

Croatia

Exchange rate: US\$1.00 equals 6.19 kunas.

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1922.

Current laws: 1998 (pension insurance), implemented in 1999, with amendments; 1998 (maximum pension), with amendment; 1999 (pension funds), with amendments; 1999 (pension insurance companies and savings), with amendment; 1998 (disability); 1998 (occupational diseases); 1998 (medical reports); 1999 (insurance); 1999 (medical assessment), with amendments; 2002 (contributions), with amendments; 2004 (contribution collection); and 2006 (compulsory insurance).

Type of program: Social insurance and mandatory individual account system.

Note: A two-pillar system was implemented in two stages in January 1999 and January 2002. Persons older than age 50 when the new system was implemented are insured under the first-pillar social insurance only and receive a regular pension. Those between ages 40 and 50 who were already insured under the first-pillar social insurance could opt to join the two-pillar mandatory system until June 30, 2002.

Coverage

Employed persons in industry, commerce, or services; apprentices; civil servants and public-sector employees; military personnel; judiciary officers and policemen; temporary contract workers; and self-employed persons in nonagricultural and agricultural work.

Source of Funds

Insured person

Social insurance: 20% of gross earnings if insured under the first pillar only; 15% of gross earnings if insured under the first pillar and mandatory individual account system.

Voluntary contributors pay 15% of the insurance base. The insurance base is equal to between 40% and 50% of the average wage of all employed persons. (The average gross wage of all employed persons for the period January to August 2005 was 6,199 kunas.)

The minimum monthly earnings for contribution purposes are 2,169.65 kunas.

The maximum monthly earnings for contribution purposes are 37,194 kunas.

The insured's contributions also finance disability and survivors benefits and work injury and occupational disease benefits.

Individual account: 5% of gross earnings or 5% of insured earnings, plus up to 0.8% of contributions and up to 1.2% per year of accumulated funds for administrative fees.

Self-employed person

Social insurance: 20% of insured earnings if insured under the first pillar only; 15% of the insurance base if insured under the first pillar and the mandatory individual account system.

Self-employed farmers who must pay income taxes contribute 20% of insured earnings if insured under the first pillar only; 15% of the insurance base if insured under the first pillar and the mandatory individual account system. Self-employed farmers who are not liable to pay income taxes contribute 10% of insured earnings if insured under the first pillar only; 5% of the insurance base if insured under the first pillar and the mandatory individual account system.

The insurance base is defined as a percentage of the gross average wage of all employed persons (from 50% to 110%), depending on the category of self-employment and the individual's level of educational attainment. (The average gross wage of all employed persons for the period January to August 2005 was 6,199 kunas.)

The self-employed person's contributions also finance disability and survivors benefits and work injury and occupational disease benefits.

Individual account: 5% of gross earnings or 5% of insured earnings, plus up to 0.8% of contributions and up to 1.2% per year of accumulated funds for administrative fees.

The minimum monthly earnings for contribution purposes are 2,169.65 kunas.

The maximum monthly earnings for contribution purposes are 37,194 kunas.

Employer

Social insurance: None; except on behalf of employees in arduous or unhealthy occupations.

Individual account: None; except on behalf of employees in arduous or unhealthy occupations.

The minimum monthly earnings for contribution purposes are 2,169.65 kunas.

The maximum monthly earnings for contribution purposes are 37,194 kunas.

Government

Social insurance: Covers all or part of the first-pillar costs for military officers, policemen, judiciary officials, parliamentary deputies, members of government, and disabled war veterans.

Individual account: None.

Qualifying Conditions

Old-age pension

Social insurance: Age 64 with 16 years of insurance coverage (men) or age 59 with 16 years of insurance coverage (women). Age 59 with 40 years of coverage (men) or age 54 with 35 years of insurance coverage (women).

Beginning in 2008, the minimum qualifying conditions will be age 65 with 15 years of insurance coverage (men) or age 60 with 15 years of insurance coverage (women).

Early pension: Age 59 with 35 years of insurance coverage (men) or age 54 with 30 years of insurance coverage (women); the early retirement age will increase by 6 months each year until it reaches age 60 (men) or age 55 (women) in 2008.

