

THE INFLUENCE OF WAR ON THE DYNAMICS OF UNEMPLOYMENT IN BANOVINA (CROATIA)

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Abstract

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This paper deals with the effects of economic transition and the Croatian war for independence (the Homeland War) on the stagnation and decline of economic activities, which resulted in mass unemployment. This problem is analysed in the case of Banovina, a traditionally underdeveloped region that was occupied during the war by Serb aggressor forces. A comparison of the dynamics of unemployment in Banovina, and its structural characteristics, with average trends and traits in Croatia provides insight into some of the developmental problems that burden this region.

Key words

Banovina, war devastation, economic stagnation, unemployment, structural traits

1. Introduction

A common characteristic of Croatia and other countries in transition has been a reduction in the number of employed persons and a growth of unemployment relative to the pre-transitional years. First, there was a significant reduction in employment in the social/state sector, which was then followed by the creation of fewer new jobs in the private sector. Mass unemployment was the worst social consequence of the transitional crisis. Dujšin (1999) notes that the main cause for unemployment in countries in transition was the reaction of firms to changes in business conditions during the transitional process. Although unemployment in Croatia had traits that were very similar to those in most countries in transition, its appearance and characteristics were significantly affected by the war and war's destruction (1991-1995). The period from 1990 to 1993 stands out as especially drastic, since the number of persons who lost their jobs in that short period was the same number as in the period of the previous ten years.

In Croatia, however, regional differences exist in unemployment, which reflect differences in the economic structures and levels of development of specific regions, various effects of the Homeland war, etc. Direct exposure to war operations, as well as proximity to the war area, or else an isolated position within the encirclement of enemy military forces, had a negative effect on employment, for such simple reasons as the destruction and plundering of firms, out-migration of the population and the loss of any attractiveness for investments. The war was not the only cause of regional differences on the level of employment or unemployment. Namely, another significant factor of regional differences was the degree to which traditions of the market economy were present in various regions, or else the opposite, in a sense, – the degree to which traditions of the real socialist economy were present. Individual elements of the market economy existed in the period before 1990. They were present primarily in privately-owned trades with a limited number of employees, yet some state-owned industrial firms also showed a surprisingly strong market orientation. On the other hand, during the Socialist period, the state sometimes favoured certain firms or regions, thus creating a tradition of dependency or parasitism. Firms of this type did not depend on the market, but rather on such forms as state favouritism. State firms, trades and regions were not all in the same position, or rather, did not equally enjoy state support or accept market rules. Our region of analysis, Banovina, is marked by greater unemployment and less employment than the Croatian average, which was the result of war operations, but is also the effect of less ingrained traditions of market economic behaviour. The population of Banovina expected help from the state and did not encourage entrepreneurship or self-reliance. During the period of the Real-Socialist economy, the state would support the planned development of industrial and other firms in order to hasten the development of underdeveloped areas of Croatia. Yet, such attempts did not result in significant shifts or development of a healthy economy. Once the state could no longer financially back such attempts, or, for economic-ideological reasons it did not want to do so, underdeveloped areas such as Banovina were left to fend for themselves. Successful Croatian entrepreneurs generally concentrate their efforts in a number of cities and regions attractive for business and avoid economically backward areas such as Banovina. Thus, an important problem – how to attract entrepreneurs to underdeveloped areas – remains unsolved.

Banovina can serve as an example of a region devastated by war, as well as a previously underdeveloped region of Croatia. Today, it is part of the area of Croatia designated for special state support. This paper will present a comparative analysis of unemployment and its structural characteristics in Banovina and in Croatia as a whole. The analysis will include more details and present more traits for the pre-transitional year, 1989, and for the transitional year, 2008, i.e. two points in time divided by a period of practically twenty years.

Banovina includes the southern parts of Sisak-Moslavina County, between the Kupa and Sava rivers to the north, and the border with Bosnia and Herzegovina to the south and southwest. Although its territory is often defined based on historical criteria, according to which Banovina covers the part of the former Military Frontier that was under the direct authority of the Croatian ban (i.e. Banovina in the broader sense), in this paper we shall deal with a more limited part of the area of Banovina, which, according to the present administrative-political division, includes the cities of Petrinja, Glina and Hrvatska Kostajnica, and the municipalities of Dvor, Hrvatska Dubica, Donji Kukuruzari and Majur.

