positive in the past ten years, but declining recently (Table 2).<sup>2</sup> Migration flows during the 1990s and also the 2000s were and still are politically motivated to some extent, since most inflows and outflows are related to the return of persons displaced by the war (JIM, 2007). Available data provided by the Statistical Office of Croatia show that the bulk of immigration came from Bosnia and

<sup>2</sup> Data presented by the Statistical Office of Croatia may not fully reflect the actual size of migration, since the reporting is limited to those who reported their departure and permanently residing foreigners who reported their place of permanent residence in Croatia (Bozic, 2007).

Herzegovina, while most of the emigrants went to Serbia and Montenegro, followed by Bosnia and Herzegovina.

Demographic projections prepared by the Croatian Central Bureau of Statistics (2006) indicate that Croatia's population may decline to about 3.7 million by 2050, even if assuming a continued positive migration balance. The working-age population (15-64 years) is projected to fall by almost 30% and its share in the total population to decline from currently 67% to 57% in 2050. At the same time the number of persons over 65 years will increase by some 20%, raising the old age dependency ratio (ratio of older persons compared to the working-age population) from 26% to 50% (JIM, 2007).

### **Croats in Bosnia and Herzegovina**

A specificity of the region is that a large number of Croats living in Bosnia and Herzegovina have obtained Croatian citizenship, as ethnic Croats have the right to apply for a Croatian passport, implying equal rights to Croatian citizens living in Croatia (Doric, 2008) – among other things the right to vote in Croatian elections. According to data provided by the Croatian Ministry of Interior, about 336 thousand Croats have a permanent residence in Bosnia and Herzegovina, accounting for around 8% of its total population.

## **1.2 Institutional setting for labour migration**

### **1.2.1 Regulations on migration**

Labour immigration is based on the Law on Foreigners which came into force in January 2004. The Law envisages the establishment of a quota system of work permits. Accordingly the Croatian government – following the proposal of the Ministry of Labour, based upon the opinion of the Croatian Employment Service – determines the annual quota for work permits for foreign workers per sectors and professions each year. Work permits are issued for a limited period of time, usually corresponding to one year, and may be extended to a maximum of two years. In addition the government may set the quota for the employment of seasonal workers. The work permit is issued to a foreigner upon request of an employer.

In line with the provisions of the Law, foreigners are guaranteed the same rights as Croatian citizens regarding employment and working conditions (collective agreements and arbitration rulings).

Apart from quotas, work permits can be issued to some categories of foreign workers. These permits are granted to daily commuters from neighbouring countries (on the condition of reciprocity), EU nationals and their family members, foreigners performing indispensable tasks in companies and foreign company agencies, intra-corporate transferees, school teachers teaching in the national minorities language, etc. (IOM, 2007, p. 29).

In January 2008 a Migration Policy Strategy together with a new Asylum Act came into force. This package is to a great extent harmonized with the *acquis communautaire*. Migration policy is primarily focusing on immigration and is a first step towards the establishment of an immigration system.

### **1.2.2 Labour market institutions**

In Croatia a number of ministries, agencies and institutions are dealing with the (legal) aspects of migration in general and labour migration in particular (see IOM, 2007):

- The Ministry of Interior is responsible for migration. According to the Law on Foreigners it covers all issues of entry, admission, stay, residence and employment of foreigners.
- The Aliens and Asylum Department of the Inspection and Administrative Affairs Directorate is among other things responsible for issues related to regular migration and deals with residence and employment of foreigners.
- The Croatian Emigration Department encourages Croatian emigrants to engage economically in Croatia.
- The Ministry of Economy, Labour and Entrepreneurship proposes, upon the advice of the Croatian Employment Service, the annual quota of work permits by sectors and professions.
- The Labour and Labour Market Directorate (as part of the Ministry of Economy, Labour and Entrepreneurship) carries out, among other things, administrative and other professional activities related to the legal status of Croatian citizens employed in foreign countries and their return and employment in Croatia and the legal status of foreign workers in Croatia.
- The State Inspectorate is responsible for the supervision of foreign workers.
- The Croatian Employment Service provides information on the labour market situation and the need for foreign workers to set quotas for work permits. On the basis of international agreements the CES also assists Croatian citizens who want to work abroad. So far such agreements are concluded only with Germany and Slovenia. The agreement with Germany envisages the recruitment of seasonal workers from Croatia in agriculture and catering, 500 guest workers for a duration of up to 18 months and 30 student summer jobs.