Deferred pension: There is no deferred pension.

A pensioner receiving a social insurance regular or basic pension must cease work.

Individual account (old-age): The insured must meet the qualifying conditions for a social insurance pension.

Disability benefits

Payable for a permanent reduction in, or loss of, the ability to work resulting from an occupational or nonoccupational injury or disease. Higher awards are made for a disability that is the result of a work injury or an occupational disease.

General disability pension: A permanent loss of the ability to work resulting from permanent changes in health occurring before age 65 (men and women). The insured must have insurance coverage during at least 1/3 of the working life after age 20 (age 23 for insured persons with postsecondary education; age 26 for insured persons with a university degree). There is no minimum qualifying period if the general (full) disability is the result of a work injury or an occupational disease.

Occupational (partial) disability pension: If the disability began after age 50, the pension is payable for a permanent reduction in working capacity greater than 50%; if the disability began before age 50, the pension is payable for a reduced ability to work that is not likely to be improved by occupational rehabilitation. The pension may be paid up to age 65 (men and women). The insured must have insurance coverage during at least 1/3 of the working life. There is no minimum qualifying period if the disability is the result of a work injury or an occupational disease. If there is no likelihood of rehabilitation for work, the pension is paid for life.

Occupational rehabilitation and salary compensation: Payable if the disability began before age 50 and it is likely that the person will regain the ability to work full time (40 hours a week). Salary compensation is payable in the same amount as the occupational disability pension paid during the rehabilitation process until employment in another job with the same employer; if no other job is

available with the same employer or acceptable to the insured, it is payable during a 12-month unemployment period after the completion of occupational rehabilitation (24 months if the disability is the result of a work injury or an occupational disease). Other jobs offered in writing must require the same level of education as was required for the job performed before the disability began; if none is available, the job must require the next lower degree of education.

Medical experts of the Croatian Pension Insurance Institute and senior medical experts assess the degree of disability. The assessment is subject to review by a special medical committee composed of 12 appointed members of the Croatian Pension Insurance Institute.

Compensation allowance for a physical injury: Awarded for the loss of, or damage to, a part of the body or of an organ that is the result of a work injury or an occupational disease. The insured's injury must be assessed as at least 30%. The allowance is paid regardless of whether the physical injury led to the onset of an assessed disability.

Individual account (disability): Payable if the insured meets the qualifying conditions for a social insurance pension and the value of the individual account pension combined with the basic disability pension (for insured periods from 2002) is greater than the regular disability pension (for insured periods before 2002).

Survivor pension

Social insurance: The deceased was a pensioner, an occupational rehabilitation beneficiary, or had completed 5 years of insurance coverage or a 10-year qualifying period or met the qualifying period conditions for a disability pension. There is no minimum qualifying period if the death resulted from a work injury or an occupational disease.

Individual account (survivors): Payable if the deceased met the qualifying conditions for a social insurance pension and the value of the individual account pension combined with the basic survivor pension (for insured periods from 2002) is greater than the regular survivor pension (for insured periods before 2002).

Old-Age Benefits

Old-age pension

Note: Insured persons may be eligible to receive different combinations of social insurance and individual account benefits. For coverage periods under the social insurance system before 2002, the insured receives a regular pension benefit; for coverage periods under the social insurance system from 2002, the insured receives a basic pension benefit.

Regular old-age pension: For periods of insurance coverage under the social insurance system before 2002, the minimum pension is calculated as 0.825% of the adjusted average gross salary of all employees in 1998 for each year

of insurance coverage, up to a maximum of 30 years. For insurance coverage periods exceeding 30 years, the calculation is based on half of the amount for each year of insurance coverage exceeding 30; 46.92 kunas is paid per year for the first 30 years of insurance coverage and 23.46 kunas for each year of insurance coverage exceeding 30 (July 2005).

The maximum pension depends on the length of the insurance coverage period and previous earnings, up to a ceiling.

Early pension: The pension is reduced by 0.3% for each month the pension is paid before the normal retirement age. This reduction is permanent and continues after the recipient reaches the normal retirement age.

Deferred pension: There is no deferred pension.

Benefits are payable abroad.

