

# Utjecaj instrumenta NextGenerationEU na socijalne politike u državama članicama

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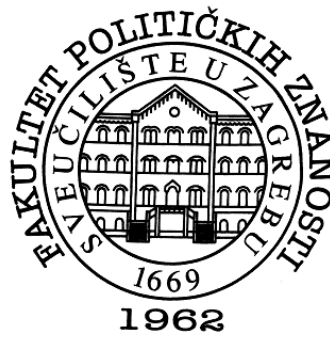


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Sveučilište u Zagrebu  
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Diplomski studij politologije



Ljubica Jurlina

THE INFLUENCE OF THE NEXTGENERATIONEU INSTRUMENT ON SOCIAL  
POLICIES IN THE MEMBER STATES

DIPLOMSKI RAD

Zagreb, 2024.

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THE INFLUENCE OF THE NEXTGENERATIONEU INSTRUMENT ON  
SOCIAL POLICIES IN THE MEMBER STATES

DIPLOMSKI RAD

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Zagreb, 2024.

Izjavljujem da sam diplomski rad 'The influence of the NextGenerationEU Instrument on Social Policies in the Member States', koji sam predala na ocjenu mentoru doc. dr. sc. Mariju Munti, napisala samostalno i da je u potpunosti riječ o mojem autorskom radu. Također, izjavljujem da dotični rad nije objavljen ni korišten u svrhe ispunjenja nastavnih obaveza na ovom ili nekom drugom učilištu, te da na temelju njega nisam stekla ECTS-bodove.

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Ljubica Jurlina

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## Table of Contents

1. INTRODUCTION.....	1
2. THEORETICAL FRAMEWORK.....	3
3. CROATIAN SOCIAL POLICY AND THE EU.....	11
3.1 Croatia’s National recovery and resilience plan .....	15
4. METHODOLOGY .....	18
5. RESULTS.....	22
5.1 Component C3 SCIENCE AND EDUCATION.....	23
5.1.1 Component C3.1. Reform of the education system.....	23
5.1.2. Component C3.2 Boosting research and innovation capacity.....	27
5.2. Component C4 IMPROVING EMPLOYMENT MEASURES AND THE LEGAL FRAMEWORK FOR A MODERN LABOR MARKET AND THE ECONOMY OF THE FUTURE .....	30
5.2.1. Component C4.1 Improving employment measures the legal framework for a modern labor market and the economy of the future.....	31
5.2. 2. Component C4.2. Improving the pension system through increased pension adequacy .....	34
5.2.3. Component C4.3 Improving the social welfare system.....	36
6. DISCUSSION.....	38
7. CONCLUSION .....	43
LITERATURE.....	46
<b>APPENDIX.....</b>	<b>55</b>

## LIST OF ILLUSTRATIONS

### TABLES

Table 1 Component C3.1 Reform of the education system .....	26
Table 2 Component C3.2 Boosting research and innovation capacity. ....	29
Table 3 Component C4.1 Improving employment measures the legal framework for a modern labor market and the economy of the future. ....	33
Table 4 Component C4.2 Improving the pension system through increased pension adequacy..	35
Table 5 Component C4.3 Improving the social welfare system.....	37

### FIGURES

Figure 1 Breakdown of social investments by policy areas (% of total Recovery and Resilience Facility social envelope). ....	8
Figure 2 Breakdown of social reforms by policy areas (total number). ....	8
Figure 3 Expectations regarding the impact of the RRF on social policies. ....	15
Figure 4 Share of the plan's estimated expenditure contributing to each policy pillar .....	16
Figure 5 Share of the plan's social expenditure per social category.....	18
Figure 6 Results of the qualitative content analysis.....	43

## 1. INTRODUCTION

The European Union (EU) is a well-established actor when it comes to the process of shaping the policies of its member states (MS). This has been shown to be particularly true when we look at the mechanisms of Europeanization. In this instance, Europeanization refers to the interactions that occur within the wider EU context, whether that is through a bottom up, top-down, horizontal or round approach, among national and EU governments (Lenschow, 2006: 55-57). This process is facilitated through a wide range of tools available at the European level that guide and influence national reforms. These include regulatory frameworks, financial incentives and conditionality mechanisms.

In the wake of the COVID-19 pandemic, the EU announced the Next Generation EU (NGEU) plan, a first of its kind recovery package that aims to bolster MS suffering from the negative economic and social consequences brought on by the crisis. This initiative almost instantly found itself at the center of the discussions among academics and policymakers. (Schramm et al., 2022: 114).

Croatia's social policy framework has historically been characterized by efforts to address issues such as poverty, social exclusion, and inequality (Šimurina & Čemerika, 2023:81). The country's social protection system includes measures related to pensions, healthcare, unemployment benefits, and social welfare programs (Šimurina & Čemerika, 2023:81). Over the years, Croatia has faced significant challenges in reforming its social policy to align with EU standards and address domestic socio-economic issues which mainly stem from negative changes in Croatia's demographic picture (Šimurina & Čemerika, 2023:83; Smokvina & Čunčić, 2019:1176-1182). The integration of EU directives and the influence of Europeanization have played a crucial role in shaping Croatia's social policy landscape.

The Croatian government has undertaken various initiatives to enhance the effectiveness and reach of its social protection measures. These efforts include reforms aimed at improving the pension system, expanding access to healthcare, and strengthening social welfare programs. The introduction of the National Recovery and Resilience plan (NRRP), supported by NGEU funding, presents an opportunity for Croatia to implement more ambitious and transformative social policy reforms. The National Recovery and Resilience Plan (NRRP) is a dedicated strategy developed by governments to qualify for funding from the EU Recovery and Resilience Facility (RRF). It



delineates specific thematic priorities and proposes structural reforms, all in accordance with the EU policy guidance (Domorenok & Guardiancich, 2022:191). The NRRP outlines distinct spending priorities and specifies milestones, targets, time frames and benchmarks accompanying structural reforms. The plan offers a detailed outline of how MS intends to utilize NGEU funds throughout the period of 2021 to 2026 (Fabbrini, 2022:659).

In this thesis, I aim to examine the degree to which the Recovery and Resilience Facility (RRF), as the key element of the NGEU, has enacted changes in Croatia's social policies through its National Recovery and Resilience Plan (NRRP). Additionally, I seek to ask whether the financial resources provided by the NGEU plan are effective in persuading member states to better adopt the country-specific recommendations (CSRs) awarded to them through the European Semester. Furthermore, I will explore whether the funds allocated through the RRF serve as an effective mechanism for producing policy replacement in member states.

The structure of the thesis is as follows. First, I will provide a broad overview of the existing literature on the impact of the NGEU and the RRF on public policy, with a specific emphasis on social policy. This section will also include an overview of the context and objectives of the NGEU, as well as a review of relevant social policy literature. Next, I will offer a detailed overview of the development of social policy in Croatia, highlighting the specific context and challenges faced by the country in aligning with EU standards and addressing domestic socio-economic issues.

Following this, I will describe my approach to the analysis, which involves utilizing a qualitative content analysis framework and applying the methodology of Cotta and Domorenok (2022) to the social policy reforms outlined in Croatia's NRRP. This section will detail the data sources, analytical methods, and criteria used in the study. I will then present the results of the research, examining the specific reforms implemented under Croatia's NRRP. This analysis will explore whether these reforms align with the scenarios of policy change—path dependency, policy layering, and replacement—and evaluate the role of positive conditionality in driving these changes. In the discussion chapter, I will reflect on the broader implications of the research findings. This will include a review of the proposed assumptions and a detailed response to the research questions. I will also discuss the significance of the findings in the context of

Europeanization theory and the effectiveness of NGEU in fostering deep and meaningful policy reforms.

By following this structure, the thesis aims to contribute to the understanding of how EU mechanisms, particularly financial incentives and positive conditionality, can drive significant policy reforms in member states. Through the case study of Croatia, it provides valuable insights into the practical applications of Europeanization theory and the transformative potential of the NGEU plan in achieving substantial policy changes.

## 2. THEORETICAL FRAMEWORK

In response to the economic consequences caused by the COVID-19 crisis, the EU brought forward their policy response in the form of the NextGenerationEU plan (hereafter NGEU). The NGEU proposal was issued by the European Commission on May 27<sup>th</sup> 2020, alongside a proposal for the multiannual financial framework (hereafter MFF) for the period 2021- 2027 (Fabbrini, 2022:45-47). In July of the same year, an agreement at the level of the European Council was reached on the deal, dedicating €750 billion for the COVID crisis response and an additional €1074 billion for the MFF. For the first time, in response to an economic crisis, the EU in its own name borrowed finances from capital markets in order to bring NGEU to fruition (next-generation-eu.europa.eu, 2024). At the heart of the plan lies its main mechanism, the Recovery and Resilience Facility (RRF). Of the total budget, €360 billion euros were allocated for the purpose of grants and €390 billion was put aside for the purpose of loans. In order for national governments to gain access to the facility, member states first needed to submit their National Recovery and Resilience Plans (hereafter NRRPs), which then required approval by the European Commission. Additionally, each MS who has gained access to the RRF possesses a Council implementing decision (CID) on the approval of the assessment of the recovery and resilience plan, that additionally offered insight into reforms and investments (Bokhorst & Corti, 2023:1-15).

The main aim of the RRF can be found in Article 4 of the EU regulation governing the RRF which states that the goal of the facility is to enhance the EU's economic, social, and territorial cohesion (Council of the European Union, 2024). The scope of the RRF covers six policy areas: 1) digital transformation, 2) green transition, 3) smart, sustainable and inclusive growth, 4) social and territorial cohesion, 5) health and economic, social and institutional resilience, and lastly, 6) policies for the next generation (European Commission, 2024). Following these policy areas, in

order for NRRPs to be approved, MS need to address the Country Specific Recommendations (CSRs) directed towards them through the European Semester.

A key novelty of the NGEU was its introduction of positive conditionality. Compared to the EU's previous practice of structural and cohesion funds, which tackle developmental inequality but do not address economic crises, the RRF comparatively presents a much stricter framework requiring specific reforms to achieve targets and milestones defined in the NRRPs. While the structural funds' conditionality is focused more on compliance and the necessary preparatory requirements, NGEU presents a strong positive conditionality with funding linked to strictly defined reforms, milestones and targets (De la Porte & Jensen, 2023:393-394). As of right now, NGEU represents a temporary fund that addresses the crisis with a new approach to the EU (Celi et al., 2020). It remains to be seen if NGEU will set a precedent for further EU crisis response, or if it will be just a one-off attempt. The NGEU was in fact the product of great compromises in its negotiation phase, and therefore the future of similar agreements remains unclear due to varying political expectations regarding the future direction within the coalition of Member States (De la Porte & Jensen, 2023:397-399).

EU involvement in social policy has traditionally faced many obstacles. Generally, social policy competencies in the context of the EU remain in the domain of the member states national government. The treaty of Rome (TOR), for instance, unsuccessfully attempted the europeanization of social policies. This initiative came to an abrupt halt in the negotiation phase. The dominant paradigm under which it is considered that welfare improvements can be achieved in the context of the EU lies in the pursuit of economic growth, a direct outcome of the liberalization of the European Market. Therefore, the TOR created a maneuvering space for social policies (such as social security systems for migrant workers) to be indirectly established in the name of achieving market integration (Falkner, 2019:264-277).

The EU, therefore, has the ability to shape social policies through a combination of legislative powers, coordination mechanisms, and financial instruments. The first mechanism is the community method. This method refers to the scarce policies that refer to social policy goals which are constrained by unanimous decision-making. Second, the EU can shape social policies via regulations. However this approach often faces political setbacks (Sindbjerg Martinsen, 2020:255-273).

The Union also possesses the ability to shape its social policies through funds. Particularly the European Social Fund (ESF) brought forward by TOR. Lately, the EU addresses social policies through coordination, also known as the open method of coordination (OMC). This includes initiatives such as the Lisbon Agenda, Europe 2020, the European Semester and the Youth employment initiative (Falkner, 2019:264-277).

Dominantly, the welfare policy or rather, social policies, has been left up to the role of national governments. The EU currently has no welfare legislation that secures individual benefits originating from Brussels and no direct tax or contribution system set up to fund some kind of ‘social budget’. This is in great part due to the challenges that the multi-tiered structure of the EU single market presents to the EU-led social policy. It is in fact the European Commission that finds itself in a position with limited room for enacting activist social policies in the company of other EU institutions that make social reforms difficult to enact. The exception to this rule, however, can be found in tightly defined market-themed opportunities for social legislation. Having this in mind, the multi-layered system of EU social policy can be characterized by a tendency towards joint decision-making pitfalls and policy immobilism (mainly due to the skepticism of the Council) and an important role of courts in developing policies that are closely connected to the market-making process. Therefore, social policy in the context of the EU has traditionally been defined by a “bottom-heavy” approach, with a weak Commission that has limited ability to develop positive social policy (Leibfried, 2005:272-275).

National governments have been experiencing the trend of losing sovereignty in designing their own welfare states. This is primarily due to the fact that many national governments end up trading their say over social policy as to not risk jeopardizing the gains afforded to them through European integration. This dynamic offers an interesting coupling of the weakened authority of Member states and the continued weakness of the EU. The area of social policy therefore finds itself in a ‘catch 22’ situation where the policymaking abilities of the Union have not been enhanced nearly as much as the capabilities at the member state level have diminished (Leibfried, 2005:269-272).

To fully grasp the implications and functioning of the NextGenerationEU (NGEU) plan, it is essential to understand its integration with the broader framework of EU economic governance, particularly the European Semester. The European Semester is the Union’s system for coordinating

and monitoring economic and social policies, introduced in 2011. Much like NGEU, the European Semester was introduced in the aftermath of a financial crisis. The Semester's legislation facilitated frequent monitoring and a timely crisis-management response mechanism. The Semester serves as a platform for Member States to mutually engage in discussions that pertain to their economic, social and budgetary strategies in designated periods (European Commission, 2024). The Commission evaluates the state of these policy areas and in return offers personalized policy guidance to each Member State in the form of Country Specific Recommendations (CSRs). The link between the European Semester and the RRF is evident through CSRs, as the Commission expects national governments to integrate these objectives into their NRRPs, ensuring alignment between national policies and EU goals. Authors argue that since the European Semester utilizes mechanisms of 'soft pressure', it has produced a varied result of varied degrees of enforced CSRs (Munta, 2021:199-2010).

Understanding the European Semester's role in shaping social and economic policy leads us to consider another significant framework, the European Pillar of Social Rights. The purpose of the Pillar is to promote fair and functioning labor markets and welfare systems with the aim of achieving a better living and working environment in the EU. The principles defined by the Pillar are crucial for evaluating social reforms and investments in the NRRPs as they provide a benchmark for measuring the alignment of these plans with the EU's social objectives. To track and evaluate the implementation of the European Pillar of Social Rights, in 2017 the Commission created the Social Scoreboard tool. The Scoreboard provides data on defined indicators for each EU MS, enabling analysis and progress evaluation over time. Moreover, the Scoreboard serves as a key component of the European Semester as it provides evidence-based information to support the creation of CSRs (European Commission, 2024).

A key feature of the European Semester and its CSRs is their legally non-binding nature. Many scholars such as Efstathiou & Wolff (2018); and Alcidi & Gross (2017) have expressed their skepticism towards the success of the CSRs being effective in the implementation phase. The main challenge towards the implementation of the CSRs through the European Semester is that these social policy reforms did not have a designated source of funding (Alcidi & Gross, 2017: 17). The issue of financing CSRs has previously been brought up in EU institutions. However, the questions

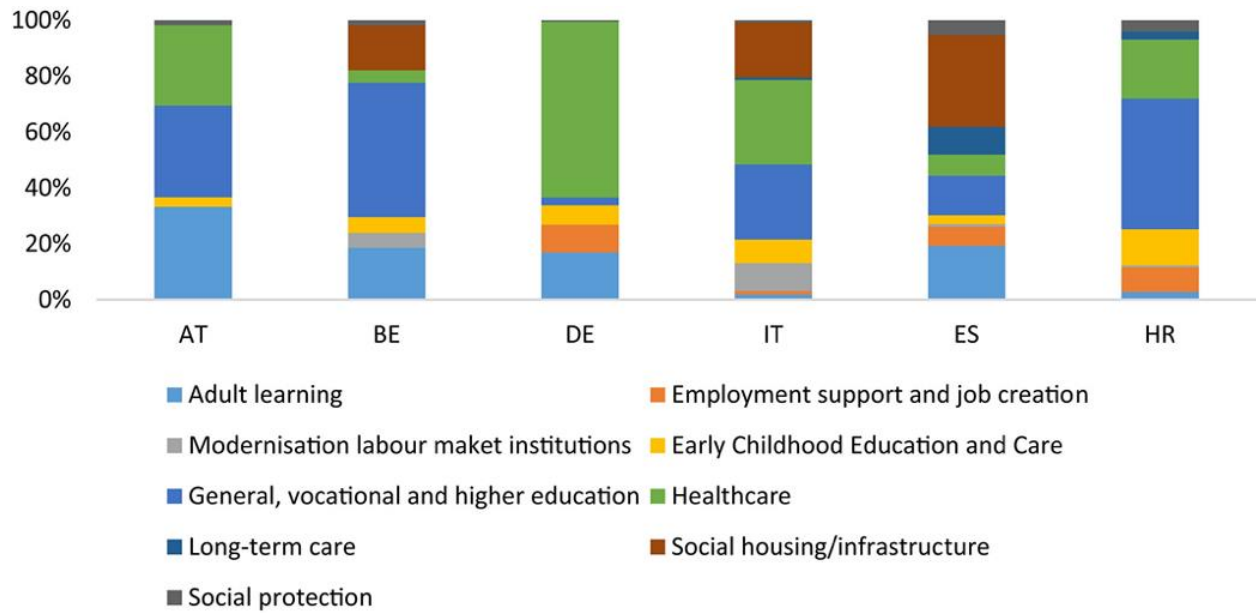
of distribution and source of financing often lead this conversation towards a dead end (Alcidi & Gross, 2017:17).

