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The Influence of Immigration and Foreign Workers on Croatia's Employment Market

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Abstract: This study systematically examines the impact of immigration, emigration, and the influx of foreign workers on employment, unemployment, and economic growth in the Republic of Croatia. The primary objective of the research is to understand how these demographic and economic changes shape the labor market and evaluate their long-term effects on gross domestic product (GDP) and wage levels. The methodology used in this study involves a comprehensive analysis of macroeconomic data from Croatia over the past 11 years, focusing on critical indicators such as employment, unemployment, immigration, emigration, foreign workers, wages, and GDP trends. This approach provides valuable insights into how migration patterns influence critical labor market indicators. The findings reveal that immigration and foreign workers significantly impact employment, particularly in stabilizing sectors like tourism and construction. Additionally, a positive correlation was found between the number of foreign workers and GDP growth. In conclusion, the research underscores the importance of immigration and foreign workers in addressing labor shortages and driving economic growth in Croatia. However, targeted policies are needed to ensure the successful integration of foreign workers and the long-term sustainability of the domestic labor market.

Keywords: immigration; foreign workers; employment; economic growth; Croatia

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1. Introduction

Population migration and labor movement across national borders have become significant global phenomena strongly affecting economies and labor markets worldwide. In recent years, the Republic of Croatia has faced new challenges and opportunities from the increased influx of foreign workers and immigrants. This trend can significantly influence the Croatian labor market dynamics and requires a detailed analysis.

1.1. Background and Context

As a relatively young member of the European Union, Croatia is going through significant demographic and economic changes. The aging of the domestic population, the emigration of young people, and the lack of qualified labor in specific sectors have created a need for foreign workers [1]. At the same time, Croatia's geopolitical position on the EU's external border makes it a transit country for migrants traveling to Western Europe. The trend of increased immigration to Croatia grew noticeably after the country acceded to the European Union in 2013. This is partly the result of a more effortless labor movement within the EU and increased demand for workers in sectors such as tourism, construction,

and IT [2]. According to data from the National Bureau of Statistics, the number of foreign workers in Croatia is continuously growing, with a particular increase in the last five years.

It is important to note that Croatia's immigration structure differs from that of many other European countries. While some countries receive many refugees and asylum seekers, Croatia primarily attracts economic migrants from neighboring countries and the broader region of Southeast Europe [3]. This fact has important implications for integration and impacts the labor market. Global trends also play a role in shaping migration flows toward Croatia. Climate change, geopolitical instability, and economic inequality at the global level may further increase migration pressures on Croatia as an EU member in the future.

Croatia has experienced significant immigration trends, mainly attracting economic immigrants. These immigrants come from diverse regions, with notable inflows from neighboring countries such as Bosnia and Herzegovina, Serbia, and other Balkan states, as well as from more distant countries in Asia and Africa. The skill levels of these immigrants vary considerably. Many immigrants are low-skilled workers who fill gaps in the tourism, construction, and agriculture sectors. However, a growing number of highly skilled immigrants contribute to sectors such as information technology, healthcare, and engineering. This diversity in skill levels is key to understanding the multiple impacts of immigration on the Croatian labor market.

1.2. Purpose and Objectives of the Research

This paper aims to investigate and analyze the impact of immigration and emigration and the influx of foreign workers on employment, unemployment, and economic growth in the Republic of Croatia. The goal is to understand how these demographic and economic changes shape the labor market and the long-term consequences for gross domestic product (GDP) and wages.

Considering this purpose, the objectives of the work are as follows:

- Analyze the effect of immigration and foreign workers on employment in the Republic of Croatia.
- Examine the connection between the average salary and the number of foreign workers.
- Investigate the impact of the influx of foreign workers on unemployment in the Republic of Croatia.
- Examine the effect of immigration and the influx of foreign workers on the gross domestic product (GDP).

This paper analyzes migration trends and their impact on key economic indicators in the Republic of Croatia from 2013 to 2023, taking into account changes in the structure of the workforce and economic activity. The main goal of this research is to examine the impact of immigration and the engagement of foreign workers on key economic indicators in the Republic of Croatia, especially on employment and gross domestic product (GDP). For this, the following hypothesis has been set and will be empirically tested:

Null hypothesis (H0): *The null hypothesis assumes that immigration and the engagement of foreign workers do not have a statistically significant positive impact on the increase in employment in the Republic of Croatia. It is based on the assumption that immigration and foreign workers have no significant influence on the mentioned economic variables and serve as the basis for statistical testing.*

In order to test the potential link between immigration, employment, and GDP growth, the following alternative hypothesis is formulated:

H1 (alternative hypothesis 1): *Immigration and the engagement of foreign workers have a statistically significant positive impact on increasing employment in the Republic of Croatia. This hypothesis suggests that the influx of foreign workers could positively affect the labor market, thereby increasing employment.*

1.3. Significance of the Research

Research on the impact of immigration and foreign workers on the labor market in the Republic of Croatia is of crucial importance for several reasons, namely:

- The results of this research can provide valuable insights to policymakers in the Republic of Croatia. Understanding the dynamics between immigration and the labor market is essential for developing effective policies for migration management, the integration of foreigners, and workforce development. This is especially important in the context of Croatia's demographic challenges, including the aging population and the emigration of young people.
- Croatia, with a growing economy and a significant tourism sector, needs to understand how to best use the potential of foreign workers to stimulate economic growth. This research can help identify areas where foreign workers can complement rather than replace the domestic workforce, potentially leading to increased productivity and innovation.
- Understanding the impact of immigration on the labor market is key to maintaining social cohesion. The conducted research plays a crucial role in dispelling myths and prejudices about foreign workers, providing empirical evidence of their real impact on the Croatian economy and society, thereby fostering a more enlightened and open-minded perspective.
- As a member of the European Union, Croatia must harmonize its migration policies with European standards. This research can provide valuable insights into the specifics of the Croatian context, helping to shape policies that align with EU directives but are adapted to local needs.
- The results of this research can help in long-term workforce planning in Croatia. Understanding the trends and impacts of immigration can help predict future labor market needs and develop strategies to attract and retain needed talent.
- This research can provide valuable insights for other countries in the region facing similar migration and labor market challenges.
- The research will contribute to the growing literature on migration and the labor market in post-transition economies. Croatia, a relatively new member of the EU with a unique geographical and economic position, provides an interesting case for studying these dynamics.

In conclusion, this research has the potential to provide a comprehensive analysis of the complex relationship between immigration and the labor market in the Republic of Croatia. The findings can have significant implications for economic policy, social integration, and the long-term development of the country, engaging all stakeholders in shaping the future of Croatia.

This research provides a basis for creating policies to manage immigration processes and the labor market in Croatia effectively. The results can serve as a guide for designing immigration policies that will facilitate the integration of foreign workers and ensure equal working conditions. The research also highlights the need for labor market policies that will reduce the outflow of domestic labor and encourage the retention of qualified workers in the country.

In this research, the article addresses the limitations of existing theories, such as Borjas' theory, which emphasizes the competitive effect of immigrants on the labor market but

neglects their potential positive impact on economic growth. The discussion focuses on how immigrants can contribute to innovation and productivity gains, complementing the one-sided perspective of competition. The article includes emerging new theories, such as immigration theory in the context of globalization, which provides a broader insight into the dynamics of international labor movements and their impact on the domestic economy. This discussion reflects the cutting-edge nature of the research and provides a more comprehensive view of the complexity of immigration processes and their economic consequences.