## **2 Patterns of labour mobility**

Data sources on migration from and to Croatia are very limited. The main source is the Croatian Bureau of Statistics, providing yearly data on emigration and immigration.



However, there is no separate information about labour migration (see above). Other sources are immigration figures in receiving countries.

## **2.1 Emigration to Western Europe**

International migration from the countries of the Western Balkans has a long tradition and has been diverse and complex. Labour emigration from Croatia started in the late 1950s (illegally) and Croatian labour migrants constituted a relative majority among the first wave of guest workers in the 1960s (Bozic, 2007). At that time, when additional labour was needed in the wake of what is generally understood as the post-war reconstruction period in Western Europe, it became very common to attract labour particularly from the former Yugoslavia and Turkey; for instance, in Austria a so-called 'guest worker' scheme was introduced, bringing workers from the region to Austria (Adam, 2005). In the former Yugoslavia, labour migration to Western Europe was seen as a way to alleviate labour market imbalances, so that a high number of expatriate networks exist.

Table 3 shows the population of Southeast European (SEE) countries residing in the EU-15. Accordingly, during the period 2000-2007 Albania reported the highest share (nearly 28%) living in the EU-15, followed by Bosnia and Herzegovina, Macedonia and Croatia. Over that period 300 thousand Croatian citizens, accounting for about 7% of the Croatian population, were living in the EU-15, most of them in Germany, Austria and Switzerland. A slight decline is reported both in absolute and relative terms from 2004 onwards.

The Croatian Employment Service (CES) acts also as a mediator in the employment of seasonal workers, medical technicians, guest workers and students participating in summer trainings in Germany as well as in the employment of seamen and on ships owned by foreign owners. However, the number of workers employed abroad through the mediation of the CES is very small, amounting to 7900 persons in 2001 (Table 4), the highest level so far. Data for the entire 2000-2007 period indicate a declining number of employed abroad in 2003 and 2004, and a slight increase thereafter to about 5 thousand persons. Employment was mainly of a seasonal character with activities concentrating primarily in agriculture (over 70% of the total), followed by hotels and restaurants, entertainment etc. (CES, 2008).

The bulk of Croatian workers in the EU concentrate on Germany and the neighbouring countries Austria, Italy and Slovenia. Croatia has also concluded special arrangements with Slovenia and Germany (Table 4).<sup>3</sup>

---

<sup>3</sup> According to the quota agreed between Germany and Croatia, unemployed Croatian citizens have the opportunity to spend a period of time in Germany. An agreement concluded in 2003 allows 500 Croatian workers who are doing temporary work in Germany access to professional training for three years. However, only 319 persons made use of this arrangement in 2003 (Kapural, 2005), 111 in 2005 and 103 in 2006.

**Table 3: Population from Southeast European countries in the EU-15 by sending country, numbers, and per cent of home-country population**