In this sense, NGEU presents an interesting shift when viewing the implementation of CSRs due to the fact that the plan offers funding (loans and grants) for the goal of reaching the milestones and targets defined in the NRRPs. The lack of clear funding becomes particularly important when addressing the particular CSRs that aim to establish strong welfare states. In their article, Corti and Vesan seek out how well the reforms and investments defined in the NRRPs align with the recommendations from the European Semester and adhere to the principles of the European Social Pillar. Firstly, the authors descriptively and visually display the orientation of social reforms and investments present in select NRRPs (Austria, Germany, Belgium, Spain and Croatia) (Corti and Vesan, 2023:518-520).

In order for Member States (MS) to access funds provided by the Recovery and Resilience Facility (RRF), national governments needed to align their National Recovery and Resilience Plans (NRRPs) with the shared European policy interests defined in the RRF regulation. This alignment required MS to allocate a minimum of 37% of the RRF towards the green transition (including climate protection and energy efficiency) and an additional minimum of 20% towards digital transitions. The remaining 43% of the funds could be allocated by MS to projects within any of the six policy areas defined in Article 3 of the RRF regulation, provided these projects contribute to the goals outlined in Article 4 (Schramm et al., 2022:115-117).

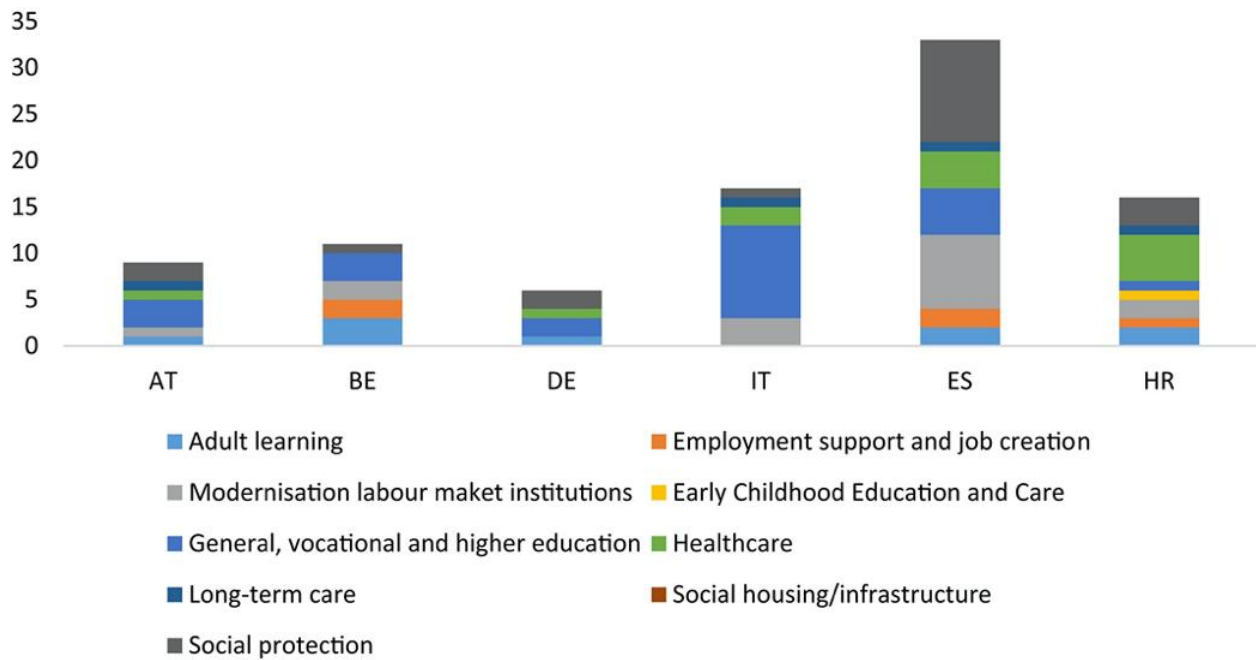
It is important to highlight these limitations regarding the role social policies play in the RRF. In the context of the RRF, specific sectors, namely the digital and green transitions, take priority over others. Given that the green and digital transformation goals are high on the NGEU's list of priorities, we may expect non-traditional iterations of social policies that accommodate the expressed green and digital focus of NGEU.

Figure 1 Breakdown of social investments by policy areas (% of total Recovery and Resilience Facility social envelope).



Source: Corti and Vesan, 2023.

Figure 2 Breakdown of social reforms by policy areas (total number).



Source: Corti and Vesan, 2023.

Authors identify three distinct approaches in the balance between NRRPs and their consideration of the European Social Scoreboard, the Social Pillar and the CSRs. Many of the measures outlined in the NRRPs do not correspond to social CSRs, and certain CSRs are not translated into concrete investments. Regardless of the amount provided to national governments through the RRF, Corti and Vesan conclude that the policy recommendations outlined in the CSR as well as the weaknesses pointed out by the Social Pillar scoreboard are not addressed in totality in the NRRPs. The Investments present in the NRRPs were mainly directed towards social services with an investment-oriented approach as opposed to traditional social protection policies based on cash transfers (Figure 1). Reforms, on the other hand, considerably expanded the range of policy areas being addressed by MS (Figure 2). Hence, the RRF only partially influences member states to address the CSRs in their NRRPs. Additionally, authors claim that the EPSR had a marginal impact on the drafting of NRRPs. Therefore, the RRF did not strengthen national ownership of the EPSR (Corti & Vesan, 2023:524).

With the introduction of the RRF, many scholars sparked the debate of the emergence of a new hierarchical structure of top-down EU social policy. The introduction of the performance-based approach could initially be perceived as a move towards more integrationist EU economic governance (Bokhorst & Corti, 2023:14).

There are many arguments that point to a strengthening of the Commission's steering capacity through the RRF. Firstly, MS were directed by the Commission to write their NRRPs following guidelines laid out in the CSRs, the European pillar of social rights and social scoreboard. Secondly, grants and loans that have the capacity to be awarded to MS through the RRF rely on the successful outcome of predetermined milestones and targets. Thirdly, the Commission has the power at their own discretion to reject NRRPs that do not sufficiently address the CSRs (Corti & Vesan, 2023:515-517).

The centralization that comes with strict conditionality of the Commission presents both benefits and challenges. While MS might be encouraged to reform social policies in a timely manner, the reforms themselves risk being rushed and having had limited to no previous consultations. This has raised concerns that these milestones and targets could become ends in themselves, encouraging box-ticking practices centered around quantifiable and measurable outputs. Additionally, the plans may exhibit a high level of predetermined knowledge that in reality



could be out of touch with local needs, thereby moving away from the adaptive and reflective nature of traditional policymaking (Bokhorst & Corti, 2023:13-14).

However, it is crucial to acknowledge that the creation of the NRRPs was fundamentally a collaborative effort between the EU and its Member States. Despite the initial perception of a top-down imposition, the development of milestones and targets in the NRRPs were spearheaded by MS (Bokhorst & Corti, 2023:6-11). This fact is additionally confirmed through the article by Corti and Vesan where interviewees of different MS stated in interviews that the relationship between MS and the Commission was primarily seen as cooperative. In fact, there was no top-down directive from the Commission requiring member states with higher funding allocations to implement structural reforms in the drafting phase of the NRRPs (Corti & Vesan, 2023:522).

While the investments were deliberated during the technical phases at the outset of the drafting process, the reforms were subject to political debate (Corti & Vesan, 2023:521). The political negotiations revolved around three key dimensions of conflict: fiscal issues, the rule of law, and policy conditionality concerning climate and digitalization agendas (De la Porte & Jensen, 2023:388-389).

In order for NGEU to come to fruition, the plan needed to first gain the unanimous support of all Member States in the European Council negotiations. The process was not made easy when given the well-established tension between creditor and debtor countries and the challenges to the rule of law and democracy the EU had been actively facing (De la Porte & Jensen, 2021:389-399).

When it comes to NextGen EU, an important piece of work to be referred to is an article authored by Francesco Corti and Patrick Vesan. In their article, Corti and Vesan (2023) directed their attention toward the interaction and power structure of the actors at the center of the RRF, the institutions of the EU (mainly the European Commission) and the Member States (the creators of their NRRPs). The literature that focuses on the mechanisms of public policy change identifies a range of different mechanisms: external pressure, mutual learning and creative appropriation (Munta, 2021: 27-69). In the case of the RRF, the instrument can be viewed as a step towards increasing the external pressure and hierarchical steering capacity of the European Commission. It is in this manner that the Commission gains the capacity for hierarchical steering of EU economic governance through the RRF's clearly defined milestones and targets set in the context of tight timeframes and deadlines (Corti & Vesan, 2023:516). Further proof of the RRF definitively

falling under the category of external pressure can be found in the introduction of positive conditionality that links financial support based on comprehensive long-term national investment plans which are in line with the European Semester's CSRs (De la Porte & Jensen, 2023:393-394). This conditional access to loans and grants marks a stark departure from the previous practice present in the disbursement of EU structural funds (De la Porte & Jensen, 2023:397). Additionally, the Commission has a right at their own discretion to reject NRRPs if they are deemed not accurately suitable in addressing the CSR (De la Porte & Jensen, 2023:389-390).

While some authors agree that the RRF represents a step towards EU economic governance, exercising external pressure through hierarchy, others do not find this approach realistic. Authors, such as Bokhorst and Corti (2023), argue that, ultimately, national governments are the authors of their own NRRPs where milestones and targets are not imposed by the European Commission, but rather determined by the member states themselves (Bokhorst & Corti, 2023:514-548). The authors furthermore point out that RRF has the capacity to influence the internal policymaking processes within member states by establishing norms, deadlines, targets, and reporting requirements, which can also be utilized proactively by governments as tools for effective internal discipline (Bokhorst & Corti, 2023:514-548). The authors even suggest that the RRF has the capacity for MS to implement unpopular social reforms under the guise of EU constraint (Bokhorst & Corti, 2023:514-548). In reality, the social and employment components of the NRRPs that resulted from the RRF primarily adhered to a bottom-up method, rather than a straightforward mandate from the European Commission (Corti & Vesan, 2023:516).

The scope of CSRs and social scoreboard recommendations addressed in a select NRRP greatly differed from nation to nation. For instance, a clear contrast can be seen when it comes to the cases of Austria and Germany, who did not incorporate all the CSRs as well as the social scoreboard recommendations, compared to Croatia and Italy, which not only take into account all the semester recommendations and the challenges highlighted in the Social Scoreboard, but also incorporate measures in areas beyond those covered by the CSRs or the Scoreboard (Corti & Vesan, 2023:516).

### 3. CROATIAN SOCIAL POLICY AND THE EU

To understand the dynamic influence of the EU on Croatia's social policy, it is crucial to first summarize the historical and political background that has shaped this relationship. Croatia,

both as a nation and as the newest EU MS, has gone through a range of transformations that have affected its social policy. EU accession and the membership obligations present some of the biggest impetus to social policy change in the country. This section will delve into the historical background of Croatia's integration into the EU, the key milestones in its social policy development, and the specific mechanisms through which the EU has exerted its influence.

Croatian social policy development has been heavily impacted by the geographical and historical circumstances that the country has found itself in. Having been placed at the crossroads of Central and Southeast Europe, Stubbs and Zrinšak (2009) point out the influences of these two different social policy development paths. When analyzing Croatia's social policy development from the moment of gaining independence, it is clear that as a former Yugoslav republic, Croatia was set to inherit its predecessor's socialist institutional heritage (Stubbs and Zrinščak, 2009:122-123).

In the early to mid-90s, Croatia's focus was mostly directed towards reinvention and rebuilding following the effects of the War of Independence. With the election of a new government in 2000, amongst political actors there was widespread agreement for greater democratization in political life and a broad agreement on prioritizing EU membership. As most of the country's efforts were at the time focused on rebuilding the state after the war of independence, Croatia experienced Europeanization at a much later stage than Central and Eastern European states. This is also why, in great part, policy functions were mostly left to the national level. Its first step towards integration was marked by joining the Central European Free Trade Association (CEFTA) at the start of 2003. In terms of EU accession, the Stabilization and Association Agreement was signed in October 2001, followed by a formal membership application in March 2003. A significant policy initiative distinct to the Croatian post-war era is the National Demographic Programme aimed at boosting national natality (Stubbs and Zrinščak, 2009:122-123).

Croatian social policy has undergone significant transformation due to its journey towards EU membership. The process began with Croatia adopting the *acquis communautaire*, the comprehensive body of EU laws and regulations that candidate countries must integrate into their national legislation. This marked the start of Europeanization, where Croatian policies and institutions started aligning with EU norms and standards (Butković & Puljiz, 2024:1-314).

The CSRs, issued annually by the European Commission, provide tailored policy advice to EU member states to foster economic stability, growth, and social inclusion. For Croatia, these recommendations often highlight the need to improve social protection systems, enhance labor market conditions, and reduce social inequalities. The European Semester, a cycle of economic and fiscal policy coordination within the EU, reinforces these recommendations and ensures that Croatia's policies are in line with broader EU goals (Butković & Puljiz, 2024:1-314).

The EU's influence has led to significant legislative and policy changes in Croatia. It is generally accepted that the year 2000 is the beginning of the process of Europeanization of Croatian social policy (Stubbs & Zrinščak, 2010: 174). Furthermore, in 2007 and 2008, Croatia signed the Joint Inclusion Memorandum (JIM) and the Joint Assessment Paper (JAP) respectively. Both of these documents required the Croatian government to take necessary steps towards improving the existing social policy. JIM dealt with poverty and social exclusion, whilst JAP focused on employment (Stubbs & Zrinščak, 2010: 176-177). JIM proved to have long-lasting affects because it prompted the development of a more comprehensive data collection system as well as research activities into social issues, such as youth unemployment vulnerability and the transition from school to work, and indebtedness (Stubbs & Zrinščak, 2010: 177). The Europeanization of Croatia's social policy rapidly picked up after its accession into the EU in 2013 due to Croatia, now being a Member State, being more exposed to the EU's influence via directives, regulations, Country Specific Recommendations and EU funding. The country has reformed its social policies to better protect vulnerable groups, improve access to quality education and healthcare, and promote gender equality. These reforms reflect the EU's broader agenda of fostering social cohesion and inclusive growth across member states (Butković & Puljiz, 2024).

Croatia adopted its NRRP on the 15th of May 2021 and accordingly, the plan was met with approval by the EC on the 28th of July 2021. For the Croatian plan, the RRF budgeted €5 787 million in grants and €4 254 million in loans (European Commission, 2024).

In this instance, we take a look at Croatia due to its specific position within the context of the EU's RRF. As the second-highest recipient of RRF funds when considering RRF allocation as a share of GDP, Croatia's prominence immediately draws attention (having only been surpassed by Greece). When considering its size and the fact that the country is a recipient of a proportional share of funding from the EU's cohesion policy, Croatia, through the NGEU, was offered a larger

relative share of the RRF. This suggests that Croatia's utilization of these funds could provide valuable insights into the effectiveness of EU funding mechanisms and their impact on national recovery efforts. Additionally, Croatia's unique circumstances and the pronounced role of the European Commission in guiding its National Recovery and Resilience Plan (NRRP) make it an ideal candidate for deeper analysis (Zeitlin et al., 2023: 16-42).

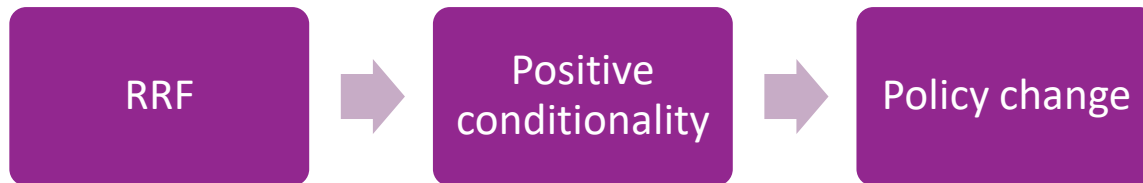
In the case of Croatia, the EC had a pronounced role in the negotiation and drafting phase of its NRRP by ensuring coherence and implementation, emphasizing the integration of investments with reforms and establishing realistic milestones and targets. Additionally, the Commission advocated for ambitious reforms and investments in Croatia, given the substantial funding allocated for its NRRP. Addressing all Country-Specific Recommendations (CSRs) was crucial, as the initial proposals fell short of the Commission's standards (Munta et al., 2023). Moreover, the Commission emphasized substantive issues such as prioritizing vulnerable groups and disadvantaged regions within Croatia's active labor market policy (ALMP), underscoring the need for the plan to allocate more resources to these areas from the outset (Zeitlin et al., 2023: 16-42).