2. Literature Review

In this chapter, the complexity of theories of immigration and integration in the labor market was analyzed, as well as previous research on immigration and employment in Croatia. Considering these topics was crucial for understanding the dynamics of the labor market and economic development in the context of ubiquitous migration. The role of foreign workers in supporting economic development was also explored, especially in the context of the challenges facing the Croatian economy. Insight into these issues enabled a better analysis of the current situation and potential development directions of the employment and integration policy.

2.1. Theories of Immigration and Integration in the Labor Market

Immigration and its impact on the labor market represent a complex phenomenon that has been dealt with in numerous economic theories. One of the key theories in this domain is the 'human capital theory', developed by Becker [4]. This theory argues that workers, including immigrants, are holders of human capital—knowledge, skills, and experience—that affect their productivity. In the context of immigrants, the quality and transferability of human capital from home to new labor markets are key factors for successful integration [5]. Borjas [6] further developed theories about immigration, emphasizing the 'economic effect of immigrants on domestic workers'. His research shows that immigrants can cause competition in the labor market, especially for unskilled workers, which can result in a drop in wages in that segment. However, the positive effects of immigration often include an increase in the overall productivity of the economy. The theory of a 'dual or segmented workforce', which was presented by Piore [7], emphasizes that the labor market is not homogeneous and is divided into primary and secondary markets. Immigrants often enter the secondary market, which is characterized by lower wages and insecure working conditions. This division makes their long-term integration into the labor market difficult. Card [8], investigates the 'local effects of immigration' and argues that an influx of immigrants can trigger an outflow of native workers from certain regions, while Reyneri and Fullin [9] study how different Western European countries respond to new immigration waves, concluding that labor market institutions play a crucial role in the integration of immigrants. In conclusion, the theories of immigration and labor market integration show the complexity of the relationship between immigrants and the local labor market, and the success of integration largely depends on the economic policy and institutional framework of the host country.

Based on the scientific papers studied (Achim et al., [10]; De Stefano et al., [11]; Dorn & Zweimüller, [12]; Braičić et al., [13]; Butković et al., [14], the key factors that influence employment have been identified. The analysis of available research has determined that the labor market is significantly affected by economic growth and investment, demographic changes and migration, the education system and worker skills, technological progress and automation, foreign workers, and employment policies and legislation. Through further statistical processing of the data, the authors quantified the contribution of each of the aforementioned employment factors and formed the percentages of influence of individual

variables. The following table shows the results, where economic growth and investment stand out as the most significant factor with a 30% share. In contrast, other factors have a more even, but still significant, influence. The data obtained can serve as a basis for further research on the influence of factors on total employment in the Republic of Croatia.

The analysis of Table 1, which outlines the factors affecting employment, indicates that economic growth and investment have the most tremendous impact, accounting for 30%. Significant factors, including demographic change and migration, the education system and workers' skills, technological advances and automation, and employment policies and legislation, each contribute 15%. In comparison, foreign workers represent a 10% influence.

Table 1. Key factors affecting employment.

	Factors Affecting Employment	Percentage %
1	Economic growth and investment	30
2	Demographic change and migration	15
3	Education system and skills of workers	15
4	Technological advances and automation	15
5	Foreign workers	10
6	Employment Policies and Legislation	15

Source: Created by the authors based on the studied available literature and the synthesis of the conclusions of individual authors.

Based on research and analysis of relevant scientific papers and available data, it has been determined that the number of foreign workers impacts the dynamics of total employment, with its contribution quantified at approximately 10%. Research has shown that foreign workers can affect the labor market by filling labor shortages in specific sectors but also through potential challenges related to the adjustment of domestic workers and regulatory policies. It has also been noted that the increased presence of foreign workers can affect the wage structure and working conditions, depending on the industry and legislative framework. In certain cases, their contribution can lead to increased productivity and economic competitiveness, while in other situations, it can cause imbalances in the labor market. The results indicate the need for further research to consider the long-term effects of foreign workers on employment in the Republic of Croatia.

2.2. Previous Research on Immigration and Employment in Croatia

Immigration and its impact on the labor market in Croatia are becoming increasingly important topics, especially considering the increase in the number of foreign workers after Croatia acceded to the European Union in 2013. Previous research has shown that the inflow of foreign workers has been crucial for specific sectors such as tourism, construction, and IT, where they have helped alleviate labor shortages. However, the economic effects of immigration are complex, and there are also risks of increased competition in the labor market, especially among less qualified domestic workers [15]. Most of the older research that analyzed migration trends and their effects on employment in Croatia showed that immigration positively reduces the workforce deficit in sectors with traditionally low domestic employment. However, research also pointed out that the influx of immigrants created wage pressure in low-skilled occupations. At the same time, the increase in the number of foreign workers stabilized those sectors.

Tomić, Đorđević, and Grdić [16] investigated the dynamics of unemployment in Croatia using quarterly data in the period from 2000 to 2021. The analysis was conducted using a cointegration approach and a vector error correction model (VECM) to assess whether there are long-term relationships between the unemployment rate and other

macroeconomic variables. The results showed that unemployment in Croatia does not follow classic prediction patterns in connection with inflation and other macroeconomic indicators. For this reason, a systematic analysis of other macroeconomic factors is needed, such as population migration and the arrival of foreign workers. Demographic changes in Croatia over the last ten years are related to membership in the European Union [17]. After analyzing the ten-year demographic trends, the authors found a decline in the number of young people in Croatia and an absolute and relative increase in the population over 65. Labor immigration is not exclusively a modern phenomenon. However, its intensity and social significance are growing in a globalized and networked society, which is particularly evident in the changes in the Croatian labor market, where an increasing number of foreign workers come from distant countries to fill jobs in construction, tourism, and catering [18]. Marinović Golubić and Perkov [18] also point out that this influx of labor has become a critical social fact, which is insufficiently discussed in the public and academic space and requires more profound research and the development of adequate integration mechanisms.

In the book Migration on the Edge of Europe: Trends, Policies, and Challenges [19], migration trends in Croatia and the impact of globalization and economic conditions on migration flows in the country are analyzed. Croatia, as a member of the European Union, faces the challenges of attracting labor and, at the same time, regulating the influx of immigrants, which is essential due to demographic problems and the emigration of the local population to more prosperous EU countries. Differences in attitudes toward immigrants are often related to economic and cultural aspects, as some believe that immigrants contribute to the economy. In contrast, others believe that they represent a threat to cultural identity and jobs. Croatia faces a growing number of vacancies, but the challenge remains the lack of adequately educated and qualified candidates, which makes it difficult to match the supply and demand for labor [20]. In this context, the author believes it is crucial to accept foreign workers as equal partners in economic development and integrate them into Croatian society to enable mutual benefit, avoiding spontaneous and uncoordinated moves that could lead to abuse of workers.

In conclusion, while previous research on immigration and employment in Croatia has underscored the importance of immigration as a tool for filling the workforce in key sectors, it is clear that further investigation is necessary. This is particularly important to understand the long-term effects on the domestic workforce and the labor market and to ensure sustainable economic integration. The complexity of the economic effects of immigration and the potential risks of increased competition in the labor market, especially among less qualified domestic workers, highlight the need for continued research in this area.