Benefit adjustment: Benefits are adjusted every 6 months according to an index based on changes in the cost of living and national average gross earnings.

Basic old-age pension: For periods of insurance coverage under the social insurance system since 2002, the pension is based on the average gross salary of all employed persons in the preceding year, the number of years of insurance coverage in the new system, and previous earnings up to a ceiling.

Benefits are payable abroad.

Benefit adjustment: Benefits are adjusted every 6 months according to an index based on changes in the cost of living and national average gross earnings.

Individual account: The pension is based on the accumulated assets in the individual account and average life expectancy at retirement.

Benefits are payable abroad.

Permanent Disability Benefits

Disability pension: The pension depends on the level of wages earned in relation to the average wage of all employed persons, the length of insurance coverage period (except for a work injury or an occupational disease), and the assessed degree of disability (total loss of, or permanent reduction in, the capacity to work).

In most cases, benefits are paid under the first pillar.

For a disability caused by a work injury or an occupational disease, the minimum number of years used for pension calculation purposes is 40. The amount of the pension is calculated according to years of insurance coverage and the value of the pension per qualifying year.

The full amount is paid for a general disability; the occupational disability pension is 80% of the general disability pension; 33.3% if the pensioner is still employed. The

general disability pension is not payable while the beneficiary is employed.

The minimum pension is calculated as 0.825% of the adjusted average gross salary of all employees in 1998 for every year of insurance coverage, up to a maximum of 30 years. For coverage periods exceeding 30 years, the calculation is based on half of the amount for each year of insurance coverage exceeding 30; 46.92 kunas is paid per year for the first 30 years of insurance coverage and 23.46 kunas for each year of insurance coverage exceeding 30 (July 2005).

The maximum pension depends on the length of the insurance coverage period and previous earnings, up to a ceiling.

Benefits are payable abroad.

Occupational rehabilitation and salary compensation:

The benefit is the same as the occupational disability pension unless the disability was caused by a work injury or an occupational disease, in which case it is the same amount as the general disability pension based on 40 years of insurance coverage.

Compensation allowance for a physical injury: The allowance depends on the assessed degree of physical injury resulting from a work injury or an occupational disease. There is no minimum qualifying period. The allowance is payable during employment or self-employment; thereafter, for the duration of the lifetime.

Benefit adjustment: Benefits are adjusted every 6 months according to an index based on changes in the cost of living and national average gross earnings.

Individual account: The pension is based on the accumulated assets in the individual account. If the value of the individual account pension combined with the basic disability pension (for insured periods from 2002) is not greater than the regular disability pension (for insured periods before 2002), the funds in the individual account are transferred to the Croatian Pension Insurance Institute, and the social insurance disability pension is paid at a higher rate.

Survivor Benefits

Survivor pension: The amount is based on the old-age or disability pension paid or payable to the deceased and the number of survivors. The minimum number of years of insurance coverage for pension calculation purposes is 21; if the insured's death was the result of a work injury or an occupational disease, the minimum number of years of insurance coverage for pension calculation purposes is 40.

In most cases, benefits are paid under the first pillar.

The minimum pension is calculated as 0.825% of the adjusted average gross salary of all employees in 1998 for every year of insurance coverage, up to a maximum of

30 years. For coverage periods exceeding 30 years, the calculation is based on half of the amount for each year of insurance coverage exceeding 30; 46.92 kunas is paid per year for the first 30 years of insurance coverage and 23.46 kunas for each year of insurance coverage exceeding 30 (July 2005).

The maximum pension depends on the length of the insurance coverage period and previous earnings up to a ceiling and on the number of survivors; 100% of the deceased's pension is paid for four or more survivors.

Eligible survivors are a widow(er) aged 50 or older, caring for eligible children, or disabled (a woman who is widowed at age 45 becomes eligible on reaching age 50); and children up to age 15 (age 18 if unemployed, age 26 if a student, no limit if disabled).

In the survivor remarries, the pension ceases if the widow(er) is younger than age 50 or disabled.

Benefits are payable abroad.

Benefit adjustment: Benefits are adjusted every 6 months according to an index based on changes in the cost of living and national average gross earnings.