Considering the significant involvement of the European Commission in drafting and negotiating Croatia's National Recovery and Resilience Plan (NRRP), it is reasonable to anticipate that the reforms outlined in the plan will be more ambitious compared to other member states that received relatively less funding through the Recovery and Resilience Facility (RRF) in proportion to their GDP. In other words, it is realistic to expect that the reforms Croatia has committed to bring about a higher level of policy change, therefore that the direction of the reforms will be more focused. We anticipate a significant prevalence of changes where new elements are integrated into existing structures by introducing fresh instruments and setting new policy objectives, alongside significant transformations involving changes in policy objectives, methods, and paradigms.

Furthermore, given what we know about the RRFs new form of positive conditionality, it is reasonable to assume that the NGEU plan will produce social policy reforms that are comparatively more targeted and substantial than what was presented to us by the European Semester. This relationship is illustrated in Figure 3, which outlines the progression from the RRF, through positive conditionality, to eventual policy change. In this work, we test the assumption of

whether financial incentives (financial resources) are an effective mechanism for changing public policy or not.

Figure 3 Expectations regarding the impact of the RRF on social policies.



Source: author.

By examining Croatia's approach to implementing ambitious reforms and addressing the Commission's expectations, we can gain valuable insights into the dynamics of EU governance and policy formulation within member states. This choice of case study allows for a nuanced exploration of the interplay between EU institutions and national governments in shaping recovery and resilience strategies, making it a compelling subject for further investigation (Zeitlin et al., 2023:16-42).

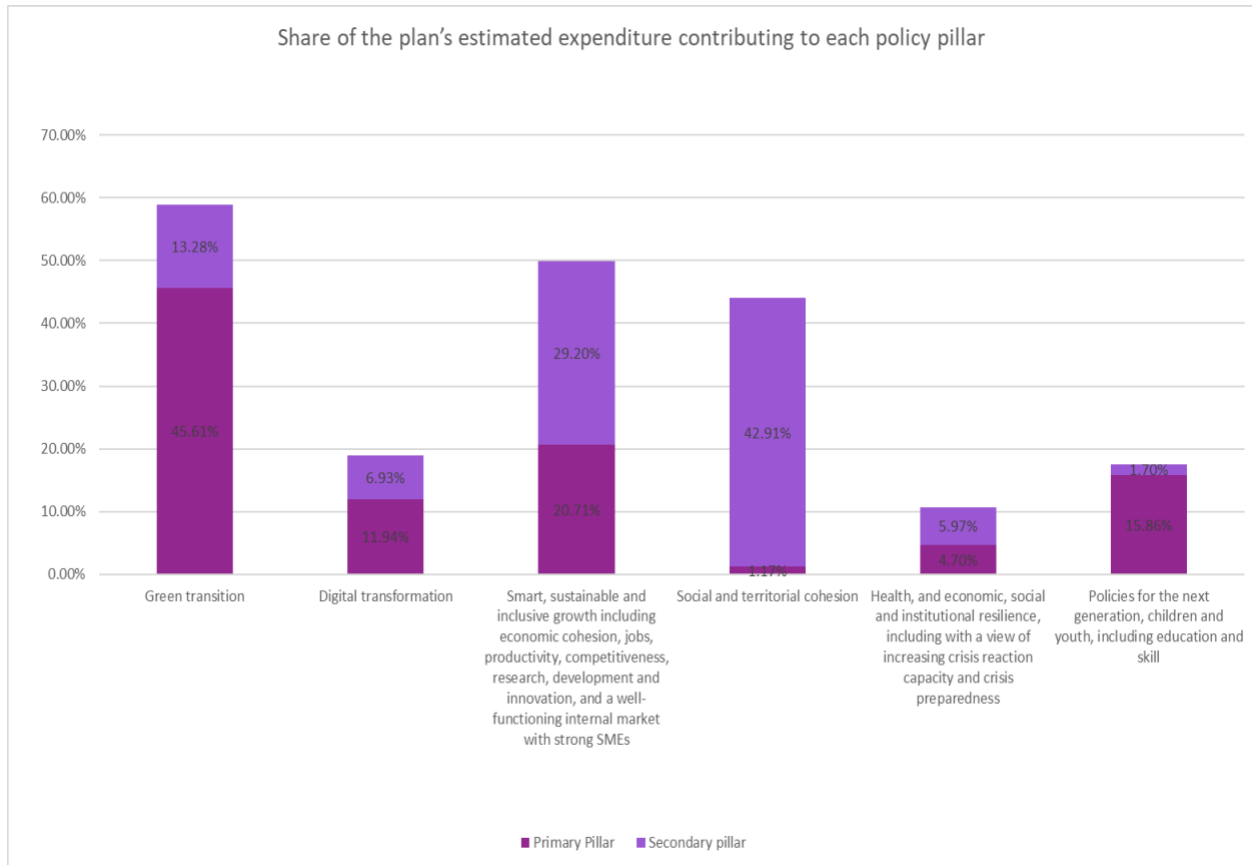
### 3.1 Croatia's National recovery and resilience plan

Croatia in its NRRP addressed all the proposed CSRs and Social Scoreboard recommendations. Additionally, Croatia's plan (much like in the case of Italy) addressed three extra policy domains (long-term care, pension and the inclusion of people with disabilities) which were not included in the CSRs (Corti & Vesan, 2023: 521). In total, the Croatian NRRP includes 146 investments and 76 reforms. The plan heavily emphasizes social initiatives, allocating 22.7% of its budget to social commitments (Zeitlin et al., 2023: 16-42).

According to the policy study by Zeitlin et al. (2023), while social and employment priorities are longstanding in Croatia's social policy history, the substantial funding from the RRF has enabled a remarkable increase in the ambition of the measures implemented (Zeitlin et al., 2023: 16-42). This is evident when we take a look at Figure 4. The graph displays the share of the RRF contribution to each policy pillar (primary and secondary assignments) where, in the case of Croatia, 49.01% is allocated to Smart, sustainable and inclusive growth (etc.), 44.08% is allocated

to social and territorial cohesion, 10.67% is allocated to Health, and economic, social and institutional resilience (etc.), and 17.57% is allocated to Policies for the next generation, children and youth, including education and skill.

Figure 4 Share of the plan's estimated expenditure contributing to each policy pillar



Source: European Commission, 2024

In the drafting and negotiation phase of the plan, the most important players in the case of Croatia were the prime minister's office and the Ministry of finance. This process did not, however, include an intensive consultation process with social partners (of both trade unions and employers) who were in turn left dissatisfied as they were only provided the final draft of the plan with very little time budgeted for them to interject (Zeitlin et al., 2023: 16-42).

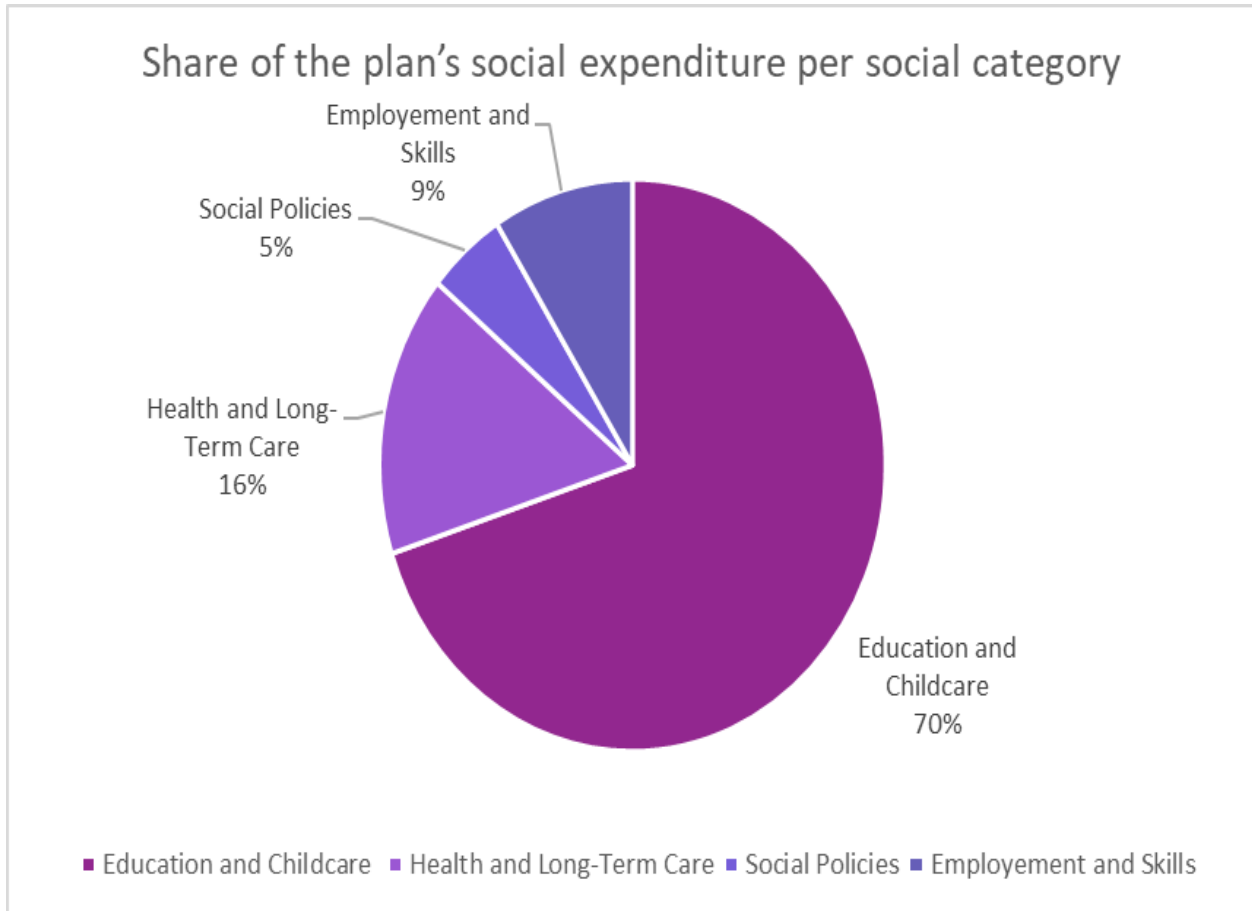
To better understand the allocation priorities and their potential impacts, it is essential to examine the detailed breakdown of the social expenditures of the NRRP. Figure 5 illustrates the

distribution of Croatia's social expenditure within the framework of its National Recovery and Resilience Plan (NRRP), broken down into specific social categories. The largest share of the social expenditure is allocated to Education and Childcare, (70%). This dominance indicates a significant investment in educational infrastructure and childcare services, reflecting a strong commitment to improving access to education and early childhood development (European Commission, 2024). Health and Long-Term Care also constitutes a substantial portion of the expenditure (16%). This suggests that a significant part of the social budget is allocated to enhancing healthcare systems and long-term care services, aiming to improve the availability and quality of health services for the population (European Commission, 2024).

Of the plan's total social expenditure, 5% is allocated to social policies. This category includes measures aimed at reducing social inequalities, promoting social inclusion, and supporting vulnerable groups within society (European Commission, 2024). Employment and skills account for 9% of the overall expenditure. This allocation encompasses investments in employment initiatives and skills enhancement, indicating a sustained effort to improve workforce capabilities and expand job opportunities. These investments are vital for economic recovery and social stability (European Commission, 2024). Overall, the distribution of social expenditure highlighted in this graph underscores the Croatian government's strategic priorities within its NRRP. These priorities correspond to the analysis of Corti and Vesan that highlights Croatia's focus on Education and Childcare in their NRRP (Corti & Vesan, 2023:218).



Figure 5 Share of the plan's social expenditure per social category.



Source: European Commission, 2024

#### 4. METHODOLOGY

In order to determine the trajectory of social policy change within the Croatian National Recovery and Resilience Plan, I employed a qualitative research approach that combines document analysis as a data collection technique and qualitative content analysis as a data analysis method. This section details the methodology used to categorize and compare the identified reforms and investments with previous reforms, documents and literature. Building on the insights of Cotta and Domorenok (2022), in my analysis I will focus on the reforms and investments from two specific components of Croatia's National Recovery and Resilience Plan (NRRP): Component C3 (Education, Science, and Research) and Component C4 (Labor Market and Social Protection).

These components are critical as they directly address the fundamental areas of social policy which are essential for fostering long-term economic resilience and social cohesion.

Component C3 encompasses reforms and investments aimed at reforming the education system, (C3.1) and boosting research and innovation capacity (C3.2). The key elements of the component focus on increasing participation in early childhood education and care (ECEC), insufficient infrastructure, regional disparities, below EU average student performance and low tertiary education attainment. This component helps address the Country Specific Recommendations (CSRs) directed towards Croatia in the past 4 years which emphasize the necessity to “deliver on the education reform and improve both access to education and training at all levels and their quality and labor market relevance” (Council of the European Union, 2019:167), as well as to “promote the acquisition of skills” (Council of the European Union, 2019:167).

Besides enhancing the educational system, another critical aspect of Component C3 is the focus on strengthening the research and innovation landscape through Component C3.2. This subcomponent of the component aims to establish a more effective governance model for competitive research and to develop innovation schemes that allow for a quicker, merit-based selection of research projects. Additionally, the subcomponent seeks to reinforce the existing system of R&D&I financing and support advanced research and product development.

Component C4 targets labor market dynamics and social protection mechanisms. This component is made up of three subcomponents; improving employment measures and the legal framework for a modern labor market and the economy of the future (C4.1), improving the pension system through increased pension adequacy (C4.2), and improving the social welfare system (C4.3). The key goals of the first subcomponent are increasing employment through active labor market policies, improving inclusion and monitoring of vulnerable groups, introducing a voucher system for adult education, and enhancing labor laws. The second subcomponent aims to enhance Croatia’s pension system through improving adequacy and sustainability. And the last subcomponent targets poverty reduction, social exclusion prevention and the development of tailored social services for vulnerable groups.

In this research I will not be including component C5 (Health and wellbeing), for multiple reasons. By excluding component C5, we can maintain a clear and consistent analytical framework

focused on the transformative aspects of education and social protection policies within Croatia's NRRP. This decision ensures that the study remains tightly aligned with its objectives and provides a clear, focused contribution to the understanding of EU-driven social policy changes in Croatia.

Furthermore, the measures contained within component C5 Health and wellbeing are specific and distinct from the broader scope of social policy. These measures primarily focus on building the healthcare system, ensuring the availability and accessibility of healthcare, and improving the quality of health services. These objectives do not directly address social inequality, poverty, social inclusion, social investments in social protection, or general issues of social justice. Given this focus, including health policy would diverge from the main themes of my analysis.

This analysis charts the paths of policy changes in social reforms and investments within Croatia's NRRP and its annexes (or most precisely the Council implementing decision on the approval of the assessment of the recovery and resilience plan for Croatia and its designated annexes) based on three scenarios put forward by Cotta and Domorok (2022).

**Scenario 1: Path dependency.** This scenario involves integrating EU mandates into national policies without significantly altering the existing domestic frameworks. It tends to maintain long-standing patterns of rules, norms, and standard operating procedures, thereby preserving historically entrenched practices (Pierson, 2000:275-291). According to Pierson (2000), such processes underscore the resilience and continuity of established policy paths, often reinforced by institutional inertia and positive feedback mechanisms. In the case of the NRRP, this pertains to reforms that do not introduce any new goals or instruments (Cotta & Domorok, 2022:426-427).

**Scenario 2: Policy layering.** Policy layering is a scenario where the fundamental structure is largely maintained, while new elements are introduced by incorporating new instruments and establishing new policy goals. Concerning policy layering, the “core” refers to the foundational ideas or paradigm supporting the policy, whereas “rules” and “structures” pertain to the employed policy instruments and their configurations (Daugbjerg and Swinbank 2016:267-270). Policy designers can alter the distribution of costs and benefits by incorporating new policy instruments or revamping existing ones, thereby reshaping the interest dynamics surrounding the policy. In the context of the NRRP, the reforms outlined in this scenario either enhance or finalize existing policy agendas in relation to their objectives or instruments (Cotta & Domorok, 2022:426-427).

**Scenario 3: Replacement.** In this scenario, there is a profound transformation encompassing not just changes in policy objectives and methods but also significant shifts in policy paradigms, as described by Hall (1993:284). Here, policy reforms involve complete overhauls, incorporating the adoption of innovative strategies, plans, and so forth (Cotta and Domorok, 2022: 426-427).

In this thesis, I will meticulously scrutinize the policy reforms delineated in the Croatian NRRPs, aligning them with the predefined scenarios outlined in the seminal work of Cotta and Domorenok (2022). The empirical data underpinning this research has been meticulously gathered from various reputable sources. These sources encompass the Council implementing decisions (CID) pertaining to the approval of the assessment of the recovery and resilience plan for Croatia, along with its designated annexes. Additionally, data has been sourced from Croatia's National Reform Programs spanning from 2013 to 2023, the Effective Human Resources Program 2021 - 2027, the National Development Strategy of the Republic of Croatia 2030, and lastly, the Action Plan for the Implementation of the National Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia 2014-2023.