Banovina represents a traditionally underdeveloped or "passive" region. During the period of Socialist Croatia, all the mentioned territorial units (except Petinja) were categorised as insufficiently developed communes (the former communes of Glina, Kostajnica and Dvor entered into this category). During the Homeland War, Banovina was occupied by Serb aggressor forces, and the results of this occupation are largely evident, even today. Many surfaces that still have not been cleared of land mines make the revitalisation and economic activity of this region difficult. A cartographic illustration of suspected mine areas reveals zones in which the most intense war conflicts took place (Fig. 1). Areas with the greatest amount of land mines can be found around settlements, forests and on agricultural land around Petrinja and Sunja. A significant threat from land mines exists in the hilly forested parts of Trgovska gora along the border with Bosnia and Herzegovina. The total extent of war destruction in Banovina has been estimated to be about €940 million.

2. The Dynamics of Unemployment

In 1990, a total of about 1,558,000 people were employed in Croatia. By 1993, this number fell to 1,235,00, and in 1997 to 1,187,000, after which there was some improvement. It was expected that, with the lay-offs of workers and the drop in employment, there would also be a simultaneous increase in unemployment of similar dimensions. However, an unusual social phenomenon took place, the causes of which can be found outside the economic sphere. Fig. 2 clearly shows the relative development of unemployment from 1988 to 2008. As can be noticed, at the beginning of the transition, in other words, until 1992, unemployment in Croatia increased, followed by several years during which the number of unemployed persons fell (despite a large drop in the number of employed), and only in the second half of the 1990's did it begin to grow again. It is clear that, apart from the transitional restructuring of the economy, war events also contributed considerably to the trend in unemployment. Since practically a third of Croatia's territory was occupied by enemy forces, many unemployed persons entered into the defence of the homeland and were erased from the registers of the Croatian employment agency; a part of the workforce was "forcibly" retired (and so was not even registered on the lists of the unemployed), and a part of the (potentially unemployed) members of the Serb national minority left Croatia.



Fig. 1: Suspected mined area in the region of Banovina and in surrounding regions. Source: HCR, March 2009.

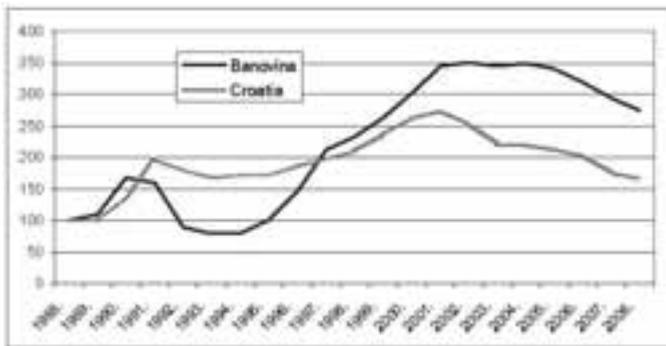


Fig. 2: Relative changes in the number of unemployed persons in Croatia and Banovina from 1988 to 2008 (1988 = 100). Source: Godišnjak za zapošljavanje, Zagreb, various years.

Therefore, in regions of Croatia that had been occupied, unemployment could not be recorded with much accuracy. The Croatian employment agency carried out its activities on the free territory of Croatia, but very few expelled persons dispersed throughout the country registered among the unemployed. Due to deficient registries of unemployed persons, an incorrect impression resulted indicating that the number of unemployed during the several years of war was even lower than in the 1980's. After the end of war, operations and the return of expelled persons to their homes, correction of the unemployment registry provided insight into the

actual situation. This was also the case in Banovina, where in the second half of the 1990's unemployment increased faster than the average in Croatia. The largest number of unemployed in Croatia was recorded in 2001, and in Banovina, two years later, after which unemployment began to fall.

Tab. 1: The number of unemployed persons by city/municipality and total, in Banovina and Croatia in 1989 and 2008.

City/Municipality	1989		2008		Increase in unemployment in %
	Total	%	Total	%	
Dvor	364	16,0	821	14,5	125,5
Glina	641	28,2	1194	21,1	86,3
Petrinja	907	40,0	2572	45,4	183,6
Hrvatska Kostajnica, Hrvatska Dubica, D. Kukuruzari, Majur*	358	15,8	1079	19,0	201,4
Banovina total	2270	100,0	5666	100,0	149,6
Hrvatska	144810		240455		66,0

* Data for these four territorial units has been grouped, since previously, they made up one common commune, Hrvatska Kostajnica.

Source: Zaposlenost, zapošljavanje i djelatnost samoupravnih interesnih zajednica za zapošljavanje u 1989. godini, Savez samoupravnih interesnih zajednica za zapošljavanje Hrvatske, Zagreb, 1990.; Table: Nezaposlene osobe po opšinama i gradovima stanovanja, razini obrazovanja i spolu od 1996. do 2008. ([http:// www.hzz.hr](http://www.hzz.hr)).