2.3. Immigration Trends in Croatia

Throughout its history, Croatia has faced different waves of migration that have shaped the country's demographic landscape. During the period after the Second World War, Croatia recorded a significant influx of refugees and workers from other republics of the former Yugoslavia. This trend continued during the 1990s when many moved to Croatia due to war conflicts and the search for better living conditions [15]. With Croatia's accession to the European Union in 2013, migration patterns have further changed, with an increased number of foreign workers coming from other European countries. The demographic characteristics of immigrants in Croatia indicate a diverse structure. According to data from the Croatian Statistical Office [21], the majority of immigrants come from countries such as Bosnia and Herzegovina, Serbia, and Germany, and their age structure shows that the most represented are working individuals, while the educational level varies, with an emphasis on highly educated workers, especially in sectors such as IT and healthcare [22].

Foreign workers play a pivotal role in sustaining the functionality of key sectors of the Croatian economy. In the construction industry, for instance, their contribution helps alleviate the shortage of skilled workers, a particularly crucial factor during periods of intensive construction [23]. In the tourism sector, which constitutes a significant portion of Croatian GDP, foreign workers often fill seasonal positions, ensuring uninterrupted operations during the peak tourist season [24]. In the information technology sector, highly educated immigrants contribute to innovation and bolster the competitiveness of the Croatian IT market. In summary, migration trends in Croatia mirror the complexity and dynamism of demographic changes, which exert a significant influence on the labor market and economic development. To fully harness the benefits of immigration, it is imperative to devise policies that facilitate the integration of foreign workers and ensure the sustainability of the Croatian economy.

2.4. The Role of Foreign Workers in Economic Development

The role of foreign workers in economic development is becoming increasingly important, especially in countries facing demographic challenges such as population aging and the emigration of young people. According to the data of numerous studies, foreign workers often fill gaps in the labor market that the local workforce cannot fill, either due to a lack of specific skills or due to the low attractiveness of certain sectors for the local population [25]. Croatia, as a relatively new member of the European Union, is no exception to this trend, and the influx of foreign workers has become crucial for its economic growth in specific sectors such as construction, tourism, and information technology [23].

Foreign workers help fill labor gaps and contribute to overall economic growth through increased productivity and innovation. Their integration into the labor market often increases overall economic activity, especially in sectors that depend on seasonal labor or are subject to large fluctuations in demand [24]. According to research by the Croatian Chamber of Commerce [26], the influx of foreign workers in the last five years contributed to stabilizing the labor market in critical sectors, especially during the recovery period after the global economic crisis.

However, to fully realize the potential of foreign workers, it is essential to implement appropriate integration policies. These policies should ensure equal working conditions, provide support for language and cultural adaptation, and align immigration policy with the needs of the domestic economy [27]. Without such policies, there is a risk of marginalization of foreign workers, which can have detrimental effects on social cohesion and the long-term sustainability of the economy.

3. Research Methodology

In this research, key hypotheses have been set that enable the examination of the impact of immigration and the engagement of foreign workers on employment in the Republic of Croatia. The null hypothesis (H0) starts from the assumption that there is no statistically significant positive impact of immigration and the engagement of foreign workers on employment in the Republic of Croatia. In contrast, the alternative hypothesis (H1) suggests the existence of a positive influence on employment growth. These hypotheses have been tested using Pearson's correlation, which will examine the strength and direction of the association between the variables over the observed period.

The expected causal relationship is explained by the fact that immigrants and foreign workers fill gaps in the labor market, especially in sectors with a shortage of domestic labor (agriculture, tourism, and construction), which increases employment and overall economic output. Namely, foreign workers often come with more significant experience and knowledge needed in specific sectors, which increases productivity and innovation. This

dynamic allows for the stabilization of these key sectors and stimulates economic growth. Hypothesis testing involves analyzing data over 11 years to determine the correlation between the number of foreign workers and employment. The research will also examine how foreign worker integration policies affect efficiency and job satisfaction.

This research analyzed the interrelationships of critical economic and demographic indicators in Croatia. The research design was chosen as a quantitative approach, enabling statistical analysis and quantification of relationships between variables. Data were used for 11 years, which allows insight into trends and correlations during the observed period. The year 2013 was taken as the first because before 2013, the number of foreign workers in Croatia was negligible, and it is impossible to analyze the correlation of foreign workers in relation to total employment for the period before 2013. The research population includes all relevant demographic and economic indicators in Croatia from 2013 to 2023. The data sample includes critical indicators such as the number of employees, the number of unemployed, the number of foreign workers, the number of immigrated and emigrated persons, inflow/outflow of residents, net salary, and gross domestic product (GDP) expressed in billions of euros. After multifactor analysis, the main focus was regression analysis between the independent variable (foreign workers) and the dependent variable (number of employees). The main focus was on the reports of the Croatian Statistical Office, the Croatian Employment Service, the annual reports of the Croatian National Bank and the Croatian Chamber of Commerce, and the authors' assessments, taking into account the periodic reports of the Ministry of the Interior. These data are crucial for analyzing research questions related to the impact of migration movements on the economic situation in the country.

Data analysis was performed using Jamovi 2.5.2. and the SPSS 26 (Statistical Package for the Social Sciences) program, one of the most widely used tools for data analysis in the social sciences. SPSS enables the analysis of complex datasets and provides a wide range of statistical techniques that help investigate various phenomena. Jamovi was used for direct Pearson's correlation analysis, a critical method for testing the linear relationship between two continuous variables. This analysis enables the assessment of the strength and direction of the relationship between the variables, which was extremely important in this research. Pearson's correlation coefficient (r) ranges from -1 to +1, where -1 indicates a perfect negative correlation, 0 indicates no linear correlation, and +1 indicates a perfect positive correlation. The statistical significance of the correlations was assessed at the $p < 0.01$ and $p < 0.05$ levels. Correlations significant at the 0.01 level are marked with two asterisks (**), while those significant at the 0.05 level are marked with one asterisk (*).

Limitations in the research include the possibility of the author's error in estimating certain data for years for which there is a collision of reports between several official gazettes, which may affect the reliability of the results. Also, biases are possible in the available data collected by different sources.

The research implementation plan covers three months (June–August 2024), which includes data collection, analysis, and interpretation of results. The steps taken to carry out the research include defining key variables, collecting data from the mentioned sources, processing and analyzing data using SPSS 26 and Jamovi 2.5.2. programs, interpreting the results, and presenting them as a final report. These studies have the potential to contribute to a better understanding of the impact of migration movements on the economic situation in the country. They can be used as a basis for recommendations in formulating policies that will deal with challenges in the labor market.

4. Analysis of Key Economic Indicators in the Republic of Croatia

In order to obtain relevant statistical data on the number of employed persons in the Republic of Croatia, as well as on immigration, emigration, net wages, the arrival of foreign workers, the movement of the gross domestic product, analyses of the education system and skills of workers, technological advances and automatization, and employment policies and legislation, various reports of the Croatian Statistical Office, the Croatian Employment Service, and the Ministry of the Interior were analyzed. Affairs, the Croatian official gazette, the International Monetary Fund, and the author personally assessed the years for which the official data differed. The following tables and graphs show the number of employed and unemployed persons in the Republic of Croatia from 2013 to 2023, immigration, emigration, net wages, and the main factors affecting employment in Croatia.