Firstly, I will extract all reforms and investments outlined in Components C3 and C4 of the Council implementing decision, including their designated milestones and targets. Next, I will conduct a qualitative content analysis, juxtaposing these reforms and investments against prior reform documents and pertinent literature, both primary and secondary, concerning Croatia.

Qualitative content analysis is a research method used to systematically examine textual data. The aim of this approach is to provide a detailed and structured analysis of communicative materials. Central to this method is the creation and application of categories to interpret and code data, identifying themes and patterns to gain an understanding of the content's meaning and context (Mayring, 2004: 266-269).

Finally, I will categorize the reforms and investments of the NRRP according to the three distinct scenarios delineated by Cotta and Domorenok (2022).

Hence, in the subsequent section of my analysis, I delineate the primary attributes of the Croatian social policy reforms and investments encapsulated within the NRRP. Following this, in the subsequent section, I delve into a comprehensive discussion regarding the trajectory and extent of change envisioned by the aforementioned reforms. For a detailed and comprehensive

explanation of the coding decisions for each reform and investment measure that was analyzed, please refer to the explanations available in the appendix of this thesis.

It is crucial to acknowledge a methodological caveat in this analysis. The focus is strictly on the formulation of reforms and investments within the NRRP and does not extend to their implementation or realization. Thus, the analysis does not assess whether these reforms have been executed or the extent to which they have been implemented. This methodological approach confines the scope of the analysis to examining only the formulation of reforms and investments, while excluding considerations of implementation.

## 5. RESULTS

It is important to note that Croatia's NRRP has undergone changes since July 2021. Most recently, revisions were brought forth in November 2023. When analyzing the National reform programs of Croatia from 2014 to 2023, we can notice several trends. The reforms from the National Reform Programs of Croatia were generally broader and less focused compared to the reforms in the National Recovery and Resilience Plan. The reforms also covered numerous thematic areas that were not the subject of the National Recovery and Resilience Plan. For example, the National reform programmes in the case of social policy included measures aimed at people with disabilities, which in the National Recovery and Resilience Plan were not actually covered by social policy. This excludes sections of the NRPs that also addressed goals set in accordance with the Europe 2020 strategy.

The National reform programmes and the National Recovery and Resilience Plan had the same overarching policy goals but often took different measures and routes to address them. My analysis indicates a significant presence of policy layering in the reforms and investments detailed in Croatia's National Recovery and Resilience Plan (NRRP). By comparing these reforms with previous policy documents, it becomes evident that the NRRP engages in policy layering by building upon established EU directives and national strategies, incorporating elements from earlier reform efforts while introducing new goals and instruments. This trend is especially noticeable in Components C3 and C4, which align closely with prior Country Specific Recommendations and broader EU policy frameworks, showcasing a clear trajectory of policy continuity and evolution.

In the following section, I will present the findings of the analysis for each component and subcomponent of Croatia's National Recovery and Resilience Plan. This detailed examination will cover the specific reforms and investments within Components C3 (Education, Science, and Research) and C4 (Labor Market and Social Protection). By doing so, I will highlight the primary attributes of the Croatian social policy reforms and investments, emphasizing the extent and trajectory of change envisioned by these initiatives. This analysis will provide a comprehensive understanding of the policy replacement evident in the NRRP.

## 5.1 Component C3 SCIENCE AND EDUCATION

Following the three scenarios of Cotta and Domorok, the trajectories of investments and reforms of component C3: Education, science and research seem to predominantly align with the policy layering scenario (scenario 2).

### 5.1.1 Component C3.1 Reform of the education system

The measures contained in this subcomponent primarily reflected layering with 50% aligning with this category. Following this, the second most represented category of reforms was policy replacement with 25%, and lastly, path dependency at 25%. This distribution provides an interesting insight into the level of policy change Croatia's educational policies experienced in the NRRP. The fact that more than half of the measures in the field of education of Croatia's NRRP reflect layering, points to the inclusion of new policy elements integrated into a preestablished framework. Therefore, for the most part, Croatia's educational system has not experienced deep and substantial changes in the form of policy replacement, but rather, the NRRP has layered the existing policies by introducing novelties.

This finding is interesting to consider in the context of the total allocation of social investments in Croatia's NRRP. In fact, the majority of the total social investments of Croatia's NRRP was allocated specifically towards early childhood education and care and general vocational and higher education (Corti and Vesan, 2023:519).

Undoubtedly, given the prevalence of policy layering within this component, it is reasonable to conclude that the NGEU plan significantly impacted Croatia's educational reforms

and investments. Additionally, these results point to a trend of Europeanization of Croatia's educational policies achieved through policy layering.

An example of policy layering present in this subcomponent can be found in measure 265 (C3.1.R1) – the adoption of the revised adult learning legal framework. Adult education has been a focal point in numerous previous Croatian National Reform Programs (2018, 2019, 2020, 2022). Specifically, the 2019 NRP includes measure 2.1.2, lifelong learning, which aims to “improve the quality and relevance of adult education programs and increase the number of adult participants with completed elementary education and training for simple jobs in occupations” (Government of the Republic of Croatia, 2019:64). From 2018 to 2022, the NRP have sought to improve the adult learning framework by boosting efficiency and by better aligning its content with labor policy requirements (Government of the Republic of Croatia, 2018:64). This measure can be compared to the reform in the NRRP that aims to enhance the quality of adult education (Council of the European Union, 2023:171). Both measures share the same goal and similar approaches to achieving it. For instance, all measures refer to the enactment of a revised adult education act. However, the measure outlined in the NRRP introduces new elements not previously explored in the NRP. The NRRP introduces innovative components such as “individual education accounts to enable every person to participate in lifelong learning” and “a system of evaluation of adult education providers” (Government of the Republic of Croatia, 2019:168). In contrast, the NRPs have always approached this topic through curricular reforms, “development of formal adult education programs harmonized with the CROQF”, and similar measures (Government of the Republic of Croatia, 2019:168). This difference highlights a perfect example of a policy layering scenario (Scenario 2) where the reforms contained in the NRRP introduce new elements to already existing core policy objectives. Therefore, this comparison portrays the way the NGEU has enhanced and extended existing policies without replacing them overall.

Another reform that falls under the category of policy layering (scenario 2) is measure 266, a comprehensive analysis of secondary education needs (Council of the European Union, 2023). This measure is linked to a similar initiative featured in the 2018 NRP, titled alignment of vocational training with labor market needs (Government of the Republic of Croatia, 2018:103). Both measures focus on vocational schools in Croatia, aiming to better align vocational programs with labor market requirements. This has been a recurring educational policy goal in several

National Reform Programs. The key difference lies in the approaches taken. The NRP generally sought to achieve this goal by improving conditions in vocational education through increasing digital literacy in vocational schools, implementing curricular reforms, and enforcing professional development for educational staff (Government of the Republic of Croatia, 2020:47-59). The NRRP, however, not only aims to improve the labor market relevance of vocational programs (NRP 2015, 2016, 2017, 2018), but also seeks to decrease the proportion of vocational education and training (VET) while increasing enrollment in general secondary education (*'gimnazija'* programs). This measure therefore introduces novelty elements into the preexisting educational framework, exemplifying a case of layering.

A new target introduced into the field of education in the NRRP aims to increase the percentage of students attending primary schools with one-shift schedules (C3.1. R1-I2) (Council of the European Union, 2023:168). This push towards full-day teaching in primary schools represents a novel policy objective not previously explored in the National Reform Programmes (NRPs). This goal indirectly addresses the educational infrastructure shortcomings of Croatia, where high capacity in schools necessitates split shifts. The measure seeks to improve learning and teaching conditions, thereby tackling the issue of low basic literacy levels, especially among students from lower socioeconomic backgrounds. Additionally, the implementation of full-day classes helps harmonize parents' private and family lives, contributing to the demographic revitalization of Croatia. Traditionally, such goals have been pursued through curricular reforms (NRP 2014, 2015, 2016, 2018), making this new approach particularly noteworthy.

This initiative exemplifies policy layering, where new elements are introduced to complement and build upon existing educational policies to address persistent challenges. Traditionally, goals related to improving the quality of education have been pursued through curricular reforms (NRP 2014, 2015, 2016, 2018). The new NRRP measure does not replace these earlier efforts but adds a complementary approach by focusing on the structural aspect of school schedules. This layered strategy enhances and extends the existing policy framework, allowing for more comprehensive and adaptive solutions to improve education outcomes in Croatia.

This subcomponent experienced path dependency to a lesser extent, with only two measures aligning with this category. The first measure being 269, adoption of the amendments for a full-day teaching model (C3.1. R1). This is due to the fact that the policy goal of this measure,



which seeks to increase the coverage of children aged 3 and up to school age attending ECEC, has been a policy goal previously expressed in Croatia’s NRPs. Furthermore, the changes this policy sets out to achieve only present a marginal increase from 76.3 % to 90% of attendance. This policy, therefore, does not stray from Croatia’s previous policy frameworks, which exemplifies a case of path dependency (Council of the European Union, 2023: 208).

The only other measure that aligned with the scenario of path dependency in this subcomponent was measure 272 (C3.1. R1-I3), enrollment in general secondary education programs. The policy sought to slightly enhance the current trajectory of student enrollment in 'gimnazija' programs. By setting the target at 35%, the policy aimed to continue and improve the established trend of increasing enrollment in general secondary education. The policy goal to achieve an increase of only 5% presents a relatively small and incremental change when compared to the starting point. Instead of aiming for a significant transformation or introducing a new approach to education, the policy focused on a modest adjustment. This limited ambition is evident in the conservative target, which suggests a minimal enhancement rather than a substantial improvement. By relying on established practices and making only an incremental adjustment, the policy underscores the continuity and evolution of the current educational policy framework. This approach reflects a dependence on the existing structure, avoiding radical changes or the introduction of a completely new system, thereby reinforcing the existing path within the educational system.

*Table 1 Component C3.1. Reform of the education system*

No.	Reform/ investment	Measure	Level of change
<b>COMPONENT 3.1. REFORM OF THE EDUCATION SYSTEM</b>			
265	C3.1. R1	Adoption of the revised adult learning legal framework	Layering
266	C3.1. R1	Comprehensive analysis of secondary education needs	Layering
267	C3.1. R1	Adoption of the Model for the Financing of Early Childhood Education and Care	Layering
268	C3.1. R1	Adoption of the amendments for a full-day teaching model	Layering

269	C3.1. R1	Participation in early childhood education and care	Path-dependency
270	C3.1. R1-I1	Number of places built in ECEC	Replacement
271	C3.1. R1-I2	Percentage of students attending primary one-shift schools	Layering
272	C3.1. R1-I3	Enrollment in general secondary education programmes	Path-dependency
273	C3.1. R2	Adoption of the new Act on Scientific Activity and Higher Education	Replacement
274	C3.1. R2-I1	Share of public higher education institutions equipped with digital infrastructure	Layering
396 (2023)	C3.1. R1-I3	Number of secondary education classrooms renovated or built	Replacement
397 (2023)	C3.1. R1-I4	Percentage of pupils attending primary one-shift schools	Layering

Source: Council of the European Union, 2023.

#### 5.1.2. Component C3.2 Boosting research and innovation capacity.

Similarly, this subcomponent reflects a pervasiveness of policy layering, with over half of the measures falling into this category (54.55%). Following suit, this subcomponent included reforms and investments that aligned with replacement (36.36%) and path dependency (9.09%). This indicates a balanced approach where most measures build on existing policies, some replace them with new approaches, and a few continue with the established practices. Consequently, layering is present in over half of the measures included in this subcomponent. The new elements included in the reforms include, for example, introducing new elements and compliance requirements to the existing framework for awarding research project funds, introducing requirements for at least four research projects in the 'green' field to be completed by scientific organizations that have signed new programme agreements, etc.

The NRPs have consistently aimed to "improve the system of quality, management, and financing of scientific organizations and encourage scientific excellence" (Government of the Republic of Croatia, 2014:48). To achieve this, they often amended the science and higher education act (NRP 2014, 2015, 2018, 2019, 2020). These earlier approaches focused on harmonizing legal regulations and increasing the total allocation for research and development (Government of the Republic of Croatia, 2020:49-53).

In comparison, the NRRP introduces a new framework for program agreements to fund the public scientific research system (Council of the European Union, 2023:213). This new framework aims to enhance the quality and international visibility of public research, strengthen targeted research, and increase the impact of science on innovation, the economy, and society through the reorganization of the public research sector (Council of the European Union, 2023:213).

The implementation of this reform involves adopting a new act on scientific activity and higher education, which provides a legal and financial framework for the organizational and functional integration of universities and scientific institutes. It also includes a dialogue on institutional objectives and a new results-based funding framework. This new framework is expected to result in more influential publications, more competitive projects, stronger international cooperation, and an increased number of projects in cooperation with businesses (Council of the European Union, 2023:214).

This represents policy layering because the NRRP builds upon and enhances the existing policy framework established by previous NRPs without replacing it entirely. The NRPs have laid the groundwork by focusing on legal amendments and increased funding for research and development. The NRRP continues these efforts but introduces new mechanisms, such as program agreements and performance-based funding, to achieve the same overarching goals.

The new framework in the NRRP does not discard the previous approaches but rather incorporates additional elements to improve the effectiveness and impact of the scientific research system. This layering approach allows for the continued evolution and refinement of policies, ensuring that they remain relevant and effective in addressing contemporary challenges. By integrating new tools and objectives within the existing framework, the NRRP exemplifies how policy layering can lead to more comprehensive and adaptive policy development.

It is worth noting that this subcomponent included the highest number of measures aligned with policy replacement. Therefore, measures that pertained to the area of research and innovation experienced the most profound and deep policy change. This is an interesting finding when we look at the role that research and innovation has played in previous NRPs. Dominantly, this policy domain was featured only in the sections of the NRPs which addressed policy goals iterated in the Europa 2020 strategy. Specifically, the Europa 2020 strategy sought to increase research and development in the EU in the amount of 3% of its total GDP (Grgurić, 2021:120). An instance of

this can be found in the NRP from 2018 where Croatia sought to achieve the goal of bolstering its research infrastructures via public access by adopting the Plan of development of research infrastructure in the Republic of Croatia (Government of the Republic of Croatia, 2015:68). Comparatively, this plan contained within the NRP reflects path dependency, as it serves as more of a preparatory measure which could then be utilized as a basis for further policy action. The NRRP, however, in the field of research and innovation, introduces an innovative approach when it comes to research and development policies in Croatia.

Overall, in the policy area of research and innovation, we can see the introduction of new elements that have then been integrated in the pre-existing framework, exemplified by the high prevalence of policy layering. Research and innovation policies in Croatia, therefore, have experienced a significant degree of Europeanization. This is showcased by the number of measures contained within the NRRP in subcomponent 3.2 that fall under the scenario of layering. Put differently, the measures contained in this subcomponent have, for the most part, endured changes due to the impact of the NGEU.

*Table 2 Component C3.2 Boosting research and innovation capacity.*

No.	Reform/ investment	Measure	Level of change
<b>COMPONENT 3.2: BOOSTING RESEARCH AND INNOVATION CAPACITY</b>			
275	C3.2. R1	New Science and Higher Education Act	Layering
276	C3.2. R1- I1	Funding allocated to research projects based on internal calls by research organizations during the first two-year cycle of program agreements implementation	Layering
277	C3.2. R1- I1	Share of universities or research institutes that have signed programme agreements	Replacement
278	C3.2. R1- I1	Completed research. projects, in the ‘Green’ field, by scientific organizations that have signed new Programme Agreements	Layering

279	C3.2. R1- I1	Funding allocated to research projects based on internal calls by research organizations	Replacement
280	C3.2. R1- I2	Reorganizations of higher education institutions and scientific institutes	Path-dependency
281	C3.2. R2	New legal framework regulating quality requirements for study programmes, doctoral studies and working conditions for scientific institutions	Replacement
282	C3.2. R2- I1	Grants awarded under the programming framework for increasing availability and employability of graduates in STEM/ICT fields and improving their mobility for national and international cooperation	Layering
283	C3.2. R2- I2	Infrastructure projects for applied and targeted research	Layering
284	C3.2. R3	New law on the Croatian Science Foundation	Layering
285	C3.2. R3- I1	Grants awarded under a 'pilot programme' supporting the establishment of a reformed R & D & I framework.	Replacement

Source: Council of the European Union, 2023.

## 5.2. Component C4 IMPROVING EMPLOYMENT MEASURES AND THE LEGAL FRAMEWORK FOR A MODERN LABOR MARKET AND THE ECONOMY OF THE FUTURE

An emphasized goal in both the NRRP and the NRP was commonly to match knowledge and skills with labor market needs. For instance, the NRP of 2017 included the measure “*Raising the quality of adult education systems and increasing the availability of education programmes to adults*” (Council of the European Union, 2017:51-52). This measure specifically was the result of a CSR given to Croatia by the Council that states the need to ensure “appropriate training and retraining to increase employability of the working age population, focusing on low skilled

workers and long-term unemployed”. These two measures share similarities in their overall aim; however, their approaches are notably different.

