

Re-thinking approaches to labour migration

Potential and Gaps in EU Member States' Migration Infrastructures Case Study Summary — Croatia



KEY MESSAGES

- Croatia is currently undergoing a significant transformation in its migration landscape. It is shifting from being primarily an emigration country to becoming an immigration-emigration nation. Moreover, there has been a notable change in the countries of origin of migrants coming to Croatia, transitioning from mainly neighbouring countries to workers from Asian nations.
- Migrants are primarily found in sectors requiring seasonal unskilled labour, such as construction or tourism, although shortages are also evident in the health care sector, among others. Forecasts indicate that Croatia's demand for highly-skilled labour will increase.
- Recent changes in migration laws have liberalised access to the labour market for foreigners. However, the solutions in place are systematically inconsistent. The main mechanism was supposed to be the labour market test, but due to exceptions, 75% of applications are exempt from it.
- Croatia lacks a comprehensive and appropriate political response to these developments. There is insufficient cooperation between state institutions, social partners and the third sector, and the country is lacking an established migration or integration strategy. The issue of labour migration, although significant, is not adequately addressed in the public sphere.
- Croatia should further explore the benefits of international cooperation (both through EU programmes and bilateral agreements) and digitalise and streamline the procedures required for entry and employment in the country.



Funded by
the European Union

BACKGROUND AND CONTEXT

Croatia has a history of being a country of emigration. During the late 19th and early 20th centuries, Croatians sought opportunities in North and South America due to economic hardship and political instability back home. Following World War II, internal migration increased due to resettlement efforts. While Croatia was part of Yugoslavia, labour emigration to Western European countries was still notable, but a significant wave occurred after Croatia gained independence in the 1990s, resulting in approximately 300.000 people leaving the country. Croatia's accession to the European Union in 2013 facilitated labour mobility within the EU, contributing to pronounced emigration particularly among the young and highly educated, with around 400.000 people, or roughly 10% of the population, leaving the country according to the 2011 and 2021 censuses. The negative demographic trend has been exacerbated by a low birth rate.

Simultaneously, Croatia has experienced an influx of foreign workers from neighbouring countries, including Bosnia and Herzegovina, Serbia and Slovenia, seeking employment opportunities. Additionally, Croatia's thriving tourism industry has attracted seasonal workers, including many from non-EU countries such as Ukraine and Moldova. As of 2023, work permits issued to foreign workers were primarily for people from former Yugoslav states, particularly Bosnia and Herzegovina, Serbia, and North Macedonia, but there is also a significant presence from Asian countries such as Nepal and India, which has been steadily increasing in recent years.

Currently, Croatia is gradually transitioning into a country not only of emigration but also of immigration, with migrant workers arriving not only from neighbouring countries but also from beyond Europe. Consequently, Croatia finds itself at a pivotal moment of transformation.

CURRENT AND FUTURE LABOUR SHORTAGES

In recent years, Croatia has faced significant labour shortages, especially in sectors like **construction**, tourism, and healthcare, largely driven by an outflow of domestic workers following EU accession. The construction sector, historically reliant on foreign labour, now anticipates a majority of its workforce to comprise foreigners in the next decade. Notably,

the 2020 earthquakes exposed vulnerabilities, exacerbating labour deficits in reconstruction efforts.

Tourism, another vital sector, is increasingly reliant on seasonal workers. Recent years have seen a significant shift in the intensity and composition of the labour force in this sector. Instead of relying primarily on domestic seasonal workers, the tourism industry has increasingly turned to international seasonal workers to fill positions, and this trend is anticipated to continue in the future.

Healthcare, too, is confronted with shortages. The deficit of healthcare professionals, including nurses, is a critical issue that needs to be addressed to ensure the effective functioning of the healthcare system and the provision of quality care.