	2000	2001	2002	2003	2004	2005	2006	2007
Albania	412,915 13.5%	434,002 14.1%	514,291 16.6%	581,605 18.7%	670,751 8.2%	717,450 8.2%	743,485 8.1%	805,416 8.3%
Bosnia	227,011 6.0%	323,006 8.5%	323,929 8.5%	330,751 8.6%	313,440 8.2%	314,624 8.2%	310,651 8.1%	319,347 8.3%
Croatia	249,031 5.6%	316,953 7.1%	329,448 7.4%	334,136 7.5%	324,698 7.3%	326,088 7.3%	322,926 7.3%	316,504 7.1%
Macedonia	83,848 4.1%	103,932 5.1%	112,922 5.6%	137,863 6.8%	146,209 7.2%	153,059 7.5%	161,556 7.9%	171,450 8.4%
Serbia-Monte.	679,548 6.4%	835,176 7.8%	806,739 8.6%	777,571 9.6%	342,551 4.2%	521,495 6.5%	508,255 6.3%	471,764 5.9%
Bulgaria	71,437 0.9%	102,980 1.3%	140,864 1.8%	166,330 2.1%	203,528 2.6%	219,233 2.8%	255,163 3.3%	310,335 4.1%
Romania	217,669 1.0%	285,075 1.3%	389,045 1.8%	553,508 2.6%	724,697 3.3%	880,738 4.1%	1,072,307 5.0%	1,553,276 7.2%
Slovenia	23,814 1.2%	30,697 1.5%	31,218 1.6%	35,672 1.8%	32,355 1.6%	34,698 1.7%	34,395 1.7%	35,848 1.8%

2000-2002: Without Austria and Luxembourg  
2004-2007: Ireland included with structure of PPSN

Sources: National population statistics, Eurostat, LFS, own calculations.  
Stocks in EU-15

Following Slovenia's accession to the EU, that country had to introduce quotas for workers from non-EU member states. As a consequence the number of Croatian workers in Slovenia was reduced compared to the pre-accession period (Kapural, 2005). Croatian workers are mostly commuters and are doing seasonal work.

The number of Croats with a regular visa in Italy increased from 16,500 in 2000 to 19,600 in 2007; the majority of them was concentrated in the Veneto and Friuli-Venezia Giulia. These regions contain Italy's two main shipyards in the Adriatic Sea, Monfalcone and Marghera (IOM, 2005). In general considerable cross-border migration – weekly or daily commuting – of Croatian workers from Istria to Italy is observed. In the region of Trieste nursing and housemaid work is performed by about 12 thousand women from Croatia. According to some estimates, approximately 5000 to 8000 women from Croatia work illegally in Northern and Central Italy (IOM, 2005, p. 35).

**Table 4: Number of Croatian workers employed abroad through the mediation of the Croatian Employment Service (CES)**

Year	Total	Seasonal workers	Guest workers	Students	Medical Technicians	Seamen on foreign ships
2000	7233	5954	-	-	147	1132
2001	7862	6211	-	-	317	1334
2002	7669	6035	57	37	390	1150
2003	6161	5238	319	24	98	482
2004	5108	4778	168	16	31	115
2005	4883	4615	111	32	11	114
2006	5273	5013	103	31	12	114
2007	5082	4757	109	24	19	173

Source: Croatian Employment Service

**Table 5: Croatian citizens in selected European countries, 1996-2007**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Country</b>												
Germany	201923	206554	208909	213954	216800	223800	231000	236570	229712	228926	227510	225309
Austria	.	.	.	.	.	57154	58440	58520	58719	58351	57103	56695
Italy	15309	15223	15455	16508	16690	16564	16858	21052	19595	20393	19664	.
Sweden	4266	5490	6814	7170	7520	6859	5470	4194	.	.	.	.
Slovenia	5788	6017	5245	6720	6751	7221	7208	.	.	6886	6829	.
Switzerland	43615	43727	43377	43764	43876	44097	43548	.	.	.	.	.

Source : National statistics of the respective countries; Bozic (2007).

## 2.2 Migrant workers in Croatia

Along with the economic upturn the Croatian economy has been making use of foreign workers due to the emerging labour shortages in some sectors and/or skills. Table 5 shows the development of work and business permits in the period 2000-2008. The strong reduction of work permits issued between 2003 and 2004 can be attributed to the changing legislation, such as the introduction of exemptions from the requirement of work permits for 23 categories of migrants by the Foreign Workers Law approved in 2003. In addition, the new Law introduced business permits as a new category, which contributed to a decline of work permits as well (see also IOM et al., 2007). Business permits are considered as both permits to work and reside on the territory of the Republic of Croatia. From the very beginning of their introduction, the number of business permits issued exceeded that of work permits. Figures for 2005 indicate that most business permits were issued for citizens from Bosnia and Herzegovina, followed by Macedonia, China, Slovakia, Italy, Serbia, Montenegro, Germany, Slovenia and Austria (Bozic, 2007).