Table 2 shows that the number of employed persons has been constantly increasing from 2013 until 2023; the number of unemployed persons has also been constantly decreasing until 2019, increased in 2020 due to the COVID-19 pandemic, and then decreased again until 2023. The number of immigrants has constantly increased yearly, with the most significant jumps occurring in 2018 and 2022. The number of emigrants increased until 2017 and has since stabilized at around 40 thousand per year, and the net salary has constantly increased by approx. 4–5%. The Figure 1 analyzes employment and unemployment in the observed period.

Table 2. Key economic indicators of the Republic of Croatia: employment, unemployment, immigrants, emigrants, and net salary (2013–2023).

Year	Number of Employees *	Unemployment **	Number of Immigrants ***	Number of Emigrants ****	Net Salary *****
2013	1,364,000	345,112	10,378	15,262	732
2014	1,342,000	328,187	10,638	20,858	734
2015	1,357,000	285,906	11,706	29,651	742
2016	1,443,000	241,860	13,985	36,436	755
2017	1,477,000	193,967	15,553	47,352	794
2018	1,518,000	153,542	26,029	39,515	828
2019	1,555,000	128,650	37,726	40,148	874
2020	1,543,869	150,824	33,414	34,046	898
2021	1,575,837	136,816	35,912	40,424	946
2022	1,619,969	116,127	57,972	46,287	1012
2023	1,663,522	108,921	69,396	39,218	1094

Source: * Croatian employment service; ** Croatian employment service; *** The Ministry of the Interior; **** The Ministry of the Interior; ***** Croatian Bureau of Statistics.

Figure 1 shows that the number of employed people has a constant tendency to increase, while the number of unemployed people has a constant tendency to decrease. Figure 2 analyses the movement of immigrants and emigrants in the observed period.

Figure 2 shows that the increase in emigration was disrupted by the economic crisis caused by the COVID-19 pandemic and that the number of emigrants has stabilized at around 40,000 since 2018. Figure 3 shows the movement of the average net salary in the observed period.

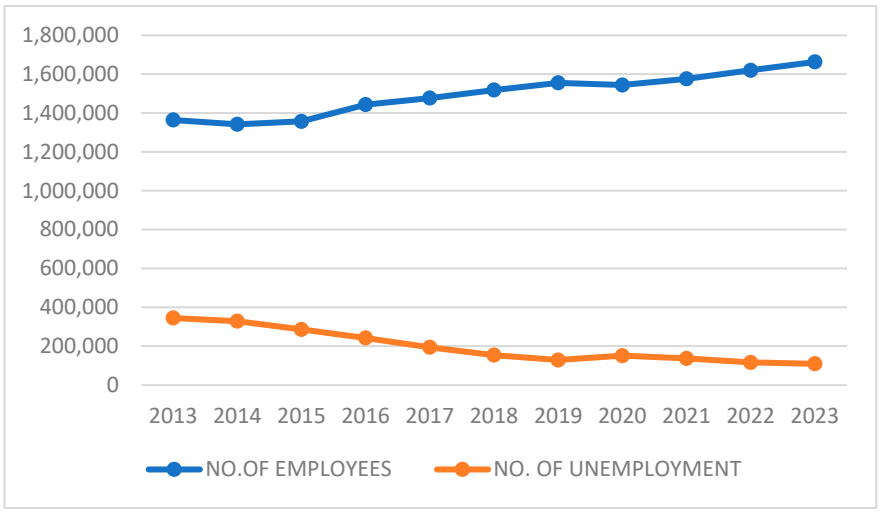


Figure 1. Number of employed and unemployed persons in Croatia, 2013–2023. Source: Croatian Employment Service. (2024). Data on Employment and Unemployment. Retrieved from http://www.hzz.hr (Accessed between 5 July and 8 September 2024).

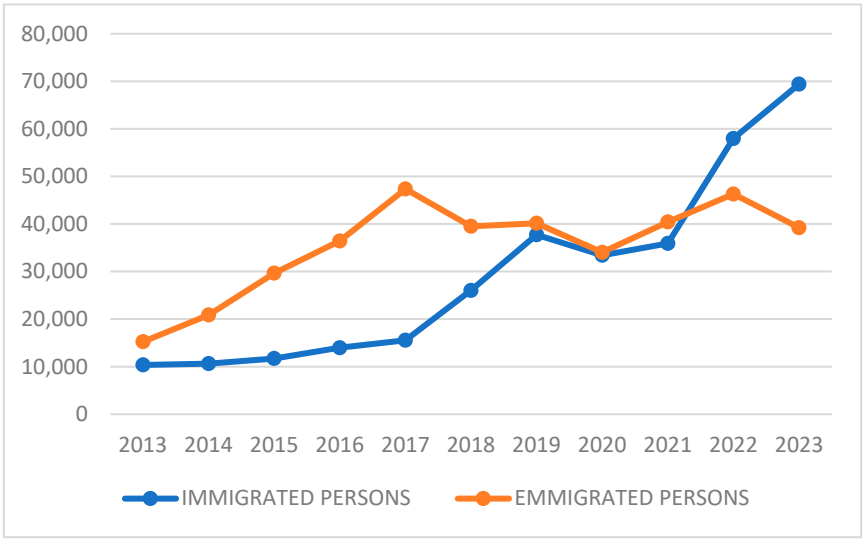


Figure 2. Immigrated and emigrated persons—Croatia, 2013–2023. Source: The Ministry of the Interior, Statistics. Retrieved from: https://mup.gov.hr/statistika-228/228 (Accessed between August and September 2024).

Figure 3 shows a constant growth of concrete wages in the observed period by 4–5%. The following table shows the main factors affecting employment.

Table 3 presents the main factors influencing employment in Croatia from 2013 to 2023. It includes key indicators such as GDP, net population inflow/outflow, the quality of the education system and workers' skills, technological advances and automatization, the number of foreign workers, and employment policies and legislation. The data highlight significant trends, including consistent GDP growth, a transition from negative to positive migration balance, workforce education and technological adaptation improvements, and a sharp increase in foreign workers, especially after 2017.

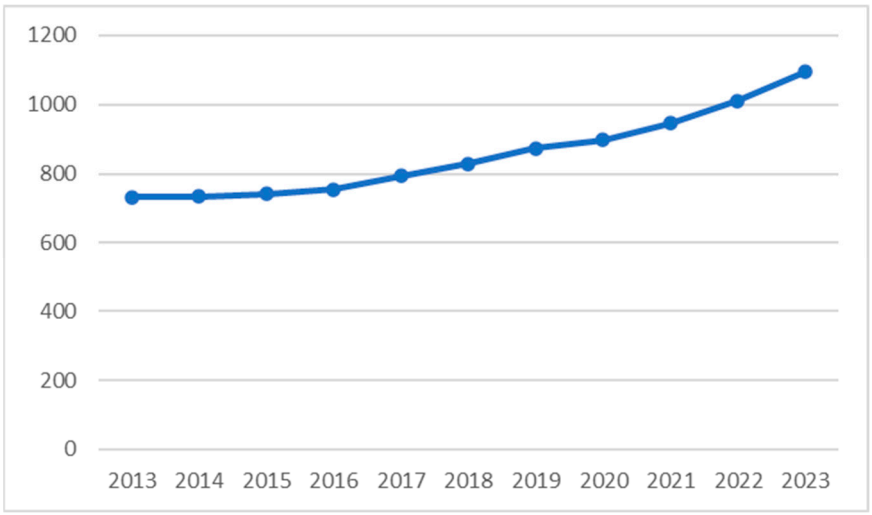


Figure 3. Net salary in Croatia, EUR, 2013–2023. Source: Croatian Bureau of Statistics. Retrieved from: https://dzs.gov.hr/rezultati-pretrazivanja/49?pojam=neto+pla%C4%87a (Accessed from August–September 2024).