Moreover, **other sectors** including agriculture, retail, and food production, are turning to foreign labour to fill the gaps. Skill-wise, migrants often occupy low-skilled roles, with English proficiency being advantageous in tourism. Looking ahead, Croatia foresees a growing demand for highly-skilled labour by 2035, particularly in sectors like information and communication. However, despite the shift towards higher qualifications, opportunities for lower-skilled workers persist; these are often taken up by overqualified migrant workers, a trend expected to continue.

LABOUR MIGRATION POLICY IN CROATIA

In recent years, Croatian labour migration policy has undergone significant revisions, particularly with the amendment of the Aliens Act in 2018 and 2020. Previously, Croatia employed a quota system for the employment of third-country nationals, but in January 2021 it replaced this with a labour market test system. These changes aimed to liberalise regulations and make labour immigration more accessible. As a result, Croatia now boasts a relatively open labour market for foreign workers, easing entry and legal employment, especially in occupations facing shortages.

However, despite these improvements, Croatia still lacks a cohesive and forward-thinking migration policy that acknowledges the potential of labour force immigration for economic and social advancement. Integration policies for migrant workers and their families are also lacking, and discussions on migrant labour within national social dialogue forums remain insufficient. With Croatia's last migration strategy

expired in 2015, the country needs to adopt a new document to guide its migration policy and integration efforts.

LEGAL LABOUR MIGRATION PATHWAYS

Work Permits

In Croatia, obtaining a work and residence permit requires securing employment with a local company.

As of 1 January 2021, Croatia shifted from a quota-based system to a new framework governed by the Aliens Act. Under this Act, the process for obtaining stay and work permits has changed significantly. Employers must now engage the Croatian Employment Service (CES) to conduct a labour market test to verify the unavailability of qualified domestic job seekers meeting their criteria. The entire permit issuance process, including the labour market test, aims to be completed within 30 days. Before applying for a permit, employers submit job conditions to CES, which identifies suitable domestic candidates for interviews within 15 days. If no suitable domestic candidates are found, the employer can proceed with the work permit application within 90 days. Stay and work permits for third-country nationals are issued for the duration of employment or the contract's validity, not exceeding one year (though renewable).

The Aliens Act provides exceptions to the need to conduct the labour market test. The exceptions applied most often are for occupations experiencing shortages. In practice the various exemptions constitute a significant portion of cases; over 75% of the work permits issued do not go through the labour market test.

The permit is employer-specific, meaning it becomes invalid if the employment ends, then necessitating the immigrant worker's departure from Croatia. In practice, there may be certain practical adaptations to the regulatory framework that permit greater flexibility for foreign workers – if they manage to find new employment within a 15-day period during which either the worker or the employer should report to the Ministry of Interior to initiate the cancellation process for the work permit. In such situations, rather than cancelling the existing work permit, the authorities may issue a new work permit for the individual, allowing the change in employment.

Seasonal Migration

Croatia's labour market is significantly influenced by seasonality, particularly in sectors such as tourism and construction, leading to specific policies for seasonal workers. The tourism industry, for instance, relies heavily on temporary workers who come for three to four months during peak tourist seasons.

To address labour shortages during these periods, Croatia issues seasonal work permits, exempting them from the usual labour market tests. Seasonal stay and work permits are issued on the basis of article 104 of the Aliens Act. A third-country national may work in the Republic of Croatia on the basis of a stay and work permit for seasonal work that has been issued for up to 90 days, but only in the following:

- agriculture
- forestry
- hospitality
- tourism

An application for a stay and work permit can be submitted by the employer online. Along with the general conditions for issuing a stay and work permit, appropriate accommodation has to be provided in order for a stay and work permit for seasonal work to be granted.

While there exists a pathway for seasonal migration, it is not commonly utilised due to the relative ease of obtaining one-year permits for occupations facing shortages. This offers an attractive option for both workers and employers alike. The practice of hiring workers on year-long contracts, even when their services are only required during specific seasons, is widespread among companies. This trend arises from the scarcity of available labour, compelling businesses to retain their employees throughout the year, despite their work being predominantly confined to certain seasons.