The most recent data, pertaining to the year 2008 and hence reflecting the situation 13 years after the end of the war, when compared to the data for the pre-war (and pre-transitional) year of 1989 (see Tab. 1), leads to the following conclusion: whereas in Croatia as a whole, unemployment in 2008 was 66% higher than before the war, in Banovina, unemployment had more than doubled. The most unfavourable situation in this regard was on the territory of the former commune Hrvatska Kostajnica (along the border with Bosnia and Herzegovina), where unemployment increased by 200%.

Figures on the number of unemployed persons become even more serious when they are compared to data indicating demographic conditions (Fig. 3). In the most recent inter-census period, Banovina experienced its greatest fall in population since censuses were first conducted in Croatia. The main reason for this was forced migration during the Homeland War. As a result of aggression against Croatia, in 1991 most of the population of Croat nationality left Banovina. Their return was made possible by the liberation of Banovina in the military-police operation "Storm" in 1995; however, on that occasion, many members of the Serb national minority left this region, migrating mainly to parts of neighbouring Bosnia and Herzegovina (Mišetiš 2002, 310). In the following years, the return of previously expelled Croats (natives of Banovina) continued. There was also an immigration of Croats who had fled from Bosnia and Herzegovina (due to war conflicts in that country), and who were often directed to settle in abandoned "Serb" villages. Yet the effects of all this were that the latest census recorded a population half the size of the population recorded by the previous census (in 1991 Banovina had 87,598 inhabitants and in 2001 only 47,647), and the number of unemployed persons doubled in the same period (in 1991 there were 3,291 unemployed persons and in 2001, this number was 7,118). Therefore, whereas just before the beginning of the war there were 4 unemployed persons for every 100 inhabitants, several years after the end of the war, this ratio became 15 to 100.

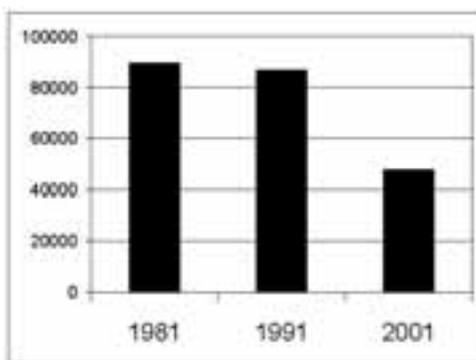


Fig. 3: The population of Banovina in 1981, 1991 and 2001.

Source: Population censuses, DZS, Zagreb.

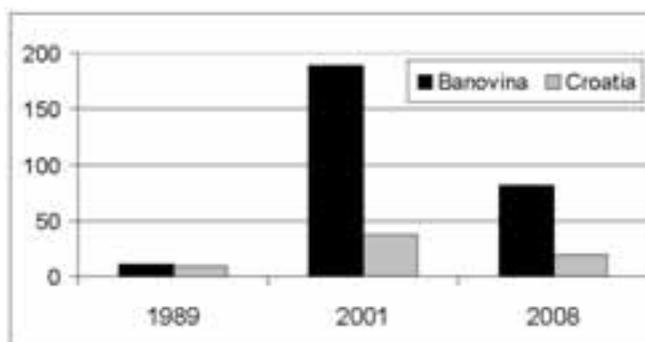


Fig. 4: The number of unemployed persons for every 100 employed in Banovina and Croatia.

Source: Nezaposlene osobe po op inama i gradovima stanovanja, dobi i spolu 31. prosinca 2008. godine (<http://www.hzz.hr>), Izvještaj o realizaciji programa rada SIZ-a za zapošljavanje Sisak i radne zajednice stručne slu be u 1989. godini, Sisak, 1990.

Furthermore, if the relative number of unemployed to employed persons is calculated, the result is that, in 2001, for every 100 employed persons in Banovina, there were 189 unemployed, or over five times more than the average ratio for Croatia as a whole in that year. This reflects general socio-economic conditions in the years following the war, when a significant number of formerly expelled persons returned to their homes, but could not find jobs, since only a small portion of the economic structures that had been destroyed or pillaged during the war had been renewed. However, in the period from 2001 to 2008, the number of available jobs in Banovina practically doubled, and therefore the ratio of unemployed to employed persons changed: for every 100 employed there were 82 unemployed (2008), although this was still several times greater than the average ratio for Croatia (Fig. 4).