Table 3. Main factors affecting employment.

	1	2	3	4	5	6
Year	**GDP in Billion EUR** *	**Population Inflow/Outflow** **	**Education System and Skill of Workers** ***	**Technological Advances and Automatization** ****	**Number of Foreign Workers** *****	**Employment Policies and Legislation** ******
2013	43.8	−4884	2	2	* 2000	2
2014	44.1	−10,220	2	2	* 3000	2
2015	45.4	−17,945	3	2	* 6000	3
2016	48.5	−22,451	3	3	* 9000	3
2017	51.5	−31,799	3	3	11,195	3
2018	53.9	−13,486	4	3	32,719	3
2019	55.8	−2422	4	4	72,492	4
2020	50.2	−632	4	4	67,108	4
2021	56.5	−4512	4	4	81,955	5
2022	64.7	11,685	4	4	124,121	5
2023	* 66.6	30,178	4	4	172,499	4

Source: * Croatian Bureau of Statistics (2023—IMF estimate), ** The difference between immigrants and emigrants, *** Author's analysis after data collection and analysis, **** Author's analysis after data collection and analysis, ***** The Ministry of the Interior (Author's estimate for the period 2013–2016), ****** Author's analysis after data collection and analysis.

For economic growth and investments, the authors used the gross domestic product (GDP) indicator to indicate the general economic situation, allowing them to monitor how macroeconomic trends affect employment. The aforementioned correlation significantly affects the occurrence of multicollinearity if both variables were included in the model, and the authors, therefore, decided to remove the GDP variable from the model. Demographic changes were estimated based on the difference between emigrants and immigrants to Croatia, which indicates migration trends and their impact on the labor market, especially in the emigration of young and qualified workers. The education system and workers' skills were assessed on a self-reported basis, with annual scores from 1 to 5, which allowed for monitoring progress in education and its adaptation to the labor market, mainly through introducing reforms focused on digital and technical skills. Technological progress was also analyzed through scores from 1 to 5, considering key changes in the automation and digitalization of industries. This showed how technology is changing labor needs and

affecting employment. The authors used official data for foreign workers to determine their impact on the labor market, especially in sectors facing labor shortages. Employment policy was assessed based on legislative changes and regulatory flexibility, with scores from 1 to 5, which allowed for insight into the adaptation of legislation to labor market needs, including introducing the EU Blue Card and simplifying work permit procedures. This comprehensive analysis allowed the authors to understand the complex interactions between different factors and their overall impact on unemployment in Croatia. The following graphs show the GDP and movement of foreign workers in the observed period.

From 2013 to 2022, Croatia's GDP grew steadily from EUR 43.8 billion to EUR 64.7 billion, indicating continuous economic expansion. A temporary decline was recorded in 2020 due to the COVID-19 pandemic, after which GDP quickly recovered. The value for 2023, amounting to EUR 66.6 billion, is a projection by the International Monetary Fund (IMF), reflecting expectations of further economic growth. An analysis of Figure 4 suggests a strong correlation between GDP growth and other employment-related factors, particularly migration trends and the increasing number of foreign workers.

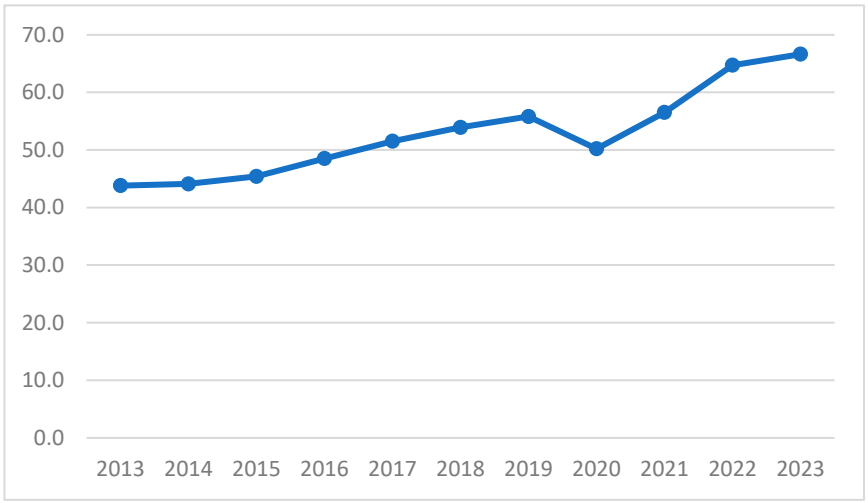


Figure 4. GDP in Croatia, bil. EUR, 2013–2023. Source: Croatian Bureau of Statistics. Retrieved from: www.dzs.hr (Accessed between August and September 2024) plus International Monetary Fund. Retrieved from: https://www.imf.org/en/Data (Accessed between 1–15 September 2024).

Figure 5 illustrates the trend in the number of foreign workers in Croatia from 2013 to 2023, showing a significant and continuous increase, particularly after 2017. For the period between 2013 and 2016, the values are based on the author's estimates, as official records were inconsistent and data from different sources varied considerably. This growth reflects changes in labor market needs and increasing reliance on foreign labor to address domestic workforce shortages.

Based on the data presented, the labor market in Croatia from 2013 to 2023 recorded specific changes. The number of employees has been continuously growing, which indicates an improvement in employment within the economy. A decrease in the number of unemployed was also observed, suggesting a more efficient workforce use. At the same time, net wages and gross domestic product recorded growth, suggesting that the economic situation has improved despite labor market problems. These data emphasize the importance of integrating foreign workers as a critical element in solving the labor market challenges in Croatia. On the other hand, GDP has been growing constantly, and the number of foreign workers has increased significantly, especially since 2018, when a drastic increase was recorded from 32,719 to 172,499 in 2023. This trend may indicate an increased demand for workers from abroad to fill gaps in the domestic workforce.

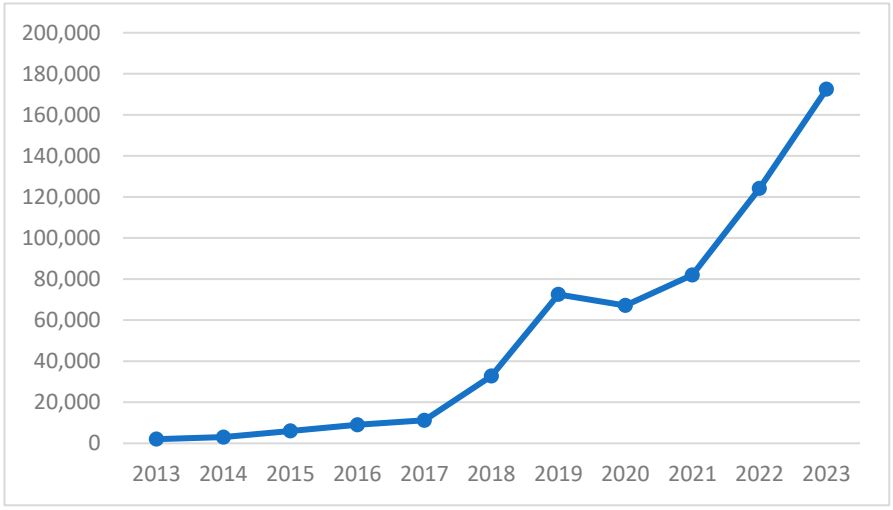


Figure 5. Foreign workers in Croatia, 2013–2023. Source: Croatian Official Gazette. (2024), www.nn.hr, Retrieved 1–15 September 2024. The Ministry of the Interior, Statistics. https://mup.gov.hr/statistika-228/228, Retrieved 1–15 September 2024, and the author's estimate for the years in which the data differ in various official reports.

