

## Croatia

Exchange rate: US\$1.00 equals 6.13 kunas.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1922.

**Current laws:** 1998 (pension insurance), implemented in 1999, with 2002 amendment; 1999 (pension funds; insurance companies and pensions payment), implemented in 2002; and 2002 (social insurance contributions), implemented in 2003.

**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 over age 50 when the new system was implemented are insured under the first-pillar only and receive a regular pension. Participation in the two-pillar system is mandatory for persons up to age 40 and optional for those between ages 40 and 50. In the two-pillar system, the first-pillar benefit is the basic pension and the second-pillar benefit is based on accumulated assets in an individual account.

#### Coverage

Employed persons in industry, commerce, or services; apprentices; civil servants and public employees; military servicemen; judiciary officers and policemen; persons contracted on a temporary basis; and self-employed persons in nonagricultural and agricultural work.

#### Source of Funds

##### Insured person

**Regular pension:** Employees contribute 20% of gross earnings. The self-employed contribute 20% of insured earnings; self-employed farmers contribute 10% if they are nontaxpayers and 20% if taxpayers.

**Basic pension:** Employees contribute 15% of gross earnings. The self-employed contribute 15% of insured earnings; self-employed farmers contribute 5% if they are nontaxpayers and 15% if taxpayers.

Contributions to the regular and basic pensions also finance disability and survivors insurance.

**Individual account:** 5% of gross earnings or 5% of insured earnings.

##### Employer

**Regular pension:** None. (Special rules apply for employees in arduous or unhealthy occupations.)

**Basic pension:** None. (Special rules apply for employees in arduous or unhealthy occupations.)

**Individual account:** None. (Special rules apply for employees in arduous or unhealthy occupations.)

#### Government

**Regular and basic pension:** Covers all or part of the costs as necessary for military officers, policemen, judiciary officials, parliamentary deputies, members of government, and disabled war veterans.

**Individual account:** None.

The minimum monthly earnings for contribution purposes are 1,858.50 kunas.

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

#### Qualifying Conditions

##### Old-age pension

**Regular and basic old-age pensions:** Age 63 with 17 years of coverage (men) or age 58 with 17 years of coverage (women).

The retirement age will increase by 6 months and the minimum qualifying period will be reduced by 6 months each calendar year until 2007. Beginning in 2008, the qualifying conditions will be age 65 with 15 years of coverage (men) or age 60 with 15 years of coverage (women).

**Early pension:** Age 58 with 35 years of coverage (men) or age 53 with 30 years of 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.

**Individual account:** The insured must meet the qualifying conditions for a basic old-age or early pension. (In certain cases, this rule may be applied to the disability or survivor pension if the value of the individual account pension combined with the disability or survivor first-pillar basic disability or survivor pension is greater than the regular first-pillar disability or survivor pension.)

##### Disability benefits

A permanent reduction in, or loss of, the ability to work that may be caused by an occupational or nonoccupational injury or disease. Higher awards are made for a disability resulting from a work injury or occupational disease.

**General disability pension:** A permanent loss of the ability to work because of incurable changes in health occurring prior to age 63 (men) or age 58 (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 consequence of a work injury or occupational disease.

**Occupational (partial) disability pension:** More than 50% permanent reduction in working capacity occurring after age 50; before age 50 if the reduced ability to work is not likely to be improved by occupational rehabilitation. The pension may be awarded up to age 63 (men) or age 58 (women). The

insured must have insurance coverage during at least 1/3 of the working life. There is no minimum qualifying period if the occupational (partial) disability is the consequence of work injury or occupational disease. Under certain conditions the pension is payable for life.

*Occupational rehabilitation and salary compensation:* Based on occupational (partial) disability occurring before age 50 where it is likely that the disabled employed person may regain the ability to work full-time (40 hours a week). Salary compensation is payable in the same amount as the occupational disability pension during the rehabilitation process until engagement 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 an unemployment period of 12 months after the completion of occupational rehabilitation (24 months if the disability is caused by an occupational injury or disease). Other jobs offered in writing must require the same level of education as was required for the job performed prior to the onset of disability; if none is available, the job must require the next lower degree of education.

*Compensation allowance for physical injury:* Awarded for the loss of, or damage to, a part of the body or of an organ resulting from an occupational injury or disease. The insured's injury must be assessed as at least 30%. The allowance is awarded whether or not the injury led to the determination of a disability.

*Individual account:* Payable if the value of the individual account pension combined with the first-pillar basic disability pension is greater than the regular first-pillar disability pension.

### Survivor pension

*Regular and basic old-age pensions:* 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 was the consequence of a work injury or occupational disease.

*Individual account:* Payable if the value of the individual account pension combined with the first-pillar basic survivor pension is greater than the regular first-pillar survivor pension.

### Old-Age Benefits

#### Old-age pension

*Regular old-age pension:* The pension depends on the level of wages earned in relation to the average wage of all employed persons and on the length of qualifying period completed.