**Table 6: Work and business permits issued to foreigners in Croatia, 2000-2008**

Year	Work Permits	Business Permits	Total
2000	4695	-	4695
2001	5710	-	5710
2002	6674	-	6674
2003	8356	-	8356
2004	2979	3356	6335
2005	3814	3875	7689
2006	3950	5678	9628
2007	4613	-	-
2008	8397	-	-

Source : Ministry of Interior of the Republic of Croatia, Croatian Employment Service (CES).

**Table 7: Foreign workers by sex and education (as of Dec 2006)**

Educational level	Men	Women	Total
PhD	10	-	10
Masters degree	12	3	15
University degree	1171	382	1553
College degree	150	67	217
High school degree	4317	788	5105
Highly skilled	113	2	115
Skilled	821	12	833
Semi-skilled	70	10	80
Low skilled	1419	99	1518
No education	41	6	47
Unknown	410	64	474
Total	8534	1433	9967

Source: IOM (2007) based on Migration Policy Strategy of the Republic of Croatia 2007.

Detailed data on the 2007 quota indicate that out of 4613 permits, new work permits accounted for 2613. The quota for 2008 almost doubled, to 8397, of which 2500 are accounting for the prolongation of work permits from the previous year and 5897 for new employment. Altogether, the number of foreign workers is increasing, but its share in overall employment is very low. A breakdown by economic sector shows that most of the work permits were issued for construction (3630), shipbuilding (1700), hotels and restaurants (240), transport (118) and manufacturing (106). In all other sectors the employment of foreign workers is negligible.

According to IOM (2007) the educational level of migrant workers in Croatia has changed during the past decade. While at the beginning of the 1990s foreign workers were mostly skilled and low-skilled, this pattern has changed from the mid-1990s with the share of highly skilled workers steadily on the increase. As Table 6 shows, in 2005 the majority of foreign workers had high school degrees, followed by those with university degrees and finally the low-skilled workers. Most foreign workers are men (86%), only 14% are women. Persons aged between 46 and 60 years account for the highest share among migrant workers in Croatia, followed by the age group 26 to 35 years.

Information about informal work of foreigners is scarce. As of 2007 the fine for employers employing workers illegally increased significantly. The State Inspectorate can even close down a firm employing migrant workers illegally. In 2005 the State Inspectorate registered 1373 foreigners working without a work permit, in 2006 the respective number was 1284.

### **3 Effects of migration on the national labour market and economy**

#### **3.1 Brain drain**

Brain drain is an important issue not only for Croatia, but for the entire Southeast European region. Croatia is reportedly a country with a high emigration rate among the highly educated. However, the actual magnitude is unknown, because 'the brain drain issue has been neglected for years and is still insufficiently investigated' (Adamovic and Menznicaric, 2006). During the 1990s figures on a dramatic brain drain were in circulation, based on political motives rather than on actual well-documented figures.<sup>4</sup>

According to the Ministry of Science and Technology, 849 scientists left Croatia in the period 1990-2000.<sup>5</sup> A breakdown of the total shows that among this group the technical sciences accounted for 249 persons, natural sciences for 244, medical sciences for 139 and other scientific areas for 217. Empirical research on the potential brain drain by Golub (2001) has shown that the bulk of scientists (85%) who left the country were below the age of 40 years, more than half were young researchers. In general, the number of young researchers willing to leave the country declined between 1990 and 2000 (Adamovic and Meznaric (2003). It was found that the current migration potential of young Croatian scientists has weakened, but also that the brain drain has not lost its significance. The share of potential migrants is still highest among the highly educated (Bozic and Buric, 2005).

---

<sup>4</sup> According to some 'political estimates' about 140 thousand highly skilled have left the country in the past decade. According to Adamovic and Meznaric (2006) this would mean that in the past ten years Croatia has lost almost the whole contingent of graduated students. A former Minister of Science and Technology stated in 2003 the 4738 highly educated citizens emigrated during 1991-2001 and added that the actual size had reached 10 thousand (Bozic, 2007).