5. Empirical Research

The main factors influencing employment in the Republic of Croatia, based on the research conducted (Table 1), are economic growth and investment, demographic changes and migration, the education system and workers' skills, technological progress and automation, foreign workers, and employment policies and legislation. In order to quantify their impact, a multiple regression analysis was conducted, with unemployment taken as the dependent variable, while the aforementioned factors were included as independent variables. The analysis results enabled the assessment of the statistical significance and intensity of individual factors in explaining variations in employment. Based on the obtained regression coefficients, the key drivers of employment were identified, and the factors contributing most to the labor market in the Republic of Croatia were determined. The following table shows the multiple regression analysis of the model.

Table 4 presents the Pearson correlation coefficients between various factors affecting employment in Croatia, including GDP, demographic change, the education system and worker skills, technological advancements, the number of foreign workers, and employment policies and legislation. This analysis aims to compare the impact of each of these factors on the dependent variable, employment, with significant positive correlations observed between GDP and factors such as education and skills, technology, and the number of foreign workers. The strongest correlation is found between GDP and the number of foreign workers ($r = 0.935$, $p < 0.001$), suggesting a strong connection between these two factors in the context of employment.

Since GDP is already known to affect employment, and to avoid multicollinearity in the model, GDP was removed as an independent variable due to very high collinearity with foreign employees. In this way, the model is suitable for further analysis because it meets the prerequisites. Moreover, the data distribution is not distorted, i.e., NormalityNormality (NormalityNormality of residuals) and homoscedasticity (homogeneity of residuals) have been achieved, as shown in the following two graphs.

Figure 6 shows a distribution with a mean value of 1.96–15 and a standard deviation of 0.707, based on a sample size of N = 1. This indicates a relatively low variation in the data, although the small sample size limits the generalizability of these results.

Table 4. Multiple regression analysis of the model.

		Correlations					
		GDP	Demographic Change	Education and Skill	Technology	Foreign Workers	Employment P&L
GDP	Pearson Correlation	1	0.177	0.778 **	0.814 **	0.935 **	0.789 **
	Sig. (2-tailed)		0.603	0.005	0.002	0.000	0.004
	N	11	11	11	11	11	11
Demographic_change	Pearson Correlation	0.177	1	−0.223	−0.264	−0.005	−0.131
	Sig. (2-tailed)	0.603		0.510	0.432	0.989	0.700
	N	11	11	11	11	11	11
Education_and_skill	Pearson Correlation	0.778 **	−0.,223	1	0.887 **	0.728 *	0.857 **
	Sig. (2-tailed)	0.005	0.510		0.000	0.011	0.001
	N	11	11	11	11	11	11
Technology	Pearson Correlation	0.814 **	−0.264	0.887 **	1	0.810 **	0.894 **
	Sig. (2-tailed)	0.002	0.432	0.000		0.003	0.000
	N	11	11	11	11	11	11
Foreign_workers	Pearson Correlation	0.935 **	−0.005	0.728 *	0.810 **	1	0.774 **
	Sig. (2-tailed)	0.000	0.989	0.011	0.003		0.005
	N	11	11	11	11	11	11
Employment_P&L	Pearson Correlation	0.789 **	−0.131	0.857 **	0.894 **	0.774 **	1
	Sig. (2-tailed)	0.004	0.700	0.001	0.000	0.005	
	N	11	11	11	11	11	11

Source: Created by the authors using SPSS. **. Correlation is significant at the 0.01 level (2-tailed); *. Correlation is significant at the 0.05 level (2-tailed).

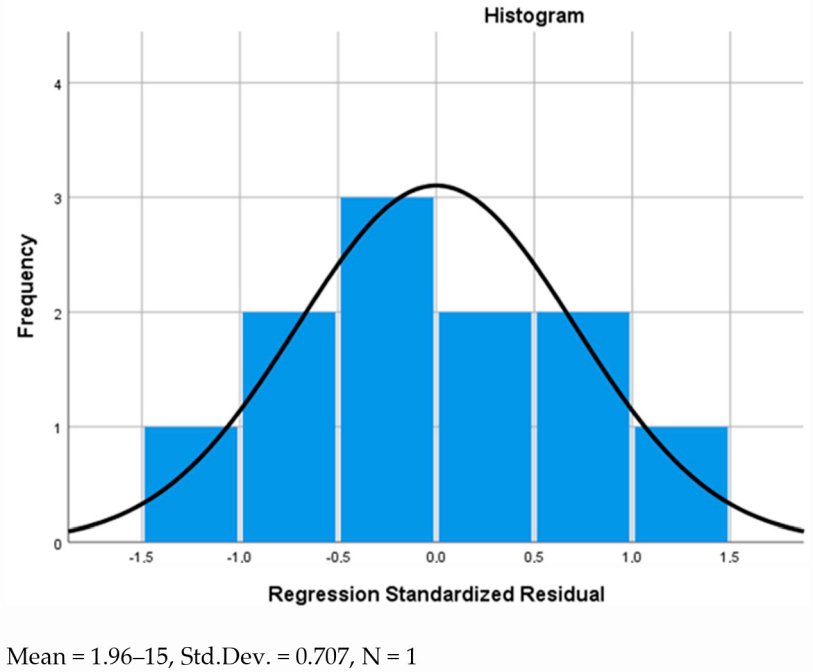


Figure 6. Normality of residuals in the model. Source: Created by the authors using SPSS.

The homogeneity analysis of the model's residuals was conducted to ensure that they are equally distributed across all levels of the independent variables. This was verified using SPSS 26, with the results indicating that the residuals meet the assumptions of homogeneity, ensuring the validity of the model's predictions (Figure 7).

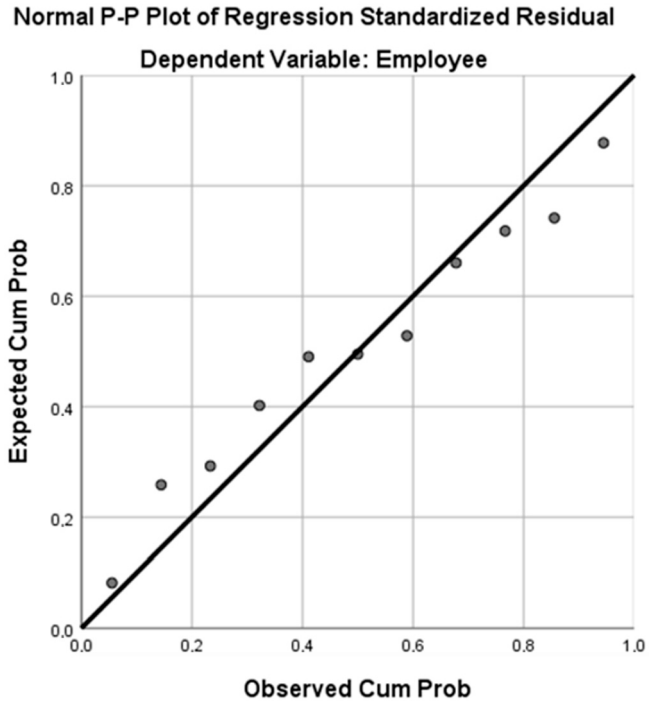


Figure 7. Homogeneity of residuals in the model. Source: Created by the authors using SPSS.