3. Structural traits of unemployment

Apart from the fact that unemployment was low during the period of Real Socialism and firms were virtually "forced" to employ people, significant differences existed in the structure of unemployed persons in that period as compared to the structure of

the unemployed in the period of economic transition. Structural differences pertained mainly to the age, gender and level of education of persons seeking employment. In the 1980's, the majority of unemployed persons were young people who, for the most part, had just finished secondary school or university and were looking for their first job. In contrast, there were practically no unemployed persons over 40 years of age. Moreover, there were also no significant differences between the structure of the unemployed in Croatia as a whole and in the underdeveloped region of Banovina. At the beginning of the 1990's, many firms stopped doing business, closing down either due to bankruptcy or liquidation, with the consequence that many mature workers also started to register in the lists of the unemployed; thus, nowadays, people in the age group of 40 and older account for more than half of the unemployed in Croatia (based on data for 2008). In Banovina, the age structure of the unemployed is even more unfavourable: 57.3% of people seeking employment are older than 40, and only 13.3% are younger than 25. Before the war, younger people made up two thirds of the unemployed, and the ratio between younger and older employment seekers was, at that time, 8:1, whereas today it is 1:4 (see Tab. 2).

Tab. 2: Unemployed persons in the Republic of Croatia and in Banovina according to age in 1989 and 2008.

Age group	1989				2008			
	Republic of Croatia		Banovina		Republic of Croatia		Banovina	
	Total	%	Total	%	Total	%	Total	%
under 24	88,764	61.3	1,411	62.2	42,095	17.5	754	13.3
25- 29	20,277	14.0	377	16.6	29,132	12.1	499	8.8
30- 39	23, 123	16.0	309	13.6	47,361	19.7	1,165	20.6
40-49	8,025	5.5	98	4.3	51,164	21.3	1,475	26.0
over 50	4,621	3.2	75	3.3	70,703	29.4	1,773	31.3
Total	144,810	100.0	2,270	100.0	240,455	100.0	5,666	100.0

Source: Nezaposlene osobe po op inama i gradovima stanovanja, dobi i spolu 31. prosinca 2008. godine (<http://www.hzz.hr>), Izvještaj o realizaciji programa rada SIZ-a za zapošljavanje Sisak i radne zajednice stručne slu be u 1989. godini, Sisak, 1990.

Tab. 3: The structure of unemployed persons by age in cities/municipalities in Banovina in 2008.

City/municipality	Age	Under 24	25-29	30-39	40-49	Over 50	Total
	Dvor	Total	87	66	152	220	296
	%	10.6	8.0	18.5	26.8	36.1	100.0
Glina	Total	160	103	243	322	366	1194
	%	13.4	8.6	20.3	27.0	30.7	100.0
Petrinja	Total	378	235	560	665	734	2572
	%	14.7	9.1	21.8	25.9	28.5	100.0
Majur	Total	20	10	29	30	47	136
	%	14.7	7.4	21.3	22.1	34.6	100.0
Donji Kukuruzari	Total	27	31	67	98	114	337
	%	8.0	9.2	19.9	29.1	33.8	100.0
Hrvatska Dubica	Total	30	17	56	64	83	249
	%	12.0	6.8	22.5	25.7	33.3	100.0
Hrvatska Kostajnica	Total	52	37	58	77	133	357
	%	14.6	10.4	16.2	21.6	37.3	100.0
Banovina	Total	754	499	1165	1475	1773	5666
	%	13.3	8.8	20.6	26.0	31.3	100.0

Source: Nezaposlene osobe po općinama i gradovima stanovanja, dobi i spolu 31. prosinca 2008. godine (<http://www.hzz.hr>).

The unfavourable age structure of the unemployed in Banovina in comparison to the Croatian average reflects the age structure of the region's population to a significant degree. Whereas, in the years prior to the Homeland War, the population of Banovina included more young than older inhabitants, the census of 2001 recorded that older inhabitants made up 29% of the population and younger people, 21%. The age structure of the population of Banovina resulted from the age structure of the returnee flow, in which older persons predominated. A significant proportion of younger and more mature previously expelled persons from Banovina continued to live in other (more prosperous) parts of Croatia, where they had found refuge in the period when Banovina had been occupied by enemy forces. A more detailed overview of the age structure of the unemployed in Banovina by city and municipality is presented in Tab. 3. Unemployment can also be analysed by the level of education of employment seekers (Tab. 4).

Tab. 4: The structure of unemployed persons by professional qualification/level of education* in the Republic of Croatia and in Banovina in 1989 and in 2009 – in percentages.