5.2.1. Component C4.1 Improving employment measures the legal framework for a modern labor market and the economy of the future.

The measures featured in this subcomponent were dominantly split between path dependency (45.45%) and policy layering (45.45%). Only one measure within the plan reflected policy replacement within this subcomponent (9.09%). This highlights an emphasis on building upon existing policies (path dependency and layering), with minimal occurrence of outright policy replacement, indicating a strong continuity with past approaches.

The first subcomponent of the fourth chapter of Croatia’s NRRP primarily consists of measures targeting employment policies. This section heavily emphasizes an aim previously reiterated in Croatia’s NRPs, which aims to align educational programs with market needs. However, the NRRP adopts a comparatively different approach to achieve this goal, with most measures representing a stark departure from previous approaches by the national government.

The primary goal of this subcomponent is to develop and implement new targeted active labor market policies to facilitate the green and digital transition of the workforce, as detailed in reform C4.1 R1 (Council of the European Union, 2023:225). Active labor market policies have been consistently emphasized in Croatia's national reform programs (NRPs) since 2014, as well as in strategic documents like the National Development Strategy of the Republic of Croatia 2030 and the Action Plan for the Implementation of the National Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia 2014-2023.

Despite their ongoing presence, each iteration of active labor market policies has introduced distinct elements. For instance, in the 2014 NRP, these policies encompassed grants for employment and training of disadvantaged unemployed individuals, co-financing of wages for specific target groups, support for self-employment, educational programs aligned with labor market needs, and provision of professional training opportunities for young people to gain relevant work experience (Government of the Republic of Croatia, 2014:115-117). Additionally, in the National Development Strategy of the Republic of Croatia 2030, ALM’s for the next decade

are directed toward groups that face difficulties when seeking employment as well as, youth (Government of the Republic of Croatia, 2018:64).

A consistent aspect of Croatia's approach to active labor market policies has been its focus on addressing the needs of specific disadvantaged groups within the labor market, including long-term unemployed individuals, young educated individuals lacking work experience, people with disabilities, Roma communities, individuals facing the threat of permanent unemployment and social exclusion, those at risk of job loss, older individuals, and generally groups that experience difficulties in unemployment (NRP 2014, 2015, 2016, 2018).

In the NRRP, previous outlines of such measures are strongly represented in this initiative. For example, the initiative aims to align active labor market policies with the objectives of the NextGenerationEU (NGEU), particularly by increasing employment in the green and digital sectors. The initiative outlined in the NRRP builds upon Croatia's prior use of active labor market policy instruments to address employment concerns, directing its focus towards two key objectives of the NGEU: the digital and green transition. This is achieved by providing grants for employment, traineeships, and self-employment in the digital and green sectors.

All of these tools have previously been represented in Croatia's documents covering active labor market policies. For instance, self-employment grants have been a key component in Croatia's national reform programs. In the 2014 National Reform Program (NRP), these grants were provided to support individuals in starting their own businesses, aimed at fostering entrepreneurship and reducing unemployment (Government of the Republic of Croatia, 2014:115-117). Similarly, the 2015 and subsequent NRPs continued to emphasize self-employment grants as a vital instrument for empowering disadvantaged groups and promoting economic self-sufficiency (Government of the Republic of Croatia, 2015:118).

The concept of policy layering is illustrated by the way Croatia's ALMPs evolve. The foundational policies addressing the needs of disadvantaged groups remain intact, while new elements are added to meet emerging priorities like the green and digital transitions. This layering ensures that existing policy goals are continuously supported and enhanced by incorporating new strategies and tools.

This shift in focus towards job creation in the green and digital sectors directly align with the main goals of the Next Generation EU (NGEU) initiative, which emphasizes investments in

sustainable growth and digital transformation to drive economic recovery and resilience (Schramm et al., 2022:114).

In this component, measure number 296 represents a notable case of path dependency in its approach to temporary contracts within Croatia's employment policy. In 2014, Croatia's NRP emphasized labor market flexibility and mobility as key strategies to mitigate the economic crisis's impact on employment. To achieve this, the NRP amended the labor law in June 2013, which "liberalized the conditions and restrictions related to the duration of fixed-term employment contracts" (Government of the Republic of Croatia, 2014:24).

Contrasting the 2014 approach, Croatia's National development strategy 2030 focuses on addressing the structural weaknesses of its labor market and rising unemployment. The primary goal of this strategy is to enhance the labor market's functionality by creating better employment opportunities for all participants. One of the measures includes reducing the prevalence of fixed-term employment from 18.1% to 15%, aligning with the European average in 2019 (Government of the Republic of Croatia, 2021: 33-59).

Similarly, the National Recovery and Resilience Plan (NRRP), in its reform C4.1. R4, aims to lower the proportion of temporary contracts to 17%. This reform, however, is not particularly ambitious as it seeks only a modest reduction from 18.1% to 17%.

Path dependency is exemplified in this case because Croatia's labor market policies exhibit a reliance on previously established frameworks and strategies. Despite shifts in the emphasis or context of these policies, the underlying objectives and instruments remain consistent over time.

The continuity in objectives and policy instruments across Croatia's employment policies illustrates path dependency. Despite the apparent shifts in emphasis from labor market flexibility to reducing structural weaknesses and improving employment opportunities, the fundamental approach remains rooted in the historical context established by earlier reforms. This ongoing reliance on established frameworks and incremental adjustments underscores the influence of past policies on current and future strategies.

*Table 3 Component C4.1 Improving employment measures the legal framework for a modern labor market and the economy of the future.*

No.	Reform/	Measure	Level of change
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	investment		
<b>COMPONENT 4.1: IMPROVING EMPLOYMENT MEASURES AND THE LEGAL FRAMEWORK FOR A MODERN LABOUR MARKET AND THE ECONOMY OF THE FUTURE</b>			
286	C4.1. R	Supplementing active labour market policies	Layering
287 (2023)	C4.1. R1	Number of beneficiaries of the new active labour market policy measures	Layering
288	C4.1. R2	Entry into force of the amendments to the Labour Market Act	Path-dependency
289	C4.1. R2	Improved quality of support for vulnerable groups	Path-dependency
290	C4.1. R2	Improved quality of support for at least 5 000 people from vulnerable groups	Path-dependency
291	C4.1. R3	Developing skills according to market needs	Layering
292 (2023)	C4.1. R3- I1	Use of education vouchers	Layering
293	C4.1. R4	Entry into force of the amendments to the Minimum Wage Act	Replacement
294	C4.1. R4	Adoption of the Law on Tackling Undeclared Work and the new Labour Law	Layering
295	C4.1. R4 T	Increasing the ratio of the minimum wage to the average gross wage in 2024 to 50%.	Path-dependency
296	C4.1. R4	Reducing the share of temporary contracts to 17%	Path-dependency

Source: Council of the European Union, 2023.

#### 5.2. 2. Component C4.2 Improving the pension system through increased pension adequacy

The measures in the NRRP that addressed Croatia's pension system aligned with the scenario of path dependency (60%) and policy layering (40%). Interestingly, this subcomponent did not contain a single measure that could be classified as policy replacement. Therefore, the NRRP in the domain of Croatia's pension system did not introduce structural or deep substantial policy innovations. The absence of policy replacement measures suggests that the NRRP does not aim to overhaul the Croatian pension system fundamentally. Instead, the focus is on building upon and refining existing structures.

Novelty elements in the measures, however, were introduced in the measures that aligned with policy layering, without challenging the preexisting paradigm of the two pension pillars. Traditionally, Croatia's previous reform programs focused on discouraging early retirement and extending the working age. However, the reforms in the NRRP introduce new goals while maintaining the existing structure.

Through layering, the measures contained in the NRRP introduced a number of new policies aims. These include, for example: “improving pension adequacy, particularly for beneficiaries with the lowest income”, “improving the sustainability of the pension system through strengthening the second pension pillar” and “reinvigorating reform efforts in the longer term in a socially inclusive way by forming a working group that would involve all key stakeholders and social partners” (Council of the European Union, 2023: 234)

Additionally, path dependency is dominantly represented in these measures. Multiple reforms and investments contain goals that present marginal changes in comparison to their previous starting point. For example, measure 301, aims to achieve a slight increase of the minimum pensions by only 3% (Council of the European Union, 202:234-235). Moreover, the measure number 300, illustrates path dependency by aiming to establish a working group to analyze the pension system and explore ways to enhance its adequacy and sustainability. This measure in itself does not call into question the existing pension system currently present in Croatia, but rather serves as a preparatory measure that could later serve as a basis for action. This measure therefore perfectly reflects path dependency as it does not question the established norms of the Croatian pension system.

In conclusion, the NRRP’s measures in Croatia’s pension system reflect a cautious and strategic approach to reform, characterized by path dependency and policy layering. This approach prioritizes stability and incremental progress, ensuring that new goals are integrated within the existing policy framework.

*Table 4 Component C4.2. Improving the pension system through increased pension adequacy*

<b>No.</b>	<b>Reform/ investment</b>	<b>Measure</b>	<b>Level of change</b>
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<b>COMPONENT 4.2: IMPROVING THE PENSION SYSTEM THROUGH INCREASED PENSION ADEQUACY</b>			
297	C4.2. R1	Adoption of amendments to the Pension Insurance Act	Layering
298	C4.2. R1	Adoption of the Conclusions on Acceptance of the Report on cost-effectiveness analyses of compulsory pension funds' investments in state-owned enterprises.	Path-dependency
299	C4.2. R1	An increase of between 10% and 15% in the total pension income for beneficiaries of the redefined form of survivor's pension (minimum 10%).	Layering
300	C4.2. R1	Adoption of amendments to the Pension Insurance Act	Path-dependency
301	C4.2. R1	Increase of the minimum pension by 3%	Path-dependency

*Source:* Council of the European Union, 2023.

### 5.2.3. Component C4.3 Improving the social welfare system.

The measures in the last subcomponent encompass measures that fit the descriptions of two of the three scenarios. These measures were almost equally divided between path dependency (47.06%) and policy layering (52.94%).

To illustrate the path dependency present in this subcomponent, let's take a look at the example of measure 308, digital availability of information on social protection benefits at national level. This measure exemplifies path dependency, as the policy aim and its instruments have been consistently outlined in previous NRP of 2017, 2018, and 2019. For example, the 2018 NRP aimed to create “a transparent system of social security benefits with accessible information on the type and number of benefits for each beneficiary” (Government of the Republic of Croatia, 2018: 116). Similarly, the National Recovery and Resilience Plan (NRRP) sets the objective of ensuring the “digital availability of information on social protection benefits at the national level.”

Path dependency is further emphasized by the use of the same policy instruments across these documents. The 2018 NRP proposed achieving its goal through the “development of a software solution and establishment of data exchange with the CHIF, CPII, CES, and ULRSG” (Government of the Republic of Croatia, 2018: 116). Similarly, the NRRP seeks to accomplish its policy objective by developing a web application that will provide citizens with information on all existing social security benefits (Council of the European Union, 2023: 244).

Additionally, to showcase path dependency, I will highlight the example of measure 307 (C4.3. R1- I1) Local government units data access on social benefits for each individual beneficiary. This policy aim has been prominently featured in several previous National Reform Programs (NRPs) 2018, 2019, and 2020. For example, the 2019 NRP includes a measure to “ensure the technical prerequisites for reporting on social benefits paid by local and regional self-government units” (NRP 2019, 2019: 98). This measure exemplifies path dependency, as the goal expressed in the National Recovery and Resilience Plan (NRRP) to provide “local government units data access on social benefits for each individual beneficiary” directly aligns with the objectives previously outlined in the NRPs (Council of the European Union, 2023: 244).

Path dependency is evident because the current policy continues to build on previously established goals without significant changes. The consistent objectives across multiple NRPs indicate a reliance on and reinforcement of existing frameworks and strategies. This continuity ensures that the groundwork laid by earlier policies is not disrupted, allowing for incremental improvements rather than radical changes. By maintaining these established goals, the policy leverages past efforts and investments, ensuring stability and predictability in the administration of social benefits.

The measures in Component C4.3 reflect a balanced approach between maintaining continuity and introducing incremental enhancements. The reliance on path dependency measures suggests a cautious approach that values stability and builds on proven frameworks. On the other hand, the policy layering measures indicate a willingness to innovate within the existing system, adding new elements that enhance the overall effectiveness and reach of the social welfare system.

*Table 5 Component C4.3 Improving the social welfare system*

No.	Reform/ investment	Measure	Level of change
<b>COMPONENT 4.3: IMPROVING THE SOCIAL WELFARE SYSTEM</b>			
302	C4.3. R1	Adoption of the National Plan against Poverty and Social Exclusion 2021-2027	Path-dependency

303	C4.3. R1	Adoption of the new Social Welfare Act	Layering
304	C4.3. R1	Beneficiaries of the Guaranteed Minimum Benefit and national compensation for elderly persons	Path-dependency
305 (202 3)	C4.3. R1	Adoption of a normative rule on functionally integrated social benefits	Path-dependency
398 (202 3)	C4.3. R1	Entry into force of the amendments to the Social Welfare Act and adoption of the Decision on guaranteed minimum benefit	Layering
306	C4.3. R1	Reduction of the At- risk-of-poverty rate	Path-dependency
307	C4.3. R1- I1	Local government units' data access on social benefits for each individual beneficiary	Path-dependency 3
308	C4.3. R1- I2	Digital availability of information on social protection benefits at national level	Path-dependency
309	C4.3. R2	Training of social mentoring professionals	Layering
310	C4.3. R2	Employment of social mentoring professionals	Layering
311	C4.3. R2- I1	Social mentoring services provided to beneficiaries	Layering
312	C4.3. R3	Adoption of the National Plan for the Development of Social Services 2021-2027	Path-dependency
313	C4.3. R3	Adoption of standards of treatment for family assistants	Path-dependency
314	C4.3. R3- I1	Strengthening human capacity to deliver community-based services	Layering
316	C4.3. R3- I3	IT system calculation of prices for social services and service providers in the network	Layering
317	C4.3. R3- I4	Construction of centers for the elderly institutional, home and community care	Layering
315	C4.3. R3- I2	Single Information System (SocSkrb information system)	Layering

Source: Council of the European Union, 2023.

## 6. DISCUSSION

In examining the results of our analysis within the context of Europeanization theory, several key observations emerge. The theory of Europeanization, particularly in the realm of public policy, is not merely a top-down process involving the application of EU rules at the national level. Instead, it encompasses a complex interplay of interactions between the EU and its member states, including both top-down and bottom-up dynamics.

Croatia's experience with the National Recovery and Resilience Plan (NRRP) exemplifies this interplay. While the plan reflects EU influences through mechanisms like the European semester and the associated country specific recommendations (it is also a product of national initiative and adaptation. The Croatian government, as the primary author of its NRRP, crafted measures that aligned with EU expectations but also addressed national priorities (Corti and Vesan, 2023:518-519).

Component C3 within Croatia's NRRP was dominantly characterized by trends of policy layering and replacement. These findings are particularly intriguing when considering that the largest portion of social investments in Croatia's NRRP was allocated to general, vocational, and higher education, as well as early childhood education and care (Corti and Vesan, 2023:518-520). As a result, it can be seen that the social component which received the highest percentage of the total social investments of the NRRP experienced the highest amount of policy change. Consequently, the NGEU plan significantly impacted Croatia's educational reforms and investments. Furthermore, considering the influence of the NGEU plan on Croatia's educational policies, it is evident that Europeanization of these policies occurred, driven by the financial incentives provided through the Recovery and Resilience Facility.

When analyzing Component 3.1, Reform of the education system, the majority of reforms and investments in the NRRP fell under the category of policy layering (50%), followed by replacement (25%) and path dependency (25%). This points to the finding that the NRRP impacted the direction of policy change through the finances provided through the RRF. Over half of the reforms and investments introduced new elements to the existing structure and framework of Croatia's education system. The measures that found themselves in the category of path dependency in this subcomponent sought to expand existing policies, therefore exhibiting incremental change. In the case of this subcomponent, those measures sought to increase student enrollment in general secondary education ('*gimnazija*' programmes) from 30% to 35% (measure

275) and to increase the participation of attendance of early childhood education and care programs from 76.3 % to 90%.

Similarly, component 3.2, Boosting research and innovation capacity contained measures that predominantly aligned with the scenario of policy layering (54.55%) with a strong presence of replacement (36.36%) and finally path dependency (9.09%). Therefore, the reforms and investments contained in this subcomponent introduced novelty elements (new policy instruments, goals, etc.) but did so in a manner that did not substantially impact the previous core policy framework. For example, more than half of the measures contained in this subcomponent introduced new legal and financial frameworks or other similar elements that complied with the previously installed policy frameworks. The remainder of the measures exemplify replacement with a single case of path dependency. This singular case of path dependency (measure 277) introduces a performance-based system of funding targets for public scientific organizations through the new Act on Scientific Activity and Higher Education, fundamentally changing the existing funding framework.