The following table shows the basic results of the multiple regression analysis and the ANOVA test.

Table 5 presents the model summary, showing an exceptionally high correlation coefficient (R = 0.989) and a substantial R-squared value of 0.977, indicating that the model explains 97.7% of the variance in the dependent variable. The F-change statistic is significant ($p < 0.001$), suggesting that including the independent variables significantly improves the model's explanatory power.

Table 5. Basic indicators of the multiple regression analysis.

Model Summary [b]									
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**Change Statistics**			
						F Change	**df1**	**df2**	**Sig. F Change**
1	0.989 [a]	0.977	0.954	23,360,516	0.977	42,866	5	5	0.000

Source: Created by the authors using SPSS. [a.] Predictors: (Constant), Foreign_workers, Demographic_change, Education_and_skill, Employment_P&L, Technology; [b.] Dependent Variable: Employee.

The coefficient of determination (Adjusted R square = 0.954) indicates that 95.4% of the variation in the dependent variable is the result of variation in the independent variable. The remaining 4.6% of the variation is the result of model error, i.e., it cannot be explained by the independent variable.

Table 6 presents the ANOVA results, indicating that the regression model explains a significant portion of the variance, with an F-statistic of 42,866 ($p < 0.001$). The residual sum of squares (2,728,568,463.094) is comparatively tiny, further supporting the model's effectiveness in predicting the dependent variable.

According to the ANOVA table and F-ratio, it was confirmed that there is a statistically significant contribution of the variation in the independent variables in explaining the variation in the dependent variable (F = 42,866, $p = 0.000$), and it can be concluded that the regression model as a whole statistically significantly predicts the number of employees.

Table 6. ANOVA analysis.

ANOVA [a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	116,963,823,547.451	5	2,339,2764,709.490	42,866	0.000 [b]
	Residual	2,728,568,463.094	5	54,571,692.619		
	Total	119,692,392,010.545	10			

Source: Created by the authors using SPSS. [a.] Dependent Variable: Employee; [b.] Predictors: (Constant), Foreign_workers, Demographic_change, Education_and_skill, Employment_P&L, Technology.

Table 7 presents the coefficients for the regression model, highlighting the unstandardized and standardized coefficients for each predictor. The analysis reveals that technology (B = 74,704.654, $p = 0.034$) and foreign workers (B = 742,565, $p = 0.027$) have a statistically significant impact on the dependent variable, with positive standardized beta coefficients of 0.597 and 0.385, respectively. The education and skill factor also shows a positive relationship (B = 35,889.954). However, it is not statistically significant ($p = 0.146$), and the tolerance and VIF values indicate no serious multicollinearity issues within the model.

Table 7. Results of multiple regression analysis and the influence of independent variables on the dependent variable (employment).

Coefficients [a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
1	(Constant)	1,172,482.637	43,539.680		26.929	0.000		
	Education_and_skill	35,889.954	20,844.319	0.265	1.722	0.146	0.192	5.211
	Technology	74,704.654	25,716.706	0.597	2.905	0.034	0.108	9.254
	Employment_P&L	20,253.030	17,370.819	0.192	1.166	0.296	0.169	5.932
	Demographic_change	62,086	44,394	0.107	1.399	0.221	0.773	1.294
	Foreign_workers	742,565	240,501	0.385	3.088	0.027	0.293	3.409

Source: Created by the authors using SPSS. [a.] Dependent Variable: Employee.

After determining the values of indicators a and b shown in the coefficient table above, the equation of the multiple regression model is:

$$\text{Employees} = 1{,}172{,}482.637 + 0.265 \cdot \text{Education} + 0.597 \cdot \text{Technology} + 0.192 \cdot \text{Employment P/L} + 0.107 \cdot \text{Demographic change} + 0.385 \cdot \text{Foreign workers}$$

The multiple regression model used in this study allows for the analysis of the influence of several independent variables on the dependent variable (employees). The obtained coefficients indicate the direction and intensity of the influence of individual factors on the number of employees. According to the estimated regression equation, the most significant positive contribution is recorded by the variables technology (0.597) and foreign workers (0.385). This suggests that technological progress and the influx of foreign workers are key to increasing employment. In addition, the variable *Employment P/L has a positive effect (0.192), which may indicate a connection between more flexible legislation and regulations regarding the employment of foreign workers and the number and total number of employees. This indicator indicates that companies are more inclined to increase the number of employees under conditions of more flexible legislation. Also, the variable Education I skills, with a coefficient of 0.265, indicates the importance of education and skills in employment. At the same time, demographic change (0.107) has a weaker but still positive effect on the labor market. The model results emphasize the importance of technological development as the primary driver of employment growth. Introducing advanced technologies can increase productivity and create new jobs in sectors with high added value. At the same time, the positive effect of foreign workers can be interpreted as a sign that

they contribute to filling deficit jobs and reducing the pressure on the domestic workforce. If the number of foreign workers increases by 1%, assuming that other factors remain unchanged, total employment would increase by 0.385%. These data indicate that foreign workers can play a key role in stabilizing the labor market, especially in sectors with a labor shortage. The results serve as a basis for creating policies to optimize the labor market. Special emphasis should be placed on encouraging technological innovation and improving educational programs in order to increase the competitiveness of the domestic workforce. Also, further research could focus on a long-term analysis of the interrelationships between employment, technological development, and demographic changes.

6. Discussion

This research provides comprehensive insight into the complex relationships between technology, foreign workers, and key economic indicators in the Republic of Croatia. The analysis of data for the period from 2013 to 2023 reveals several significant trends and correlations that have important implications for the Croatian labor market and economic policy. One of the most significant observations is the strong positive impact of technology (0.597) and foreign workers (0.385) on employment in Croatia. These findings suggest that advancements in technology and the influx of foreign workers significantly contribute to the country's employment increase. This trend can be explained by the fact that technological progress boosts productivity and efficiency, creating new job opportunities, while foreign workers fill gaps in the labor market, especially in sectors with domestic labor shortages. This is particularly visible in the construction, tourism, and IT sectors, where the demand for skilled labor often exceeds the local supply. However, it is essential to note that these relationships do not necessarily imply direct causation and that additional research may provide a deeper understanding of these dynamics.

The analysis also reveals that the Employment P/L variable (0.192) plays a relevant role in employment growth, suggesting that business performance influences hiring trends. Similarly, education (0.265) remains an important factor, highlighting the necessity of a well-educated workforce in sustaining long-term employment growth. Additionally, demographic changes (0.107) show a weaker but still positive effect on employment, indicating that population dynamics must be considered when designing labor policies. If the number of foreign workers increases by 1%, the total number of employees in Croatia would rise by 0.385%, assuming all other factors remain constant. This result underscores the significant role of foreign labor in stabilizing the labor market, particularly in industries experiencing workforce shortages.