The minimum pension is calculated as 0.825% of the adjusted average gross salary of all employees in 1998 for every year of coverage, up to a maximum of 30 years. For coverage periods beyond 30 years, the calculation is based on half of the amount per year. Beginning July 2003, 42.45 kunas is paid per

qualifying year for the first 30 years and 21.23 kunas per qualifying year for each year beyond 30.

The maximum pension depends on the length of qualifying period completed and previous earnings up to a ceiling.

*Early pension:* The pension is reduced for each month that the pension is awarded before the retirement age. The reduction remains in force after reaching the official retirement age.

*Benefit adjustment:* Pensions are adjusted every 6 months according to a joint index based on the change in the cost of living and the change in the national average gross salary.

*Basic old-age pension:* The pension is based on the average gross salary of all employed persons in the preceding year, the number of years of personal coverage in the new system, and previous earnings up to a ceiling.

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

All pensions 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 qualifying periods completed (except in case of work injury or occupational disease), and the assessed degree of disability (total loss of, or permanent reduction in, the capacity to work).

In most cases, benefits for disability insurance 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 the calculation of the pension is 40. The amount of the pension is calculated according to years of coverage and the value of the pension per qualifying year. The full amount is paid for general disability; the occupational disability pension is 80% of the general disability pension; 33.3% if the beneficiary 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 coverage, up to a maximum of 30 years. For coverage periods beyond 30 years, the calculation is based on half of the amount per year. Beginning July 2003, 42.45 kunas is paid per qualifying year for the first 30 years and 21.23 kunas per qualifying year for each year beyond 30.

The maximum pension depends on the length of qualifying period completed and previous earnings up to a ceiling.

Pensions are payable abroad.

**Occupational rehabilitation and salary compensation:** The benefit is the same amount as the occupational disability pension unless the disability was caused by a work injury or occupational disease, in which case it is the same amount as the general disability pension based on a 40-year qualifying period.

**Compensation allowance for physical injury:** The allowance depends on the assessed degree of physical injury resulting from a work injury or professional disease only. There is no minimum qualifying period. The allowance is payable during employment or self-employment and, after that, for the duration of the lifetime.

**Benefit adjustment:** Benefits are adjusted every 6 months according to a joint index based on the change in the cost of living and the change in the national average gross salary.

### **Survivor Benefits**

**Survivor pension:** The amount is based on the insured's actual or hypothetical old-age or disability pension and on the number of survivors. The minimum number of years for the pension calculation is 21; if the death of the insured was caused by a work injury or occupational disease, the minimum number of years is 40.

In most cases, benefits for survivors insurance 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 coverage, up to a maximum of 30 years. For coverage periods beyond 30 years, the calculation is based on half of the amount per year. Beginning July 2003, 42.45 kunas is paid per qualifying year for the first 30 years and 21.23 kunas per qualifying year for each year beyond 30.

The maximum pension depends on the length of qualifying period completed and previous earnings up to a ceiling.

**Eligible survivors:** A widow(er) aged 50, 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).

Pensions are payable abroad.

**Benefit adjustment:** Benefits are adjusted every 6 months according to a joint index based on the change in the cost of living and the change in the national average gross salary.

### **Administrative Organization**

#### **Regular and basic pensions**

Ministry of Labor and Social Welfare and the Ministry of Finance provide general supervision.

Croatian Pension Insurance Institute administers benefits.

#### **Disability and survivor pensions**

In most cases, benefits for disability and survivors insurance are paid under the first-pillar, with the contributions paid to the individual account transferred to the Croatian Pension Insurance Institute.

#### **Individual account**

Ministry of Labor and Social Welfare and the Ministry of Finance provide general supervision.

Agency for the Supervision of Pension Funds and Insurance provides legal supervision.

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

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### **Sickness and Maternity**

#### **Regulatory Framework**

**First law:** 1954.

**Current laws:** 2001, implemented in 2002, with 2002 and 2003 amendments; 2002 (social insurance contributions), implemented in 2003; and 2003 (medical care).

**Type of program:** Social insurance system.

#### **Coverage**

**Cash and medical benefits:** Employed persons, public employees, civil servants, self-employed persons, salaried full-time apprentices, temporary contract workers, military servicemen, persons engaged in vocational training or completing postgraduate study abroad, and those 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 persons 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. Farmers contribute 7.5% of earnings if they are nontaxpayers and 15% if taxpayers, plus 0.5% of earnings for work injury and occupational diseases. Self-employed persons and the voluntarily insured contribute 15% of earnings, plus 0.5% of earnings for work injury and occupational diseases.

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

**Government:** Contributes for certain categories of persons. The minimum monthly earnings for contribution purposes are 1,858.50 kunas (persons with lower earnings contribute as though they earn 1,858.50 kunas).

The maximum monthly earnings for contribution purposes are 31,860 kunas (persons with higher earnings contribute as though they earned 31,860 kunas).