Comparatively, component 4 of the NRRP, labor market and social protection, did not experience as strong an impact of policy change when compared to the case of component C3. Overall, two of the subcomponents only contained a single measure of the NRRP that was categorized as policy replacement, while the subcomponent C4.2 did not contain a single measure that could be characterized by replacement. The subcomponent C4.1. Improving employment measures and the legal framework for a modern labor market and the economy of the future was equally characterized by measures that aligned with path dependency and layering (45.45% each respectively) and, to a lesser degree, measures that aligned with replacement (9.09%). This points to the conclusion that while the NGEU plan did have an impact on Croatia's employment measures contained in the NRRP, evident through the high presence of layering, the measures in the plan did equally reflect existing domestic frameworks in employment policies. The single instance of novelty via replacement being expressed in measure 293, entry into force of the amendments to the Minimum Wage Act.

Moreover, subcomponent C4.2, Improving the Pension System through Increased Pension Adequacy, includes measures classified as path dependency (60%), followed by policy layering (40%). Interestingly, the NRPP does not contain a measure pertaining to the pension system that

can be categorized as replacement. This therefore implies that the NGEU did not heavily influence Croatia's pension system. However, some influences can in fact be seen through policy layering, which introduces new elements to the existing framework without replacing it. For example, modifying the calculation of survivor's pensions and introducing the option for lower pension beneficiaries (including both old age and disability pensions) to use a portion of the survivor's pension in addition to their personal pension. This incremental approach suggests a subtle but present impact of the NGEU on Croatia's pension system, enhancing and expanding on established policies rather than overhauling them completely.

The final subcomponent, C4.3. Improving the social welfare system experienced an almost equal amount of path dependency and layering with 47.06% and 52.94% respectively. This therefore shows that the social welfare measures of the NRRP predominantly followed long-standing social policy practices 47.06% of the time, while introducing new elements to those preexisting frameworks the other 52.94% of the time. This subcomponent only encompasses a singular case of replacement found in measure 316 that aimed to introduce a new data management system to execute tasks of data collection, quality analysis and calculation of social service prices.

Overall, of the total measures included in this analysis, 50% fell under the category of layering, followed by 35.71% in the category of path dependency and 14.29% of the measures reflected the replacement scenario (see Figure 6). Given this distribution, we can conclude that the NGEU plan did enact policy change on half of the total number of Croatia's social policies containing its NRRP. These introduced changes, however, do not present a deep systematic change, but rather, the high percentage of layering point to the inclusion of new policy elements within the reforms and investments contained in the NRRP. Furthermore, given that over half of the total analyzed measures can be characterized by layering and replacement, we can confirm that the NGEU reform did produce a moderate Europeanization effect on Croatia's social policies.

Our research question sought to understand whether the financial incentives and resources provided by the EU through the Next Generation EU (NGEU) plan led to profound and substantive reforms in Croatia. The findings indicate that the NRRP introduced several changes and innovations, with a dominant pattern of policy layering in the empirical evidence. This is exhibited through the high prevalence of scenario 2 of Cotta and Domorenok (2022) in the analyzed measures of the NRRP.



The layering scenario, where previous policy frameworks are introduced to new policy elements, was a prominent feature of the reforms. This suggests that the mechanism of using incentives and financial resources yielded moderate results, leading to the introduction of new policy elements and frameworks rather than merely superficial adjustments, or outright innovative policies.

The initial assumption was that the mechanism of incentives and financial support would lead to significant and deep reforms. The analysis partially confirms this assumption. The reforms were largely characterized by policy layering and replacement, indicating that the NRRP effectively introduced new elements and frameworks within the existing policy landscape. Notably, research and innovation experienced the most significant impact of policy replacement. In this subcomponent, 36.36% of the measures aligned with the replacement scenario. This area saw profound and deep policy changes driven by the NRPP, showcasing the transformative potential of the NGEU incentives in driving reforms.

These results indicate a strong presence of policy layering, highlighting the contribution of new elements being introduced to the reforms under the NRRP. Half of the analyzed measures did not introduce changes but rather, integrated new policies and frameworks into the existing structures, thereby addressing both immediate and structural issues. The empirical evidence shows that the NRRP not only aligned with EU directives but also introduced new elements that marked a departure from previous policies.

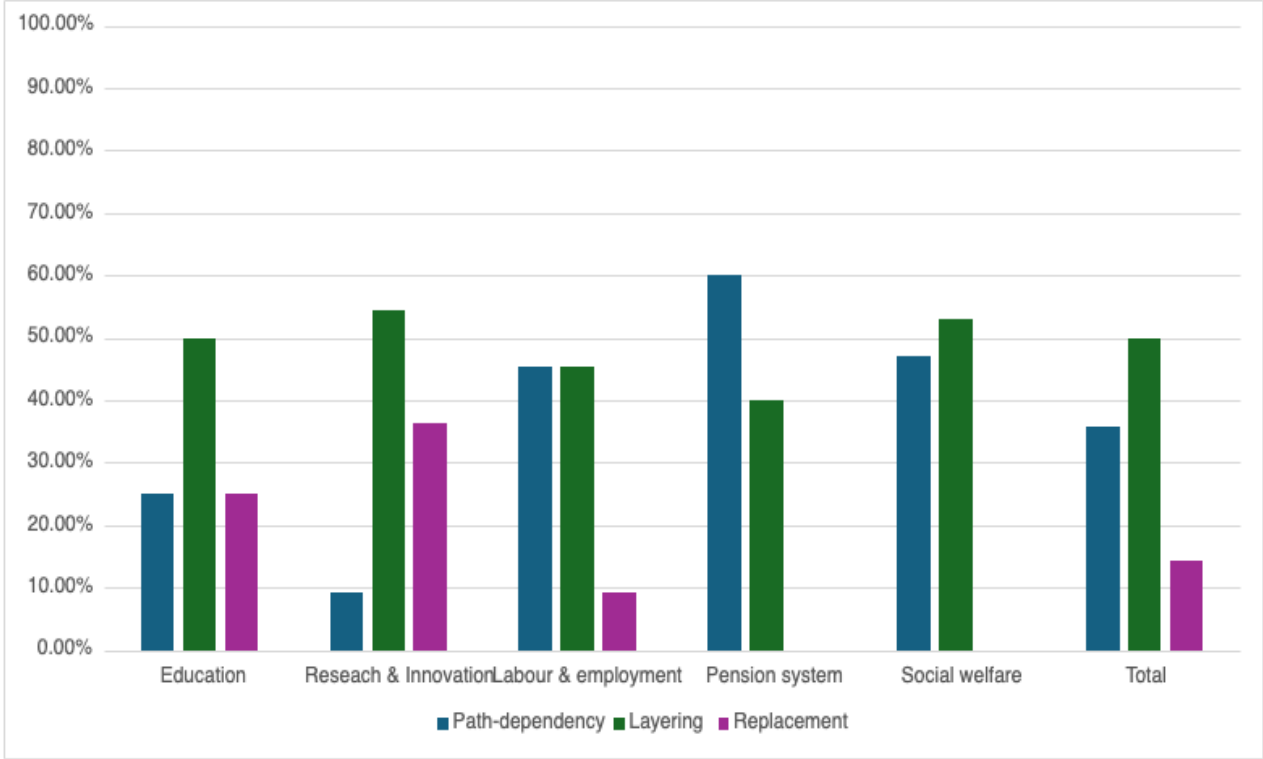
The Croatian case shows that positive conditionality produced moderate reforms. By linking financial support to the achievement of concrete reform milestones, the EU ensured that the NRRP's implementation was closely monitored, and that progress was tangible. This goal was reflected in the number of measures that reflected the layering scenario. The element of conditionality in the NGEU created an incentive for the Croatian government to pursue modest reforms through the introduction of novelty policy elements.

However, the reliance on policy layering also implies certain limitations. While it fosters continuity and gradual improvement, it may not always address deeply rooted systemic issues that require more transformative changes. The NRRP's balanced approach, incorporating elements of path dependency (35.71%) and a smaller proportion of policy replacement (14.29%), indicates a cautious but progressive strategy towards reform.

At the same time, it is important to keep in mind some methodological limitations of this analysis. The focus is solely on the development of reforms and investments outlined in the NRRP, without delving into their implementation or actual outcomes of reforms and investments. Therefore, the analysis does not evaluate whether these reforms have been put into action or the degree to which they have been carried out. This methodological stance narrows the analysis to examining only the creation of reforms and investments, without addressing their implementation.

Overall, the findings suggest that Europeanization through financial incentives can indeed drive change, particularly when the reforms involve both policy layering and replacement. The Croatian case study provides valuable insights into the potential of such approaches within the broader EU framework, confirming the initial assumption about the transformative power of the NGEU plan.

Figure 6 Results of the qualitative content analysis.



Source: author.

7. CONCLUSION

In this thesis, the objective was to examine the influence of the NextGenerationEU (NGEU) plan on Croatia's social policy reforms and investments as outlined in its National Recovery and Resilience Plan (NRRP). Utilizing the theoretical framework provided by Cotta and Domorenok (2022), the research compared the evolution of Croatia's social policy measures within the NRRP through three scenarios: path dependency, policy layering, and replacement.

The literature review underscored the significant impact of Europeanization on national policy reforms, particularly through the lens of financial incentives and conditionality mechanisms. Empirical data was drawn from numerous sources, including the Council's implementing decisions, Croatia's National Reform Programs, and other strategic documents, providing a comprehensive overview of the European Union's (EU) influence on Croatia's policy direction.

This research employed qualitative content analysis to compare measures in the NRRP against previous National Reform Programs (NRP) from 2014 to 2019. The analysis revealed a predominance of the policy layering scenario, indicating that Croatia's social policies under the NRRP reflects mild change. These new policies introduced new goals and instruments, suggesting a departure from the past where no substantial reform initiatives were evident. Overall, the influence of the RRF is moderate, but it is notably more pronounced in sectors like education and research and innovation, where we see a higher rate of replacements.

The findings affirm that the EU's introduction of financial incentives under the Recovery and Resilience Facility (RRF) has led to more targeted and meaningful reforms compared to those implemented under the European Semester. This supports the hypothesis that the NGEU plan's conditionality and financial support mechanisms are more effective in driving national policy changes.

I conclude that the NGEU significantly influenced Croatia's social policy reforms, primarily through the introduction of new policy goals and instruments that were absent in previous national strategies. Additionally, the RRF's positive conditionality has produced more substantial and targeted measures than those previously introduced, showcasing the mechanism's potential to induce meaningful policy changes.

Future research could expand this analysis to other EU member states to provide comparative insights and generalize the findings across different political, economic, and social

contexts. Additionally, a longitudinal study assessing the long-term effects and sustainability of the implemented reforms would be valuable.

This study's primary limitation lies in its focus on the Croatian context, which may not be fully applicable to other member states. Furthermore, the reliance on available empirical evidence limits the scope to the initial phases of policy implementation, without assessing the actual outcomes or effectiveness of the reforms.

Overall, the research confirms that financial incentives from the NGEU can drive significant changes in national policies, particularly through policy layering and to lesser extent, replacement, offering a promising approach for future Europeanization efforts.

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## SAŽETAK

Ovaj rad istražuje dubinu i sveobuhvatnosti reformskih i investicijskih mjera u Nacionalnom planu oporavka i otpornosti (NRRP) Hrvatske, koristeći kategorijalni aparat Cotte i Domorenoka (2022). Studija ima za cilj razumjeti utjecaj okvira Next Generation EU (NGEU) Europske unije na hrvatske socijalne politike. Korištenjem kvalitativne analize sadržaja, istraživanje ispituje reforme u komponentama C3 i C4 NRRP-a. Analiza kategorizira ove reforme u tri scenarija: ovisnost o prijednom putu, slojevanje politika i zamjena. Nalazi pokazuju da je pola reformi uključivalo slojevanje politike, integrirajući nove politike unutar postojećih struktura kako bi se adresirala i neposredna i sustavna pitanja. Provedba NRRP-a, pod utjecajem uvjetovanosti EU, potaknula je umjerene reforme, ali je pokazala ograničenja u rješavanju duboko ukorijenjenih sustavnih problema. Studija zaključuje da europski proces putem financijskih poticaja može potaknuti promjene u politici, pri čemu hrvatski slučaj ilustrira transformativni potencijal NGEU plana unutar šireg okvira EU.

**Ključne riječi:** Europska Unija, socijalna politika, Nacionalni plan oporavka i otpornosti, NextGenerationEU

## ABSTRACT

This thesis explores the policy reforms in Croatia's National Recovery and Resilience Plan (NRRP), aligning them with predefined scenarios by Cotta and Domorenok (2022). The study aims to understand the impact of the EU's Next Generation EU (NGEU) framework on Croatian social policies. Using qualitative content analysis, the research examines the reforms in Components C3 and C4 of the NRRP. The analysis categorizes these reforms under three scenarios: path dependency, policy layering, and replacement. The findings indicate that half of the reforms involved policy layering, integrating new policies within existing structures to address both immediate and systemic issues. The NRRP's implementation, influenced by EU conditionality, fostered moderate reforms but showed limitations in addressing deep-seated systemic problems. The study concludes that Europeanization through financial incentives can drive policy change, with the Croatian case illustrating the transformative potential of the NGEU plan within the broader EU framework.

**Keywords:** European Union, social policy, National Recovery and resilience plan, NextGenerationEU

## APPENDIX

**Table A1.** Coding of individual reform and investment measures into levels of change and explanation of coding decisions

No.	Reform/ investment	Measure	Level of change	Explanation
<b>COMPONENT 3.1. REFORM OF THE EDUCATION SYSTEM</b>				
265	C3.1. R1	Adoption of the revised adult learning legal framework	Layering	<p>This exemplifies policy layering because the NRRP builds on existing educational policies while introducing new elements. In Croatia's NRRP, measure 265 (C3.1. R1) focuses on adopting a revised adult learning legal framework, aligning with previous National Reform Programs (NRPs) from 2018 to 2022, which also emphasized improving adult education. For instance, the 2019 NRP included measure 2.1.2, Lifelong Learning, aimed at enhancing the quality and relevance of adult education programs (National Reform Programme, 2019). Similarly, the NRPs from 2018 sought to improve the adult learning framework by aligning its content with labor policy requirements (Government of the Republic of Croatia, 2018).</p> <p>However, the NRRP goes beyond these earlier measures by introducing innovative components such as individual education accounts and a system of evaluation for adult education providers (NRRP, 2023). In contrast, the NRPs focused more on curricular reforms and the development of formal adult education programs harmonized with the CROQF (National Reform Programme, 2022). This layering approach enhances and extends existing policies without replacing them, exemplifying how the NRRP builds on core policy objectives with new elements.</p>
266	C3.1. R1	Comprehensive analysis of secondary education needs	Layering	<p>Policy layering is evident in the goal of structural reform within the education system, a recurring theme in previous NRPs (2014, 2015, 2016, 2018, 2019, 2020, 2022). However, this measure introduces a new dimension: it not only aims to enhance the labor market relevance of vocational programs (NRP 2015, 2016, 2017, 2018, but also seeks to reduce the share of vocational education and training (VET) in favor of increasing enrollment in</p>

				general secondary education (' <i>gimnazija</i> ' programs).
267	C3.1. R1	Adoption of the Model for the Financing of Early Childhood Education and Care	Layering	<p>Croatia already has policies and frameworks for ECEC facilities. The current focus is on enhancing and ensuring the sustainability of these investments. The new model for financing operating costs introduces additional support for municipalities/local government units with less financial capacity. This is a supplementary measure to the existing policy framework, aimed at ensuring that new investments (renovation and construction of ECEC facilities) are sustainable.</p> <p>The emphasis on sustainability indicates that the government is building upon and improving existing policies by adding new financial support mechanisms rather than replacing the entire policy structure.</p> <p>Therefore, this measure represents policy layering as it introduces new financial support measures to enhance and sustain the existing ECEC framework without entirely replacing it.</p>
268	C3.1. R1	Adoption of the amendments for a full-day teaching model	Layering	<p>The law regulating primary and secondary education already exists. The amendments are being made within the context of this existing legal and policy framework.</p> <p>The specific addition is the definition of conditions for the introduction of full-day teaching. This is a significant change but does not replace the entire educational policy or legal framework.</p> <p>The introduction of full-day teaching is an enhancement to the current system, suggesting an incremental approach to policy change rather than a complete replacement. By adding new conditions and provisions to the existing education law, the amendments represent policy layering because they build on the current legal framework by integrating new, supplementary elements to address the evolving needs of the education system.</p>
269	C3.1. R1	Participation in early childhood education and care	Path-dependency	<p>This measure presents a case of path dependency. This is due to the fact that the aim of increasing the coverage of children aged 3 up to school age attending ECEC has been a policy goal previously expressed in Croatia's NRPs. The measure sets out to marginally increase the percentage of attendance from 76.3 % to 90%. This measure preserves the main policy core and therefore falls under scenario 1: Path dependency (Council of the European Union, 2023: 208).</p>