EU Blue Card

The incorporation of the EU Blue Card Directive into Croatian law was finalised just before the mid-November deadline. The EU Blue Card is issued without a labour market test or an opinion of the Croatian Employment Service. Applicants must hold a valid employment contract for highly qualified positions, earning a salary at least 1,5 times the average gross annual salary and meet education and security requirements. For 2023, Croatia set the minimum annual salary threshold at EUR 24.845,64 gross, or a monthly gross salary of EUR 2.070,47.

Digital Nomads

Croatia has become a favoured destination for digital nomads, offering streamlined residency and taxation regulations. Nomads and their family members can obtain a special one-year permit without income tax, provided they work remotely for a foreign company and meet financial and housing criteria. Croatia's appeal lies in its tourist allure and affordability compared to Western Europe, attracting a diverse range of nomads. Since the visa programme's launch in 2021 a notable influx of applicants, particularly from Russia and Ukraine, has enriched Croatia's community and economy.

Employment Agencies

Temporary employment agencies play a crucial role in hiring migrant workers in Croatia's construction and metal sectors, but are less active in tourism, hospitality and public healthcare. In the digital platform sector, intermediaries connect workers with employers. There are concerns over some agencies promoting unfair labour conditions, prompting calls for stricter regulation. The current situation, where licences are relatively easy to obtain, is considered problematic, and the need for more robust control and scrutiny is evident.

SUGGESTIONS FOR POSSIBLE FUTURE ADAPTATIONS TO LABOUR MIGRATION POLICY AND THE USE OF EXISTING PROVISIONS

International Cooperation

Croatia should leverage EU initiatives such as the proposed EU Talent Partnerships and EU Talent Pool

Croatia should leverage EU initiatives such as the proposed EU Talent Partnerships and EU Talent Pool to address its labour market challenges, focusing on attracting skilled workers and integrating beneficiaries of temporary protection. To optimise these initiatives, Croatia needs to actively participate and collaborate with other Member States, and establish transparent monitoring mechanisms. Promoting the proposed EU Talent Pool among employers and job seekers domestically and within the EU could help Croatia attract a wider number of potential workers and address specific skill shortages more effectively. Croatia could use the currently existing migration flows to increase its chances of attracting desired

migrant workers based on the emerging migration networks in the country – networks may facilitate the spread of information and play the role of the initial social support structures for newcomers.

Croatia should focus on bilateral relations and the creation of stable reciprocal bonds between countries

To boost labour mobility for third-country nationals, Croatia could prioritise bilateral relations with key countries like the Philippines, Nepal, and Bangladesh, major sources of migrant workers. These partnerships could facilitate knowledge and resource exchange, regulate migration flows, and promote economic development. By fostering stable bonds, Croatia could streamline labour recruitment and migration processes while protecting workers' rights through bilateral agreements. This approach not only enhances integration policies but also fosters a more inclusive environment for migrant workers, promoting their social and economic integration.

Efforts should be made to match Croatia's labour shortages with partner countries' labour supply

To effectively address Croatia's labour shortages, strategic partnerships with countries capable of supplying the required labour are essential. These agreements should prioritise such sectors as construction, tourism and healthcare, which historically face workforce deficits. Emphasising legal migration pathways, especially for skilled workers, is crucial, with provisions for both short-term seasonal work and long-term migration. Policymakers must tailor solutions to specific sectors, recognising the unique skills required in each field, rather than adopting a one-size-fits-all approach. By aligning immigration policies with labour demands and integrating foreign workers accordingly, Croatia could optimise its workforce and ensure long-term economic and social prosperity for both immigrants and the host society.

National Cooperation

A new Migration Strategy should be developed soon

The existing policies and expired strategies may not adequately respond to the evolving labour demands, making it essential to establish a new strategy that aligns with the country's current and future needs. Croatia should therefore prioritise the development of a comprehensive migration strategy that serves as the foundation for future migration and integration policies. This strategy should shift the perspective on immigration from being perceived as a security threat

to recognising it as an opportunity for economic and social development.