Individual account: The pension is based on the accumulated assets in the individual account. If the value of the individual account pension combined with the basic survivor pension (for insured periods from 2002) is not greater than the regular survivor pension (for insured periods before 2002), the funds in the individual account are transferred to the Croatian Pension Insurance Institute, and the social insurance survivor pension is paid at a higher rate.

Administrative Organization

Social insurance

Ministry of Economy, Labor, and Entrepreneurship (<http://www.mingo.hr>) and the Ministry of Finance (<http://www.mfin.hr>) provide general supervision.

Croatian Pension Insurance Institute (<http://www.mirovinsko.hr>) administers benefits.

Individual account

Ministry of Economy, Labor, and Entrepreneurship (<http://www.mingorp.hr>) and the Ministry of Finance (<http://www.mfin.hr>) provide general supervision.

Agency for the Supervision of Pension Funds and Insurance (<http://www.hagena.hr>) provides legal supervision.

Central Registry, pension companies, and pension insurance companies provide general administrative services and administer benefits.

Sickness and Maternity

Regulatory Framework

First law: 1954.

Current laws: 1996 (maternity), with 2004 amendment; 1997 (health care); 2001 (health insurance), implemented in 2002, with amendments; 2002 (contributions), with 2002 and 2004 amendments; 2003 (health care); 2004 (patients rights); and 2005 (compulsory insurance contribution).

Type of program: Social insurance system.

Coverage

Cash sickness and maternity benefits and medical

benefits: Employed persons, public-sector employees, civil servants, self-employed persons, salaried full-time apprentices, temporary contract workers, military personnel, vocational trainees, postgraduate students studying abroad, and persons employed by a foreign employer if they are not covered under the employer's country provisions.

Medical benefits only: Farmers, pensioners, unemployed persons, persons entitled to occupational rehabilitation, and children up to age 18 (age 26 if a student), disabled former military servicemen without resources, dependents of an insured person, and voluntarily insured persons.

Source of Funds

Insured person: Employees do not contribute. Voluntarily insured persons contribute 15% of earnings, plus 0.5% of earnings for work injury and occupational diseases.

The minimum monthly earnings for contribution purposes are 2,169.65 kunas (persons with lower earnings contribute as though they earn 2,169.65 kunas).

The maximum monthly earnings for contribution purposes are 37,194 kunas.

Self-employed person: 15% of income, plus 0.5% of income for work injury and occupational diseases.

Non-taxpaying farmers contribute 7.5% of income up to 2,479.60 kunas plus 0.5% of income for work injury and occupational diseases; 15% if taxpayers, plus 0.5% of income for work injury and occupational diseases.

Employer: 15% of payroll, plus 0.5% of payroll for work injury and occupational diseases.

The minimum monthly earnings for contribution purposes are 2,169.65 kunas (persons with lower earnings contribute as though they earn 2,169.65 kunas).

The maximum monthly earnings for contribution purposes are 37,194 kunas.

Government: Contributes on behalf of certain categories of persons and finances new-born child assistance, additional maternity leave, obligatory maternity leave for

unemployed mothers, sick leave for war veterans, and adoption leave.

Qualifying Conditions

Cash sickness and medical benefits: There is no minimum qualifying period. Entitlement to cash sickness benefits is determined by a designated doctor in a primary health care institution for the first period of sickness (the duration depends on the nature of the incapacity); further periods are determined by the decision of the medical commission of the Croatian Institute for Health Insurance.

Benefits are provided for up to 6 months; thereafter, the invalidity commission of the Croatian Pension Insurance Institute decides whether the insured is permanently disabled, cured, or in need of further treatment. In the latter case, an additional 6-month period of temporary disability is paid.

Cash maternity and parental leave benefits: A designated doctor in a primary health care institution must certify the pregnancy.

Newborn child assistance: Paid on the birth of a child.