270	C3.1. R1-I1	Number of places built in ECEC	Replacement	<p>The current infrastructure for ECEC is being significantly expanded and improved. The creation of 22,500 new places represents a major shift in capacity and resources allocated to ECEC. This is not just an incremental improvement but a significant enhancement that changes the scope and scale of ECEC provision.</p> <p>The infrastructure investments entail a considerable change in the existing setup, introducing a new level of capacity and availability that did not exist before. This aligns with replacing older, possibly inadequate, infrastructure with new, expanded facilities.</p> <p>By fundamentally altering the infrastructure landscape of ECEC and significantly increasing the capacity for early childhood education, this initiative represents policy replacement. The substantial increase in the number of places and the major investments required mark a clear departure from the previous policy framework towards a more robust and expansive system.</p>
271	C3.1. R1-I2	Percentage of students attending primary one-shift schools	Layering	<p>The 40% baseline provides a reference point for measuring progress. It indicates where the system currently stands in terms of the proportion of pupils attending one-shift schools. The new policy objective is to increase this proportion to 70%. This represents a significant enhancement to the current state.</p> <p>The increase to 70% involves substantial changes and investments but does not replace the entire educational framework. It builds on the existing system by setting a new, ambitious target.</p> <p>By setting a new target of 70% within the context of the existing baseline of 40%, this initiative represents policy layering. It adds a significant new objective to the existing educational policy framework, enhancing and building upon the current system rather than replacing it entirely.</p>
272	C3.1. R1-I3	Enrolment in general secondary education programmes	Path-dependency	<p>The baseline of 30% indicates that a significant proportion of students are already enrolled in general secondary education ('<i>gimnazija</i>' programmes). This represents an existing path or trajectory within the educational system.</p> <p>The goal to increase this proportion to 35% is a relatively small, incremental change. It builds directly on the existing system and practices rather than introducing a new or radically different approach.</p> <p>By setting the target at 35%, the policy aims to continue and slightly enhance the current</p>



				<p>trajectory of increasing enrollment in general secondary education. This reflects a reliance on and extension of existing policies and trends.</p> <p>By aiming to increase the percentage of students in ‘<i>gimnazija</i>’ programmes from 30% to 35%, the policy reflects path dependency. It leverages and builds upon the existing structure and trajectory, relying on established practices and making an incremental adjustment rather than a complete overhaul or introduction of a new system. This approach underscores the continuity and evolution of the current educational policy framework.</p>
273	C3.1. R2	Adoption of the new Act on Scientific Activity and Higher Education	Replacement	<p>Enabling the organizational reform of public universities and scientific institutes suggests a significant restructuring of the existing governance and operational frameworks.</p> <p>New Funding Model: Introducing a performance-based funding model is a substantial change from traditional funding mechanisms. This new model shifts the basis of funding from perhaps input-based or historical allocation methods to one that is tied directly to performance metrics. By introducing organizational reform and a performance-based funding model for public universities and scientific institutes, this initiative represents policy replacement. It involves major structural changes and a new approach to funding, indicating a comprehensive transformation of the current policy framework.</p>
274	C3.1. R2-I1	Share of public higher education institutions equipped with digital infrastructure	Layering	<p>This measure represents policy layering because it enhances and builds upon the existing framework of public higher education institutions by integrating new digital technologies and improving infrastructure. It introduces new elements and capabilities that complement and expand the current system, ensuring continuity while driving incremental improvements.</p>
396 (20 23)	C3.1. R1-I3	Number of secondary education classrooms renovated or built	Replacement	<p>This policy falls under the category of replacement. This is due to the fact that the measure sets out a completely new goal of building (or renovating) at least 165 classrooms for general secondary education programmed (Council of the European Union, 2023:2010).</p>
397 (20	C3.1. R1-I4	Percentage of pupils attending	Layering	<p>This measure falls under policy layering. The aim of this measure is to increase the proportion of primary school pupils attending one-shift schools to 100% from a baseline</p>

23)		primary one-shift schools		of 70%. This policy is based on the core of previous educational frameworks and existing practices of one-shift schools, and works on expanding this practice.
<b>COMPONENT 3.2: BOOSTING RESEARCH AND INNOVATION CAPACITY</b>				
275	C3.2. R1	New Science and Higher Education Act	Layering	This measure represents policy layering because it introduces new legal and financial frameworks to support and enhance the organizational and functional reforms of public universities and scientific institutes. By building upon the existing structures and objectives, it maintains continuity with current policies while providing new resources and mechanisms for achieving institutional development. This incremental approach to reform, adding layers of support and improvement, characterizes it as policy layering.
276	C3.2. R1- I1	Funding allocated to research projects based on internal calls by research organizations during the first two-year cycle of program agreements implementation	Layering	This measure exemplifies policy layering. It introduces new elements and compliance requirements to the existing framework for awarding research project funds, without completely replacing the existing policies. The measure involves awarding EUR 17,619,079 to research projects carried out by universities and research institutes that have signed programme agreements. These projects must support direct scientific and research activities and adhere to published tender specifications. A significant new element is the inclusion of terms of reference that ensure compliance with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), which includes the use of an exclusion list and the requirement of compliance with relevant EU and national environmental legislation. This approach builds upon the existing policy framework by adding new layers of environmental and compliance criteria, enhancing the rigor and scope of the funding process. It represents an incremental improvement and refinement rather than a complete overhaul, thus categorizing it as policy layering.
277	C3.2. R1- I1	Share of universities or research institutes that have signed programme	Replacement	This measure exemplifies policy replacement.  The introduction of a performance-based system of funding targets for public scientific organizations, as mandated by the new Act on Scientific Activity and Higher Education, fundamentally changes the existing funding framework. By requiring that at least 65% of public universities and scientific institutes sign new programme agreements aligned with

		agreements		<p>these provisions, the measure replaces the previous funding mechanisms with a new system focused on performance metrics.</p> <p>This shift signifies a move away from the traditional methods of funding based on established criteria to a more dynamic and potentially rigorous performance-based approach, thus categorizing it as policy replacement.</p>
278	C3.2. R1- I1	Completed research projects, in the 'Green' field, by scientific organizations that have signed new Programme Agreements	Layering	<p>This measure exemplifies policy layering.</p> <p>The requirement for at least four research projects in the 'Green' field to be completed by scientific organizations that have signed new Programme Agreements adds new elements to the existing policy framework without completely replacing it. These projects are to be conducted based on a call for projects with published tender specifications that include eligibility criteria ensuring compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01). This is enforced through the use of an exclusion list and the requirement of adherence to relevant EU and national environmental legislation.</p> <p>By introducing specific requirements for green research projects and compliance with environmental standards, this measure builds upon the existing structure of research funding. It enhances and refines the current policy framework, adding new layers of criteria and objectives focused on supporting the green transition. This incremental improvement and additional specificity characterize it as policy layering.</p>
279	C3.2. R1- I1	Funding allocated to research projects based on internal calls by research organizations	Replacement	<p>This measure exemplifies policy replacement as it fundamentally alters the approach to funding research projects by introducing new criteria and processes that replace previous methods. EUR 17,619,079 shall be awarded to research projects carried out by universities and research institutes that have signed programme agreements. These projects will support direct scientific and research activities and must adhere to published tender specifications, including eligibility criteria ensuring compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01). This is achieved through the use of an exclusion list and the requirement of compliance with relevant EU and national</p>

				<p>environmental legislation.</p> <p>Previously, research funding might not have explicitly required such stringent adherence to environmental standards or been so closely tied to the ‘Do no significant harm’ principle. By mandating these new criteria and processes, this measure replaces older policies with a more environmentally conscious framework, ensuring that all funded research aligns with contemporary environmental and sustainability goals. This shift represents a clear departure from past practices, highlighting a fundamental change in policy direction and priorities.</p>
280	C3.2. R1- I2	Reorganizations of higher education institutions and scientific institutes	Path-dependency	<p>Croatia already has an established framework for higher education institutions and scientific institutes.</p> <p>The existing policies and structures have shaped the current organization and operations of these institutions.</p> <p>The proposed reorganization involving formal mergers, functional integration, and institutional consolidation builds upon the historical development of these institutions. Rather than a complete overhaul, this approach modifies and integrates existing structures, reflecting a path-dependent process where past arrangements significantly influence the reorganization strategy.</p> <p>The emphasis on consolidating components of universities and integrating independent institutes into larger university structures demonstrates continuity with past practices. The changes are incremental, building on the existing framework and gradually evolving the higher education landscape in Croatia.</p> <p>Therefore, this measure represents path dependence as it highlights the influence of historical decisions and existing institutional arrangements on the current reorganization strategy. The process respects the established paths and evolves the system in a way that aligns with past developments and investments, ensuring a gradual and manageable transformation rather than a radical change.</p>
281	C3.2. R2	New legal framework regulating quality	Replacement	<p>This measure exemplifies policy replacement.</p> <p>The measure involves a comprehensive reorganization of higher education institutions and scientific institutes based on a model developed by independent external experts and</p>

		requirements for study programmes, doctoral studies and working conditions for scientific institutions		<p>adopted by the Ministry of Science and Education. This reorganization includes formal mergers, functional integration, and institutional consolidation, affecting at least twelve scientific research organizations. The implementation of these changes represents a significant shift from the previous structure of higher education and research institutions.</p> <p>By fundamentally altering the status and structure of multiple institutions, this measure replaces the existing framework with a new, consolidated system. The move towards mergers, integrations, and consolidations marks a departure from the traditional organization, aiming to create a more streamlined and efficient higher education and research sector. This significant structural change characterizes the measure as policy replacement.</p> <p>This measure exemplifies policy replacement.</p> <p>The introduction of a new legal framework that provides a basis for a promotion system based on excellence, better regulation of career development, and improved conditions for attracting and retaining quality researchers represents a fundamental shift from the existing system. This framework includes two key components:</p> <ol style="list-style-type: none"> <li>1. The New Quality Assurance in Science and Higher Education Act.</li> <li>2. The Ordinance on the Conditions for Selection in Scientific Titles.</li> </ol> <p>By establishing a new promotion system, reducing administrative barriers, allowing young scientists to thrive based on internationally recognized scientific quality criteria, and including flexible working arrangements, this measure replaces the previous legal and regulatory framework governing the promotion and career development of researchers. The comprehensive nature of these changes, which address multiple aspects of career progression and institutional quality assurance, indicates a thorough overhaul of the existing policies, characterizing it as policy replacement (Council of the European Union, 2023: 221-222).</p>
282	C3.2. R2- I1	Grants awarded under the programming framework for	Layering	<p>This measure exemplifies policy layering. It builds upon the existing framework for promoting and developing researchers' careers by introducing new elements and processes while retaining the foundational goals and structures.</p>

		increasing availability and employability of graduates in STEM/ICT fields and improving their mobility for national and international cooperation		<p>The measure involves engaging external experts to prepare a new framework of instruments for the promotion and career development of researchers. Under this new framework, at least 3,354 grants will be awarded. The calls for projects will be based on published tender specifications, with terms of reference including eligibility criteria that ensure the selected projects comply with the ‘Do no significant harm’ Technical Guidance (2021/C58/01). This compliance is enforced through the use of an exclusion list and the requirement of adherence to relevant EU and national environmental legislation.</p> <p>By incorporating new advisory services and compliance requirements, this measure enhances and expands the existing policy framework. It adds layers of complexity and sophistication to the established system, ensuring that the promotion and career development of researchers not only continue but are also improved with additional oversight and environmental considerations. This strategic layering allows for incremental innovation and improvement while maintaining continuity with previous policies.</p>
283	C3.2. R2- I2	Infrastructure projects for applied and targeted research	Layering	<p>This measure exemplifies policy layering.</p> <p>The completion of four science-technology infrastructure projects for applied and targeted research introduces new initiatives aimed at supporting young researchers, fostering collaboration with the business sector and experienced researchers, and aiding the digital transformation process. While these projects add new dimensions and opportunities within the existing framework of research infrastructure and career development, they do not replace the foundational policies but rather build upon them.</p> <p>By providing additional infrastructure and specific support mechanisms, this measure enhances the existing policy framework. It adds layers of support and resources to facilitate the integration of young researchers into collaborative environments, promoting innovation and digital transformation. This incremental improvement and enrichment of the current system characterizes the measure as policy layering.</p>
284	C3.2. R3	New law on the Croatian Science Foundation	Layering	<p>This measure exemplifies policy layering. It builds upon the existing framework of research and development (R&amp;D) project funding by introducing new elements and clarifying roles within the Croatian Science Foundation. The new Act on the Croatian</p>

				<p>Science Foundation defines a clear mission for the Foundation, encompassing the conducting, coordination, design, monitoring, and evaluation of programmes, as well as the evaluation of R&amp;D project funding programmes and policies.</p> <p>This measure creates a stronger and more independent system for implementing the selection, funding, and monitoring of the effects of R&amp;D projects. While it introduces new processes and a refined structure, it complements and enhances the existing system rather than replacing it entirely. This strategic layering allows for innovation and improvement within the continuity of established policies, ensuring a more effective and robust framework for supporting and evaluating R&amp;D projects in Croatia.</p>
285	C3.2. R3- I1	Grants awarded under a ‘pilot programme’ supporting the establishment of a reformed R & D & I framework.	Replacement	This measure presents a case of policy replacement. It introduces a profound transformation of a new R & D & I institutional and programming framework and the design of a new R & D programme, awarding a maximum of 300 grants to projects targeting enterprises and research organizations or knowledge and technology transfers under a ‘pilot programme’ to support the establishment of a reformed R & D & I framework.
<b>COMPONENT 4.1: IMPROVING EMPLOYMENT MEASURES AND THE LEGAL FRAMEWORK FOR A MODERN LABOUR MARKET AND THE ECONOMY OF THE FUTURE</b>				
286	C4.1. R	Supplementing active labour market policies	Layering	This measure builds upon previous well established active labor market policies in Croatia. The novelty elements introduced through the NRRP have been the new focus on the green and digital transition. While employment and self-employment have been well established in previous Croatian reform plans, the NRRP appropriates these practices and directs them to two of the biggest priorities of the NGEU. This therefore exemplifies policy layering.
287 (20	C4.1. R1	Number of beneficiaries of	Layering	Active labour market policies have been present in all NRP from 2014 to 2022. However, the NRPP introduces a new target of ALMPs towards the “green and digital transition of

23)		the new active labour market policy measures		the labor market” (Council of the European Union, 2023: 225). This exemplifies policy layering as the NRPP introduces the green and digital accent to the elements of ALMPs which were previously well established in Croatia’s NRPs.
288	C4.1. R2	Entry into force of the amendments to the Labour Market Act	Path-dependency	This measure exemplifies path dependency by introducing incremental changes to the existing unemployment benefits system. It extends the duration of benefits, relaxes requirements for vulnerable workers, and digitizes the application process, all in accordance with the analysis conducted. These measures have previously been featured in NRPs (NRP 2016, 2016 :41). The small adjustment is the goal of “digitalizing the application process for unemployment benefits”(Council of the European Union, 2023: 230). However, this goal is similar to that expressed in the NRP 2016 which sought to develop and establish a single application system (MISOSS) as a basis for establishing a single compensation center (JCN) (Government of the Republic of Croatia, 2016 :41). These adjustments build upon and refine the established framework rather than overhauling it, demonstrating how current decisions are shaped by and dependent on previous policy trajectories. Consequently, this measure illustrates path dependency by making evolutionary improvements that align with historical policy developments (Council of the European Union, 2023: 230).
289	C4.1. R2	Improved quality of support for vulnerable groups	Path-dependency	This measure falls under the path dependency scenario as it does not significantly differ from the previously established framework of the Croatian public employment service. The measure seeks to “improve” already existing processes. Recognizing that the core of this policy remains unchanged, this policy presents a clear case of path dependency (Council of the European Union, 2023:225-231).
290	C4.1. R2	Improved quality of support for at least 5 000 people from vulnerable groups	Path-dependency	This measure exemplifies path dependency because it builds on existing frameworks and strategies to support unemployed people and vulnerable groups rather than introducing entirely new approaches. The focus is on enhancing and expanding current systems and practices, which is a hallmark of path dependency. These elements show a reliance on established policies and incremental improvements rather than disruptive innovations, which is characteristic of path dependency. The measure aims to improve the existing system by building on past practices and adjusting them to better meet current needs, thus



				maintaining continuity with previous policy directions.
291	C4.1. R3	Developing skills according to market needs	Layering	<p>This measure exemplifies policy layering by adding new dimensions to existing policy frameworks. Previously, Croatia's National Reform Programmes (NRPs) focused on addressing labor market shortages. For example, the NRP of 2017 included measure 2.1.1, "Education of unemployed persons to perform deficit jobs in the labor market," which aimed at filling immediate job vacancies.</p> <p>The earlier approach, as seen in the NRP 2017, primarily targeted the education of unemployed individuals to fill job vacancies in sectors with a labor shortage. This was a reactive measure aimed at addressing specific gaps in the labor market, without a broader strategic focus on long-term economic transitions. The NRRP introduces funding for vouchers for accredited adult education, training, and upskilling programs. It specifically allocates 40% to green transition skills and 60% to digital skills, reflecting a focus on sustainability and technological advancement. This new approach builds on the existing framework by integrating strategic goals aligned with broader EU priorities, such as the green and digital transitions. This policy layering maintains the core objective of improving employability while expanding to include new goals, demonstrating an evolution from addressing immediate labor needs to supporting long-term economic transitions.</p>
292 (20 23)	C4.1. R3- I1	Use of education vouchers	Layering	In this measure, education vouchers were introduced as a new policy instrument and integrated into the previous framework of adult training and upskilling programs. Adult training has been well represented in previous NRPs from 2014-2022. This policy therefore falls under the category of policy layering as it introduces a new element to the previous core policy (Council of the European Union, 2023:227).
293	C4.1. R4	Entry into force of the amendments to	Replacement	This measure falls under the category of policy replacement. The amendments to the Minimum Wage Act introduce new policy goals that have not been previously explored in Croatia's National Reform Programmes (NRPs). These include prohibiting the exclusion