Professional qualification	1989		Level of education	2008	
	Republic of Croatia	Banovina		Republic of Croatia	Banovina
Low-skilled qualification (NKV)	20.7	24.1	No schooling or incomplete elementary school	7.0	7.8
Minimal schooling, partially-skilled work qualification (NSS, PKV)	14.8	20.1	Elementary school	25.1	41.6
Qualified worker, highly-skilled work qualification (KV, VKV)	30.1	28.5	Three years of secondary school, or school for qualified and highly-qualified workers	34.4	28.9
Secondary school qualification (SSS)	24.4	22.0	Secondary school and more years of education, or else gymnasium	26.2	18.5
Higher school qualification (VŠS)	4.4	4.0	Higher education, first university level	3.3	2.3
Highest school qualification (VSS)	5.5	1.3	University education, academies, master's and doctoral degrees	4.0	0.9
Total	100.0	100.0	Total	100.0	100.0

* The classification of persons by education was not the same in 1989 as in 2008. The classification by levels of professional qualification (NKV, NSS, PKV, KV, VKV, SSS, VŠS, VSS) was abandoned in 2004, when a new method of registering the unemployed according to levels of education was introduced. The new method enabled international comparisons of the data on occupations.

Source: Zaposlenost, zapošljavanje i djelatnost samoupravnih interesnih zajednica za zapošljavanje u 1989. godini, Savez samoupravnih interesnih zajednica za zapošljavanje Hrvatske, Zagreb, 1990.; Table: Nezaposlene osobe po općinama i gradovima stanovanja, razini obrazovanja i spolu od 1996. do 2008. (<http://www.hzz.hr>).

Among all the unemployed in Croatia, the largest segment is made up of qualified workers (2008), whereas in Banovina, there is a larger proportion of persons with only elementary school education, mainly low-qualified and partially-qualified workers. The fact that better educated people in Banovina can find jobs more easily than in Croatia on average is shown by data on the share of persons with completed higher education or university in the total body of the unemployed – in Banovina, such people make up 3.2% of the unemployed and in all of Croatia, this share is 7.3%. Banovina does not have a sufficient highly educated labour force, because, due to the war – but also in earlier periods – highly educated people left this “passive” region and migrated to other parts of the country (e.g. to Zagreb and

Sisak). Older and less educated persons prevail among returnee migrants, although it is precisely qualified workers and individuals with a university education that can become the driving force in the economic development of this underdeveloped region.

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THE INFLUENCE OF WAR ON THE DYNAMICS OF UNEMPLOYMENT IN BANOVINA (CROATIA)

Summary

In 1990, there were a total of 1,558,99 unemployed persons in Croatia. By 1997, this number decreased to 1,187,000. The largest number of unemployed during the transitional period was registered in Banovina in 2002, and on the level of all of Croatia, one year earlier. If figures for the year 2008 are compared to data for the pre-transitional year of 1989, than unemployment in Croatia in 2008 was 66% higher than in 1989, while in Banovina it more than doubled. The marked increase in employment in Croatia was the result of various factors typically present in periods of economic transition in other parts of Eastern Europe, but the Homeland War (1991–1995) additionally increased unemployment, although only after the war. It is interesting to note that during the Homeland War (1991–1995), unemployment appeared even lower – for several reasons: the participation of unemployed persons in military and police units, out-migration, retirement of the unemployed, and inaccurate management of the unemployment lists. Regional differences in Croatia are the result of past exposures to war operations and different levels of accepting elements of a market economy. Banovina was especially exposed to war operations and burdened by elements mostly deriving from the Real Socialist economy, which made it an exceptional Croatian regional example, with a strong drop in employment and increase in unemployment.

During the most recent intercensus period, Banovina experienced its greatest population drop from the time of the first censuses in Croatia. Involuntary (i.e. forced) out-migration during the Homeland War was the main cause of this demographic reduction. In 1991, Banovina had 87,598 inhabitants, and in 2001, half of this number – 47,647. In the same time period, the number of employed persons doubled from 3,291 to 7,118. In other words, just before the war, there were 4 unemployed persons per 100 inhabitants, and several years after the war this ratio became 15 per 100.

In addition to the fact that during the period of Real Socialism unemployment was exceptionally low, important differences existed in the structure of the unemployed at that time in comparison to structure of the unemployed later on, i.e. during the period of economic transition. In the 1980's, the majority of all unemployed persons were young people, mostly persons who had completed secondary school or university and who were seeking their first employment. On the other hand, in 2008, persons 40 years of age or more made up half of the unemployed in Croatia. In Banovina, the age structure of the unemployed was even more unfavourable, if we take into consideration the fact that 57.3% of all persons seeking employment were over the age of 40.