<sup>5</sup> Scientists here refers to persons who were employed by Croatian research institutes or universities.

In order to motivate Croatian scientists living abroad to return, the Ministry of Science, Education and Sports has launched a Fund (Unity through Knowledge Fund), supported by the World Bank. The UFK's mission under the slogan *Connectivity – Cooperation – Creativity* is to unite scientific and professional potential in Croatia and the diaspora in the development of a knowledge-based society.<sup>6</sup>

### 3.2 Remittances<sup>7</sup>

Workers' remittances have for many years been a source of income in Croatia, but are relatively modest compared to other countries of the region, and declining. In 2006 workers' remittances accounted for 2.5% of the GDP, representing the lowest value in the region.

Migrants' remittances refer to income earned in the host country of migration that is sent or brought to the home country. More specifically, this term covers the following items: (1) workers' remittances, i.e. transfers abroad by resident workers (who live in the host country for at least 12 months); (2) compensation of employees, i.e. earnings paid by host-country employers to migrants who are not residing in that country, such as seasonal workers; and (3) migrants' transfers, namely cash and goods transferred by re-migrating individuals upon their relocation back to the home economy (IMF, 1993). Understanding remittances in a more narrow sense, only the first category corresponds to the notion of remittances as transfers of individuals residing abroad to family members in their countries of origin (Chami et al., 2008).<sup>8</sup> Besides, according to official data, that category is the most relevant among the above items.

As compared to other countries of the region, in Croatia and Macedonia the role of remittances is much less pronounced: the two countries have received recent inflows of 2.5-5% of their GDP. Both countries have shown a tendency of increasing remittance inflows during the 2000s.

From a comparative perspective, Albania as well as Bosnia and Herzegovina are countries with particularly high inflows of remittances. Bosnia and Herzegovina has received inflows of remittances of about 16-18% of its official GDP throughout the present decade, while in Albania official inflows increased from just above 12% in 2000 to more than 20% in 2006.

Although outflows of both workers' remittances and compensation of employees have been below 1% of the countries' GDPs throughout the 2000s, flows amounting to around

---

<sup>6</sup> [Http://www.ukf.hr](http://www.ukf.hr)

<sup>7</sup> This part is based on a contribution by Anna Iara.

<sup>8</sup> *Compensation of employees* contains salaries of employees of embassies and international institutions among others as well: such flows are less relevant in terms of their impact on the source economy. Besides, this category contains employers' payments for social security, and part of the compensation of employees is spent in the host country, so that only a fraction ends up in the source country of migration. Migrants' transfers are again corresponding to different situations and economic behaviour than workers' remittances in the narrow sense, and these flows have very poor statistical coverage.

0.5% of GDP in Albania, Bosnia and Herzegovina and Croatia nevertheless show that these countries also serve as hosts of worker migration.

In the context of the importance of remittances for the source countries, inflows of remittances are often compared with FDI as an alternative source of foreign exchange and investment. In the NMS the latter exceeded the former by far. By contrast, in a number of SEE countries official remittances figures were three to five times higher than FDI inflows in some years. Keeping in mind that a large part of remittances is likely to be unrecorded, the true size of remittances probably exceeds FDI in Croatia (and Romania) as well.

Most of the remittances in Croatia have been invested (real estate and land) rather than consumed (Poprzenovic, 2007).

### **3.3 Migration potential**

Bozic and Buric (2005) have estimated Croatia's migration potential by making use of the micro analytic model for the Central and East European migration potential introduced by Fassmann and Hintermann (1997). Accordingly they estimated the migration potential of Croatia at 460 thousand persons older than 14 years or 12.5% of the country's population in that age group. The likely migration potential is 92 thousand (2.5%) and the real migration potential 0.4% of the population above 14 years or 14,700 persons. Similar to other comparable countries, typical (potential) migrants are young, unmarried, and highly educated persons. The regions with the lowest share in GDP exhibit the highest share of potential migrants and 'not the regions which are geographically the closest to potential immigration countries'. The main reasons for emigration are primarily of an economic nature, in particular high unemployment.