Sickness and Maternity Benefits

Sickness benefit: Benefits vary between 70% and 100% of average monthly earnings in the previous 6-month period; 100% of average monthly earnings is paid for an incapacity that is the result of a work injury or an occupational disease, participation in the Homeland War, pregnancy, childbirth (during the obligatory maternity leave period and up to the ceiling for employed persons of 4,250 kunas), the donation of transplantation tissues or organs, or if nursing a sick child up to age 3. Benefits are payable for up to a maximum of 6 consecutive months, according to the schedule in law. The employer pays for the first 42 days, except if the sick leave results from having participated in the Homeland War, pregnancy, or maternity leave, in which case the cost is met by the Croatian Institute for Health Insurance at the expense of the state budget.

The minimum monthly benefit is 850 kunas.

The maximum monthly benefit is 4,250 kunas.

Maternity benefit: 100% of salary is payable until the child is aged 6 months (beginning 28 to 45 days before the expected date of childbirth). An additional benefit is payable until the child is age 1 (age 3 for twins).

Unemployed mothers receive 1,600 kunas a month during the first 6 months of the maternity period.

Mandatory parental leave for the mother begins 28 days before the expected date of childbirth (45 days in case of complications) and lasts at least up to 42 days after childbirth (after the 42nd day the father can opt to take the parental leave in place of the mother). The leave period may be extended until the child is age 1.

The minimum monthly benefit is 1,600 kunas (for full-time employees).

The maximum benefit is 4,250 kunas a month until the child is 6 months old; thereafter, between 1,600 kunas and 2,500 kunas a month is paid until the child is age 1 (age 3 for twins).

Newborn child assistance: A lump sum of 1,360 kunas is paid.

Workers' Medical Benefits

Benefits are provided by public and private health institutions contracted with the Croatian Institute for Health Insurance. Benefits include primary and specialist treatment, hospitalization, orthopedic and other aids, dental care, approved pharmaceuticals, laboratory services, maternity care, preventive care services, emergency aid, rehabilitation services, appliances, and transportation.

Cost sharing: Cost sharing by patients varies according to the nature of the service provided. There are free services for children younger than age 18, persons with low income, disabled persons needing constant assistance, disabled Homeland War veterans, persons registered at the Croatian Institute for Health Insurance as unemployed, and voluntary blood donors who have made 35 donations (men) or 25 donations (women).

Dependents' Medical Benefits

Benefits are provided by public and private health institutions contracted with the Croatian Institute for Health Insurance. Benefits include primary and specialist treatment, hospitalization, orthopedic and other aids, dental care, approved pharmaceuticals, laboratory services, maternity care, preventive care services, emergency aid, rehabilitation services, appliances, and transportation.

Cost sharing: Cost sharing by patients varies according to the nature of the service provided. There are free services for children younger than age 18, low-income persons, disabled persons needing constant assistance, disabled Homeland War veterans, persons registered at the Croatian Institute for Health Insurance as unemployed, and voluntary blood donors who have made 35 donations (men) or 25 donations (women).

Administrative Organization

Ministry of Health and Social Welfare (<http://www.mzss.hr>) provides general supervision.

Governed by a managing council, the Croatian Institute for Health Insurance (<http://www.hzzo-net.hr>), with 20 district offices, administers benefits.

Work Injury

Regulatory Framework

There is no specific program for work injury. Cash and medical benefits for a work injury or an occupational disease are provided through the Old Age, Disability, and Survivors and Sickness and Maternity programs, above. For an assessed incapacity or disability that is the result of a work injury or an occupational disease, benefits are paid under more favorable conditions and at higher rates than general sickness and disability benefits.

Unemployment

Regulatory Framework

First law: 1952.

Current laws: 2002 (unemployment), with 2002 and 2003 amendments; 2002 (contributions), with 2003 and 2004 amendments; 2002 (occupational rehabilitation), with 2005 amendment; and 2005 (compulsory insurance).

Type of program: Social insurance system.

Coverage

All employed persons with insurance coverage based on an employment contract, including public-sector employees, civil servants, policemen, judiciary officers, and military personnel.

Exclusions: Self-employed persons and farmers.

Source of Funds

Insured person: None.

Self-employed person: Not applicable.

Employer: 1.7% of payroll.

The minimum monthly earnings for contribution purposes are 1,858.50 kunas (contributions for employees with lower earnings are paid as though they earn 1,858.50 kunas).

The maximum monthly earnings for contribution purposes are 31,860 kunas.