Integration policies and measures should be developed alongside the new migration strategy

The Croatian government should implement integration policies, including free language courses and improved access to social security services, to facilitate the rapid integration of migrants. Additionally, mobile teams comprising experts from educational institutions could assist newcomers in adapting to Croatian society, as demonstrated by a pilot project conducted in the Banja region. It is imperative to tackle the deficiency in awareness and coordination concerning foreign workers, emphasizing the need for implementing protective measures, providing clear guidelines for employers, and facilitating language courses. Moreover, the creation of 'welcome centres' funded by local authorities or the state could provide free legal advice to foreign workers, aiding them in navigating the regulatory complexities and ensuring a smoother integration process.

Croatia should improve cooperation and coordination between relevant actors within and outside of government

Effective coordination is crucial in developing and implementing Croatia's new migration strategy, as highlighted by various Informants. This coordination should involve government agencies, ministries, and local authorities working together to address the complex issues surrounding migration. By harmonising efforts, sharing resources and engaging with international partners, Croatia can create more comprehensive and efficient policies that promote successful integration and address migration challenges at both local and global levels.

Labour Market

Work conditions of migrant workers should be monitored and effective protection from exploitation should be established

Social partners, including employers, trade unions and other stakeholders, should develop their strategies and policies specifically addressing the needs and challenges of migrant workers. The labour inspectorate's role in overseeing labour standards and worker rights should be reinforced, with particular attention to addressing the specific vulnerabilities associated with migrant work. This includes educating labour inspectorate employees about the unique

challenges faced by migrant workers, especially those engaged in online platforms that provide physical services (e.g. food delivery, transportation, etc.).

Administration and Bureaucracy

Croatia should consider legal changes that would extend the validity of work and stay permits

Croatia offers permits for third-country nationals to work, but these are limited to 12 months and require extension at least 60 days before expiry. Extending the validity of these permits is recommended to ensure continuity of employment and attract more foreign workers, benefiting Croatia's economy. This move would create a more welcoming environment, reduce administrative burdens, and encourage longer stays for foreign workers.

Effort should be made to reduce the time taken by the necessary procedures

To address the time-consuming nature of labour migration procedures in Croatia, streamlining the process is crucial. Simplifying documentation, digitising all applications possible, and enhancing coordination between government agencies could expedite the process, attracting more foreign workers to meet Croatia's labour market demands. Training government officials in technology use and inter-agency collaboration could further improve efficiency, making the process more accessible and less time-consuming for applicants. Efforts should be made towards establishing a dedicated online platform to support third-country nationals in the recruitment process, streamlining applications and facilitating integration efforts.

Skills and recognition of qualifications

Procedures of recognition of foreign diplomas and qualifications should be streamlined

To attract more skilled workers from abroad, the Croatian government should streamline the recognition process for foreign diplomas and qualifications. Simplifying the application process by reducing document requirements and providing clear guidelines could expedite recognition. Given that many migrant workers come from neighbouring countries with similar education systems, there is potential for speeding up recognition. For non-European countries this could be done through bilateral agreements.

Croatia should introduce upskilling programmes

The Croatian government could collaborate with stakeholders to implement upskilling programs focusing on language proficiency, digital literacy and technical skills. Providing financial incentives such as tax credits to participating employers and developing tailored curricula with educational institutions could enhance these programmes' effectiveness. Collaboration with NGOs could further support migrant workers through services such as counselling, mentoring, and job placement assistance.



**Funded by
the European Union**

This summary is based on findings from MPF (2024). Re-thinking approaches to labour migration. Potentials and gaps in EU member states' migration infrastructures. Case Study: Croatia, Brussels: ICMPD. Research took place between July 2023 and February 2024 and the content described applies to this period. Any changes made to the labour migration system thereafter are not systematically included. This publication was funded by the European Union and commissioned through the Migration Partnership Facility. Its contents are the sole responsibility of the author and do not necessarily reflect the views of the European Union nor ICMPD.

© ICMPD 2024