#### **Qualifying Conditions**

**Cash sickness and medical benefits:** There is no minimum qualifying period. Entitlement to cash sickness benefit is determined by a designated doctor in a primary health care institution for the first period of sickness (the duration

depending on the type of disease); further periods are determined by the decision of the Medical Commission of the Health Insurance Institute. The maximum duration is 6 months, after which the Invalidity Commission of the Pension Insurance Institute decides whether the insured is permanently disabled, cured, or in need of further treatment. In the latter case, a new maximum 6-month period of temporary disability starts until the insured is cured.

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

**Maternity grant:** Paid on the birth of a child.

### **Sickness and Maternity Benefits**

**Sickness benefit:** Benefits vary between 70% and 100% of the average monthly salary earned in the preceding 6-month period; 100% of the average monthly salary is paid for sickness resulting from a work injury or occupational disease, participation in the Homeland War, pregnancy and childbirth, the donation or transplantation of tissues and organs, or if nursing a sick child up to age 3. Benefit is payable depending on the prescribed category of disease, up to a maximum of 6 months of consecutive illness. The employer pays for the first 42 days.

The minimum benefit is 850 kunas a month.

The maximum benefit is 4,250 kunas a month.

**Maternity benefit:** 100% of salary is payable until the child is 6 months (beginning 28 to 45 days before the expected date of childbirth). Additional benefit is payable until the child is age 1 (age 2 for twins).

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

The minimum benefit is 1,600 kunas a month.

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

Unemployed mothers receive 900 kunas a month during the first 6-month maternity period.

**Maternity grant:** A lump sum of 1,360 kunas.

**Funeral grant:** A lump sum of 850 kunas.

### **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 under age 18, persons with low income, disabled persons needing constant assistance, disabled homeland veterans, persons registered at the Croatia 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 under age 18, low-income persons, disabled persons needing constant assistance, disabled homeland veterans, persons registered at the Croatia 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 provides general supervision.

Governed by a managing council, the Croatian Institute for Health Insurance, 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 are provided through the Old Age, Disability, and Survivors and Sickness and Maternity programs, above. For an assessed illness or disability that is the result of a work injury or an occupational disease, benefits are granted under more favorable conditions and at higher rates than general sickness and disability benefits.

### **Unemployment**

#### **Regulatory Framework**

**First law:** 1952.

**Current laws:** 2002, with 2003 amendment; and 2002 (social insurance contributions), implemented in 2003.

**Type of program:** Social insurance system.



## Coverage

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

Exclusions: Self-employed persons and farmers.

## Source of Funds

**Insured person:** None.

**Employer:** 1.7% of payroll.

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

The minimum monthly earnings on which employers contribute on behalf of employees 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 on which employers contribute on behalf of employees are 31,860 kunas.

## Qualifying Conditions

**Unemployment benefit:** Nine 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 benefit.

Unemployed workers with 32 years (men) or 27 years (women) of employment are covered until they are reemployed; the required period of employment will rise by 1 year per year until it reaches 35 years (men) or 30 years (women) in 2007.

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

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

Pension insurance: Unemployed persons of retirement age are also entitled to unemployment benefit until the completion of the minimum qualifying period for the old-age pension, up to a maximum of 5 years.

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

**Reimbursement of traveling and removal costs:** If costs are incurred as a result of finding new employment away from the regular place of residence.

## Unemployment Benefits

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 797 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.

**Unemployment assistance:** 797 kunas a month.

**Reimbursement of traveling and removal costs:** A lump-sum payment.

## Administrative Organization

Managed by a tripartite nine-member committee, the Employment Institute administers the program through its central office and 22 regional and 91 local offices.

## Family Allowances

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### Regulatory Framework

**First law:** 1949.

**Current law:** 2001, implemented in 2002.

**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 resided in Croatia for at least 3 years before the claim. Children must be under age 15 (regardless of whether they are at school); children older than age 15 are eligible under special conditions (attending secondary school, ill, or disabled).

### Source of Funds

**Insured person:** None.

**Employer:** None.

**Government:** Total cost.

### Qualifying Conditions

**Family allowances (children allowance):** Children under age 15 (under age 19 if a secondary school student, until age 21 in case of illness or until age 27 if seriously disabled). No allowance is 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):** Total household income for the year before the one in which the claim is made must be no more than 40% of the 2003 state budget base of 3,326 kunas.

Households whose income 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.

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.

Allowances for eligible single-parent households are awarded at a rate that is 15% higher than the means-tested award.

Allowances for eligible full orphans and for eligible households with disabled children are awarded at a rate that is 25% higher than the means-tested award.

Allowances for eligible, seriously disabled children are awarded at a rate of 25% of the state budget base.

### **Administrative Organization**

Ministry of Labor and Social Care provides general supervision.

State Institute for the Protection of Family, Maternity, and Youth provides legal supervision.

Croatian Pension Insurance Institute administers the program.