Government: Provides periodic subsidies and the total or partial cost of benefits for certain categories of persons.

Qualifying Conditions

Unemployment benefit: Must be between ages 15 and 65 with 9 months of employment in the last 24 months. The insured must register with the Employment Institute in the first 30 days of unemployment. There is no qualifying period for unemployed mothers caring for children younger than age 1.

Persons whose employment ceased as a result of willful misconduct or by agreement with the employer are not entitled to unemployment benefits.

Unemployed workers with 34 years (men) or 29 years (women) of employment are covered until they are reemployed; the required period of employment will rise to 35 years (men) or 30 years (women) in 2007.

Benefits may be paid to women during pregnancy and until the child is age 1 if there is no entitlement to benefits under any other program. The benefit may be paid during temporary incapacity for work for up to 3 months.

Unemployed persons of retirement age are also entitled to unemployment benefits until the minimum insurance coverage period for the old-age pension is satisfied, up to a maximum of 5 years.

Lump-sum payment: Paid to beneficiaries of the unemployment benefit who became unemployed because of the restructuring of their place of employment or because of unforeseen personal circumstances.

Unemployment assistance: Payable to unemployed persons who participate in vocational training.

Reimbursement of traveling and removal costs: Payable if costs are incurred as a result of finding new employment and having to relocate away from the regular place of residence.

Unemployment Benefits

The benefit is equal to the average wage in the last 3 months. The benefit is payable for between 78 and 390 days, depending on the duration of previous employment.

The minimum benefit is 887.20 kunas a month.

The maximum benefit is 1,000 kunas a month.

Lump-sum payment: Depending on the duration of previous employment, a lump sum equal to 2, 4, or a maximum of 6 monthly unemployment benefits is paid.

Unemployment assistance: 887.20 kunas a month is paid.

Reimbursement of traveling and removal costs: A lump sum is paid.

Administrative Organization

Ministry of Economy, Labor, and Entrepreneurship (<http://www.mingo.hr>) is responsible for general supervision.

Managed by a tripartite nine-member committee, the Croatian Employment Institute (<http://www.hzz.hr>) administers the program through its central office and 22 regional and 91 local offices.

Family Allowances

Regulatory Framework

First law: 1949.

Current laws: 2001 (children allowances), implemented in 2002; and 2004 (income tax), implemented in 2005.

Type of program: Social assistance system.

Coverage

Parents (including foster parents, tutors, stepparents, and grandparents) who are Croatian citizens (or foreign citizens with a permit for permanent settlement) and who have resided in Croatia for at least 3 years before the claim. Children must be younger than age 15 (regardless of whether they are at school); children older than age 15 are eligible if a full-time student, incapacitated, or disabled.

Source of Funds

Insured person: None.

Self-employed person: None.

Employer: None.

Government: The total cost.

Qualifying Conditions

Family allowances (children allowance): Children younger than age 15 (younger than age 19 if a full-time student, until age 21 if incapacitated, or until age 27 if seriously disabled). No allowances are paid if the child is permanently placed in a specialized institution.

There is no minimum qualifying period or an employment requirement for parents.

Family Allowance Benefits

Family allowances (children allowance): The total household income in the year before the year of the claim must be no more than 40% of the state budget base.

The state budget base is 3,326 kunas (2005).

Households whose income exceeds 20% but does not exceed 40% of the state budget base (1,330.40 kunas) receive a minimum means-tested benefit equal to 5% of the state budget base (166.30 kunas per child a month).

Households whose income does not exceed 20% of the state budget base receive a minimum means-tested benefit equal to 9% of the state budget base (299.34 kunas per child a month).

Allowances for eligible single-parent households are 15% higher than the means-tested award.

Allowances for eligible full orphans and for eligible households with disabled children are 25% higher than the means-tested award.

Allowances for eligible, seriously disabled children are equal to 25% of the state budget base (831.50 kunas per child a month).

Administrative Organization

Family Division of the Ministry of Family, Defenders, and Intergenerational Solidarity (<http://www.mobms.hr>) provides general and legal supervision.

Croatian Pension Insurance Institute (<http://www.mirovinsko.hr>) administers the program.