## **4 Conclusions**

- The situation in Croatia is in many respects very similar to other SEE countries: Together with sizeable stocks of diaspora populations in the Western countries and ongoing emigration, Croatia is characterized by the presence of refugees, the recent phenomena of labour and retirement immigration, and a growing (but still low) inflow of labour migrants.
- The stock of Croatian labour migrants in Europe (Germany, Austria, Italy in particular) has been stagnating during the past several years and is accounting for about 7% of the country's population.
- Over recent years the inward migration of labour has been growing in Croatia, particularly in the shipbuilding, construction and tourism sectors; its level, however, is still very low. Most of these migrant workers originate from the successor states of the former Yugoslavia, the bulk coming from Bosnia and Herzegovina.

- Improving economic conditions coupled with the perspective of EU accession might lower the outward migration and attract additional labour migrants. Even if taking into account those Croats holding a double citizenship and living in Bosnia and Herzegovina, the overall size of the 'Croatian' population is relatively small, thus we expect only limited future migration flows. This assumption is also confirmed by the fact that existing quota arrangements are not fully utilized.



## 5 References

- Adam, G.** (2005), *Labour immigration examined*, EIRO, <http://www.eurofound.europa.eu/eiro/2005/01/feature/at0501206f.htm>
- Adamovic, M. and Meznaric, S.** (2006), *Migration of Young Croatian Scientists*, AEMI.
- Bozic, S.** (2007), *Strengthening cross border cooperation in the Western Balkans regarding migration management, Croatia*, in: *Migration Flows in Southeast Europe, a compendium of National Perspectives*, Belgrade, April.
- Bozic, S. and Buric, I.** (2005), *Migraciji potencijal Hrvatske – mikroanaliticki aspekti (Croatia's Migration Potential – Micro-Analytic Aspects)*, *Migracije i etnicke teme*, Vol. 21, No 1-2, Zagreb. June.
- Doric, P.** (2008), *Croatia*, [http://www.freedomhouse.hu/images/fdh\\_galleries/NIT2008/NT-Croatia-final.pdf](http://www.freedomhouse.hu/images/fdh_galleries/NIT2008/NT-Croatia-final.pdf)
- Croatian Employment Service – CES** – (2008), *Yearbook 2007*, Zagreb, April.
- Ekonomski Institut Zagreb EIZ** (2006), *Social Protection and Social Inclusion in Croatia*, Final Report, Study commissioned by the European Commission, Zagreb, May.
- Fassmann, H. and C. Hintermann** (1997), *Migrationspotential Ostmitteleuropa: Struktur und Motivation potentieller Migranten aus Polen, der Slowakei, Tschechien und Ungarn*, Vienna.
- Hovat, V.** (200?), *Catching up in Transition: Female Highly-Skilled Migration and Youth Drain from South East Europe to Austria in the context of EU Enlargement – National Report for Croatia*.
- International Organisation for Migration (IOM) and Ministry of the Interior of the Republic of Slovenia**, *The Republic of Croatia Migration Profile*, Ljubljana, September.
- International Organisation for Migration IOM** (2005), *Cross-border Labour Migration Flows, Croatia-Italy: Focus on Shipbuilding*, Zagreb, May.
- Kapural, M.** (2005), *Freedom of Movement of Workers in the Enlarged European Union and its Effect on Croatia*, in: *Croatian Accession to the European Union – Facing the Challenges of Negotiations*, Third Volume, Institute of Public Finance, Friedrich Ebert Stiftung, Zagreb, pp. 85-107.
- Poprzenovic, A.** (2007), *Remittances and Income Inequality in Croatia*, Master's Thesis, School of Economics and Management, Lund University, February.
- Republic of Croatia** (2007), *Joint Memorandum on Social Inclusion (JIM) of the* Zagreb, May.