		the Minimum Wage Act		of various wage supplements from the minimum wage, mandating minimum increases for overtime, night work, Sundays, and public holidays, and preventing the possibility of renouncing the minimum wage to avoid abuse. Additionally, the measure aims to strengthen the control of inspection bodies and redefine penalties for offenders, marking a significant shift in the approach to the minimum wage policy.
294	C4.1. R4	Adoption of the Law on Tackling Undeclared Work and the new Labour Law	Layering	The measure exemplifies policy layering as it integrates new elements into the existing labor and undeclared work policies, enhancing and expanding the current framework without fully replacing it.
295	C4.1. R4 T	Increasing the ratio of the minimum wage to the average gross wage in 2024 to 50%. in	Path-dependency	This measure exemplifies path dependency as it seeks to increase the minimum wage from the existing baseline of 46.29% of the average wage. By aiming to raise the minimum wage to 50% of the average wage from the previous year, it builds upon the current policy framework without fundamentally altering it. The measure does not introduce a new system or replace the existing approach; instead, it incrementally enhances the existing policy, reflecting a continuation of the current trajectory. This approach demonstrates path dependency by relying on and extending the established policy structure, rather than implementing a significant departure or a novel policy framework.
296	C4.1. R4	Reducing the share of temporary contracts to 17%	Path-dependency	Measure number 296 exemplifies path dependency in Croatia's employment policy by maintaining consistent objectives and policy instruments over time. In 2014, the National Reform Programme (NRP) emphasized labor market flexibility, leading to the liberalization of fixed-term employment contracts. The National Development Strategy 2030 continues this trajectory by aiming to reduce the prevalence of fixed-term employment from 18.1% to 15%. Similarly, the National Recovery and Resilience Plan (NRRP) targets a reduction to 17%, reflecting an incremental adjustment rather than a novel approach. This measure relies on previously established frameworks and strategies, illustrating the influence of past policies on current and future directions.
<b>COMPONENT 4.2: IMPROVING THE PENSION SYSTEM THROUGH INCREASED PENSION ADEQUACY</b>				

297	C4.2. R1	Adoption of amendments to the Pension Insurance Act	Layering	This measure demonstrates policy layering by combining both established and new policy instruments to achieve its goals. It utilizes existing mechanisms, such as amendments to the Pension Insurance Act (NRP 2014, 2016, 2017, 2018) while introducing new elements like modifications to the calculation of survivor's pensions and the option for lower pension beneficiaries (including both old age and disability pensions) to use a portion of the survivor's pension in addition to their personal pension, subject to specific age and income conditions. This method exemplifies policy layering by building on and extending the current policy framework without replacing it. By integrating new components into the existing structure, the measure enhances its effectiveness while maintaining continuity with previous practices. This incremental approach fosters innovation within a stable policy environment, reducing resistance to change and ensuring smoother implementation.
298	C4.2. R1	Adoption of the Conclusions on Acceptance of the Report on cost-effectiveness analyses of compulsory pension funds' investments in state-owned enterprises.	Path-dependency	The measure aims to conduct expert analyzes, followed by a report on the findings, which will be endorsed by the Government. The goal is to determine whether changes to the legislative framework, specifically in the form of capitalized savings, are necessary to improve pension adequacy under the 2nd pension pillar. This exemplifies path dependency because it focuses on preparatory actions rather than promising concrete changes, thereby maintaining the existing policy framework while exploring potential adjustments (Council of the European Union, 2023).
299	C4.2. R1	An increase of between 10% and 15% in the total pension income for beneficiaries of the redefined form of survivor's	Layering	This measure exemplifies policy layering. While the overall goal of the measure is not new, the policy instruments demonstrate layering. These instruments include modifying the calculation of survivor's pensions and introducing the option for lower pension beneficiaries (including both old age and disability pensions) to use a portion of the survivor's pension in addition to their personal pension, subject to specific age and income conditions. Despite these new elements, the fundamental structure of this policy remains unchanged (Council of the European Union, 2023: 234-235).

		pension (minimum 10%).		
300	C4.2. R1	Adoption of amendments to the Pension Insurance Act	Path-dependency	This measure illustrates path dependency by establishing a working group to analyze the pension system and explore ways to enhance its adequacy and sustainability. It exemplifies path dependency because it does not implement direct, tangible changes to the existing policy framework. Instead, it serves as a preparatory step for future government actions in pension policy. This approach maintains the current policy paradigm while preparing for potential adjustments. The reliance on forming a working group and conducting analysis, rather than enacting immediate reforms, reflects a cautious, incremental approach typical of path dependency. It underscores the influence of established practices and the tendency to build on existing structures rather than introducing radical changes (Council of the European Union, 2023:234-235).
301	C4.2. R1	Increase of the minimum pension by 3%	Path-dependency	This measure presents only an incremental increase in the minimum pension. Therefore, this measure reflects the path dependency scenario as it follows previous policy patterns and does not introduce radical elements (Council of the European Union, 202:234-235).
<b>COMPONENT 4.3: IMPROVING THE SOCIAL WELFARE SYSTEM</b>				
302	C4.3. R1	Adoption of the National Plan against Poverty and Social Exclusion 2021-2027	Path-dependency	This measure exemplifies path dependency. Firstly, it acts as a preparatory measure that does not directly induce policy change. Additionally, the instrument itself is not new. Croatia previously developed the National Plan against Poverty and Social Exclusion 2014-2021. The goals reflect incremental change, such as reducing the at-risk-of-poverty rate to less than 15% from a baseline of 18.3% in 2019, and implementing a plan to achieve this. These goals also echo those stated in the earlier National Plan against Poverty and Social Exclusion, which aimed to effectively reduce poverty and social exclusion and improve the daily lives of people at risk of poverty or experiencing severe material deprivation. This objective has been addressed in prior plans, such as identifying development priorities for combating poverty and social exclusion and recognizing the needs of vulnerable groups (Council of the European Union, 2023: 237-241).

303	C4.3. R1	Adoption of the new Social Welfare Act	Layering	<p>The goal of increasing the adequacy of main social benefits has been a recurring theme in Croatia's National Reform Programs (NRPs) of 2014, 2017, 2018, and 2019. Traditionally, this goal has been pursued largely through amendments to the Social Welfare Act in Croatia's national legislation. However, the current measure exemplifies policy layering, as it introduces new elements into the previously existing framework (Government of the Republic of Croatia 2018:115).</p> <p>For example, recent reforms include combining existing housing costs and heating allowances into one integrated allowance and introducing a new social mentoring service (Council of the European Union, 2023:237-241). In contrast, the NRP 2018 contains measure 3.3.1.2/b, which aims to "improve the legislative framework regulating social welfare with the goal of better inclusion, adequacy, and exercise of rights to reduce the risk of poverty and social exclusion." The main activity outlined was the "enactment of the Social Welfare Act" (Government of the Republic of Croatia, 2018:115).</p> <p>This approach to policy layering builds upon previous efforts by not only continuing to address the adequacy of social benefits but also integrating new, innovative components to enhance the effectiveness and inclusiveness of the social welfare system.</p>
304	C4.3. R1	Beneficiaries of the Guaranteed Minimum Benefit and national compensation for elderly persons	Path-dependency	<p>This measure exemplifies path dependency as it adheres to the preexisting policy paradigm of guaranteed minimum benefits and national compensation for elderly persons, previously outlined in NRPs from 2014, 2017, 2018, and 2020. It does not challenge these established frameworks but rather builds upon them, demonstrating a continuation of past policies.</p> <p>Moreover, the measure aims to achieve incremental change, evidenced by the goal of increasing the total number of beneficiaries from 56,905 to 68,000. This gradual approach reflects a commitment to the existing policy trajectory, reinforcing the principles and objectives set by earlier reforms while making steady progress towards broader social welfare goals. By doing so, it maintains continuity and stability within the policy landscape, which is a hallmark of path dependency (Council of the European Union, 2023: 242).</p>
305 (20)	C4.3. R1	Adoption of a normative rule	Path-dependency	<p>This showcases path dependency as it adheres to the previously established policy framework of Guaranteed Minimum Benefits. The measure includes several preparatory</p>

23)		on functionally integrated social benefits		actions, such as “defining the functional integration of social benefits based on expert analysis”, “strengthening provisions on eligibility for receiving social benefits through improved means and income testing”, and introducing “indexation of social benefits” (Council of the European Union, 2013: 242-243). These actions represent preparatory steps that continue to build upon the existing policy framework without diverging from it.
398 (20 23)	C4.3. R1	Entry into force of the amendments to the Social Welfare Act and adoption of the Decision on guaranteed minimum benefit	Layering	This measure exemplifies policy layering by introducing new elements while maintaining the core norms and values of Croatia’s previous social policies. For instance, it seeks to “abolish the legal provisions mandating the repayment of disbursed Guaranteed Minimum Benefit (GMB) amounts and the imposition of liens on the properties owned by GMB beneficiaries” and “alleviate the administrative burden on GMB beneficiaries by establishing a statutory framework” (Council of the European Union, 2023: 243). Although these new instruments represent innovative changes, they align with the existing social policy framework. Additionally, the measure includes preparatory activities that do not disrupt the status quo, such as the government adopting a decision on the basis of calculating the amount of the guaranteed minimum benefit (Council of the European Union, 2023: 243). This blend of continuity and incremental innovation underscores the concept of policy layering.
306	C4.3. R1	Reduction of the At-risk-of-poverty rate	Path-dependency	This measure exemplifies path dependency as it reiterates the policy goal previously outlined in the National Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia 2014-2023, which aims to "reduce the at-risk-of-poverty rate" (Government of the Republic of Croatia, 2014). Additionally, the plan seeks to achieve incremental change, aiming to lower the at-risk-of-poverty rate from the 2019 baseline of 18.3% to a target of 16.5%. This approach reflects a commitment to continuity and gradual improvement within the established policy framework (CID, 2023: 242).
307	C4.3. R1- I1	Local government units data access on social benefits for each individual beneficiary	Path-dependency	This policy aim has been prominently featured in many of the previous National Reform Programs (NRPs) of 2018, 2019, and 2020. For instance, the NRP 2019 includes a measure to “ensure the technical prerequisites for reporting on social benefits paid by local and regional self-government units” (Government of the Republic of Croatia, 2019: 98). This measure represents a clear case of path dependency, as the goal expressed in the National Recovery and Resilience Plan (NRRP), “local government units data access on social benefits for each individual beneficiary,” directly matches the aims previously outlined in

				<p>the NRPs (Council of the European Union, 2023: 244).</p> <p>Path dependency is evident here because the current policy continues to build on previously established goals without introducing significant deviations. The consistency in objectives over multiple NRPs indicates a reliance on and reinforcement of existing frameworks and strategies. This continuity ensures that the groundwork laid by earlier policies is not disrupted, allowing for incremental improvements rather than radical changes. By maintaining these established goals, the policy leverages past efforts and investments, thereby ensuring stability and predictability in social benefits administration.</p>
308	C4.3. R1- I2	Digital availability of information on social protection benefits at national level	Path-dependency	<p>This measure exemplifies path dependency, as the policy aim and its instruments have been consistently expressed in previous National Reform Programs (NRPs) of 2017, 2018, and 2019. For instance, the NRP from 2018 aimed to achieve “a transparent system of social security benefits with accessible information on the type and amount of benefits for each beneficiary” (Government of the Republic of Croatia, 2018: 116). Similarly, the National Recovery and Resilience Plan (NRRP) sets the goal of ensuring the “digital availability of information on social protection benefits at the national level.”</p> <p>Path dependency is further highlighted by the use of the same policy instruments across these documents. The NRP of 2018 proposed achieving its goal through the “development of a software solution and establishment of data exchange with the CHIF, CPII, CES, and ULRSR” (Government of the Republic of Croatia, 2018: 116). Likewise, the NRRP seeks to achieve its policy goal by developing a web application that will provide information on all existing social security benefits to citizens (Council of the European Union, 2023: 244).</p>
309	C4.3. R2	Training of social mentoring professionals	Layering	<p>This measure introduces a new focus previously not explored in the NRPs: the training of social mentoring professionals. While this measure presents a new angle and policy goal, it is designed to “complement already existing activities of social welfare centers” (Council of the European Union, 2023: 245). This exemplifies policy layering, as it adds a new dimension to the existing policy framework without replacing or discarding previous initiatives. By building on the established structure of social welfare activities, this</p>

				measure enriches the current system with additional capabilities and resources, thereby enhancing the overall effectiveness and reach of social welfare services. This strategic layering allows for innovation within the continuity of established policies, ensuring a cohesive and comprehensive approach to social welfare.
310	C4.3. R2	Employment of social mentoring professionals	Layering	This measure utilizes a mix of previously established policy instruments (amendments to the new Social welfare act) and new policy tools (the new social mentoring service). It tackles a new policy aim that seeks to “ensure sufficient human capacity to carry out social services through better cooperation and data sharing” (Council of the European Union, 2023: 245). As this measure combines both new and established policy aims and mechanisms, this measure falls into the category of policy layering.
311	C4.3. R2- I1	Social mentoring services provided to beneficiaries	Layering	This measure employs a blend of pre-existing policy instruments (amendments to the new Social Welfare Act) and innovative policy tools (the introduction of the new social mentoring service). It addresses a fresh policy objective aimed at "ensuring adequate human capacity for the delivery of social services through enhanced cooperation and data sharing” (Council of the European Union, 2023: 239). By amalgamating both novel and established policy aims and mechanisms, this initiative squarely fits into the framework of policy layering.
312	C4.3. R3	Adoption of the National Plan for the Development of Social Services 2021-2027	Path-dependency	This measure embodies a preparatory step that doesn't immediately manifest as tangible policy change but rather lays the groundwork for future actions. Consequently, it epitomizes path dependency, where current decisions and actions heavily influence the trajectory of future developments.
313	C4.3. R3	Adoption of standards of treatment for family assistants	Path-dependency	The adoption of standards of treatment for family assistants serves as a preparatory measure, similarly not yielding immediate, tangible shifts in policy but laying the groundwork for forthcoming actions. Consequently, it embodies path dependency, where current decisions profoundly influence the future trajectory of policies and initiatives.
314	C4.3. R3- I1	Strengthening human capacity	Layering	This measure aims to deter the institutionalization of social services, a longstanding policy objective prominently emphasized in the NRPs spanning from 2014 to 2020. However, it



		to deliver community-based services		<p>introduces a novel approach by recruiting new professionals to deliver non-institutional services and by providing training and licensing for Legal Family Protection Advisers.</p> <p>This departure from previous strategies, such as national initiatives for deinstitutionalization and the expansion of social service networks, as outlined in past NRPs, signifies a shift towards policy layering. While prior approaches focused on broader initiatives like the Plan of Deinstitutionalization, Transformation, and Prevention of Institutionalization (2018-2020), this measure introduces targeted interventions aimed at enhancing family-based care and legal support services.</p> <p>By integrating new elements into the existing policy framework, this approach enhances the multifaceted response to prevent institutionalization, exemplifying the concept of policy layering.</p>
316	C4.3. R3- I3	IT system calculation of prices for social services and service providers in the network	Layering	<p>This measure presents a case of policy layering, as it sets out to execute tasks of data collection, quality analysis and calculation of social service prices, but through the new solution of a new data management system (Council of the European Union,2023: 240).</p>
317	C4.3. R3- I4	Construction of centers for the elderly institutional, home and community care	Layering	<p>This initiative represents a form of policy layering by integrating green elements from the Next Generation EU (NGEU) into existing norms. The construction and operationalization of centers for the elderly are designed to foster integrated care services. All new constructions are mandated to adhere to nearly zero-energy building standards, aligning with green initiatives under the Energy Efficient Buildings directive. By incorporating these environmentally conscious elements into the construction and operation of elderly care centers, this measure not only addresses immediate social needs but also contributes to broader sustainability goals outlined in the NGEU. This strategic integration of green elements into existing policies exemplifies policy layering, enhancing the effectiveness and relevance of the overall policy framework.</p>

315	C4.3. R3- I2	Single Information System (SocSkrb information system)	Layering	<p>This measure exemplifies policy layering by introducing new elements to the existing structure of social care management. The investment aims to modernize the social care application, consolidating procedures related to recognizing rights to social services into a unified IT system. By integrating the developed software solution into the current SocSkrb information system utilized by social welfare centers, it enables seamless IT connectivity between these centers and state-funded social service providers. This approach maintains the foundational structure while introducing new functionalities, aligning with the concept of policy layering where existing policies are enhanced or augmented with new instruments and objectives.</p>
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