These findings suggest that policies focused on fostering technological advancement, improving education systems, and strategically managing labor migration could enhance employment outcomes in Croatia. Further research should explore the long-term effects of these factors and investigate their interactions in greater depth to provide policymakers with more precise guidelines for labor market optimization. These findings have significant implications for Croatian immigration and economic policy. First, the results suggest that policies that facilitate the arrival of foreign workers could have a positive impact on employment and economic growth. However, it is crucial to ensure that these policies are carefully designed to maximize positive effects and minimize potential negative consequences for all labor market participants. Second, the strong correlation between net wages and the number of foreign workers points to the need for policies that will ensure fair working conditions and wages for all workers, regardless of their origin. This could include measures to prevent the exploitation of foreign workers and ensure equal opportunities for advancement. Third, the negative correlation between unemployment and the number of foreign workers suggests that policies should be aimed at facilitating

the integration of foreign workers into the labor market, rather than perceiving them as a threat to domestic employment.

The empirical results confirm that immigrants and foreign workers significantly impact employment, which is explained by their role in filling vacancies and reducing labor shortages, thereby ensuring business continuity and increasing productivity. The high correlation between the number of foreign workers and employment indicates that their presence contributes to labor market stability. At the same time, their contribution to innovation and knowledge transfer is recognized as a key factor in long-term economic development. In addition, their consumption affects the increase in aggregate demand, while taxes and contributions ensure the growth of government revenues, further confirming their significant contribution to economic activity. These results align with previous research, which indicates the positive impact of migration on the economy through an increase in the labor force, labor market flexibility, and strengthening overall economic activity.

It is important to note several limitations of this research:

1. Correlational analysis cannot establish cause-and-effect relationships. Therefore, future research should use more sophisticated statistical methods like time series or panel analysis to understand the causal relationships between variables better.
2. This research focused on aggregate data at the national level. Future research could explore regional differences in the impact of foreign workers on the labor market and differences between different sectors of the economy.
3. Qualitative research, such as interviews with employers and foreign workers, could provide a deeper understanding of how foreign workers influence the Croatian labor market.

In conclusion, this research provides important insights into the role of foreign workers in the Croatian economy. The results suggest that foreign workers can have a positive impact on employment, economic growth, and wages. However, it is crucial to emphasize that further research is needed to better understand the specific mechanisms through which these effects are realized. The study's results indicate the need for further research to better understand the impact of immigration on different industries in the Republic of Croatia. Future research could focus on analyzing specific sectors, such as technology and healthcare, to identify their particular challenges and opportunities related to immigration. It should also explore how integration policies for foreign workers affect their productivity and job satisfaction, which could open new directions for improving the labor market and economic growth. This will ensure that policies related to foreign workers are designed in a way that maximizes benefits for all labor market participants.

7. Conclusions

This research comprehensively analyzes the impact of immigration and foreign workers on the labor market and economic growth in the Republic of Croatia. A detailed analysis of data collected over eleven years has identified vital patterns and trends shaping the country's economic dynamics. First, the research showed a strong positive correlation between the number of foreign workers and technology growth. Foreign workers contribute significantly to filling gaps in the labor market, especially in sectors such as construction, tourism, and agriculture. These sectors often lack skilled domestic labor, and the influx of foreign workers helps stabilize and grow these industries. The influx of foreign workers increases productivity and stimulates innovation and competitiveness, contributing to the country's overall economic growth. These results suggest that immigration can be a crucial driver of economic development in the context of Croatia's demographic challenges.

The findings of this research have significant implications for the design of policies in Croatia. The results underscore the need for proactive policies that will facilitate the arrival

and integration of foreign workers. This includes ensuring equal working conditions, encouraging linguistic and cultural adaptation, and aligning immigration policy with the needs of the domestic economy. Since there is a negative correlation between emigration and unemployment, it is necessary to develop strategies that will keep the domestic workforce in the country. This may include measures to improve working conditions and living standards to reduce population outflow.

While this research provides valuable insights, it also highlights the need for further research. Additional studies using more sophisticated statistical methods are needed to better understand the causal relationships between immigration, employment, and economic growth. It would also be helpful to explore regional differences within Croatia to identify specific challenges and opportunities in different parts of the country. Finally, qualitative research involving interviews with employers and foreign workers could provide a deeper understanding of the mechanisms through which immigration affects the labor market. These findings can help shape policies that maximize immigration benefits while minimizing negative consequences. The research is limited by the potential for errors made by the author in estimating data for years where discrepancies between several official gazettes exist, which may impact the reliability of the results. Additionally, biases in the data collected from various sources are recognized as possible limitations of the study. Further research is recommended to better establish causal relationships between immigration, employment, and economic growth and address potential limitations in the current study's data estimation process. Additionally, a region-based analysis within Croatia is encouraged to identify localized challenges and opportunities, complemented by qualitative studies involving employers and foreign workers to provide deeper insights into the mechanisms driving immigration's impact on the labor market. In conclusion, this research emphasizes the importance of immigration as a tool for the economic development of Croatia. With appropriate policies and strategies, the influx of foreign workers can significantly contribute to the country's sustainable economic growth and social cohesion.

The significant increase in the number of employed and foreign workers in the Republic of Croatia in recent years can be attributed to relaxed immigration policies and the need for labor in key sectors, such as tourism, construction, and agriculture. These changes reflect dynamic economic conditions and the need for labor market stabilization, considering Croatia's accession to the European Union, which has enabled more unrestrained labor movement. Also, changes in economic indicators, such as the increase in the number of employed, result from proactive policies that have facilitated the procedure for obtaining work permits and adapted to labor market needs.

The obtained research results clearly show that foreign workers do not reduce the employment of the domestic workforce but rather contribute to labor market stability and increased economic activity. This qualitatively and positively refutes the common prejudice that foreign workers "steal jobs", which is especially important in public debates on migration policies. These findings have additional weight given the current challenges of European migration policy, where the economic contribution of foreign workers is increasingly recognized as a key factor for long-term labor market sustainability and economic growth. These results serve as a basis for further analysis and the development of employment policies that will optimize foreign workers' contribution to economic growth and labor market sustainability.

The research results show that foreign workers have a positive, statistically significant impact on employment in the Republic of Croatia, which is more significant than their current share in the total number of employees. The reasons for this may be the shallow labor market, as it is very rigid with a low supply of domestic labor that is generally not ready for mobility within Croatia, and accepting lower labor prices. Any influx of foreign

employees ready to accept mobility and somewhat lower labor prices has significant effects because it significantly increases the share of flexible labor in the total share of employees. In new employment in the Republic of Croatia, foreign workers made up more than 50% of new employees in the last year or two; this implicitly means that their influence will be even more substantial, or more significant, in the future. This is supported by the fact that there are currently just over 100,000 unemployed people in the Republic of Croatia, and given that all recipients of social assistance must register as unemployed, i.e., they are just a "number" and do not want to work, this means that, in reality, the potential for employing new employees has almost been used in Croatia, except for those who enter the labor market for the first time after graduating from school and college, which further supports the influence, or significance, of foreign workers for the labor market in the Republic of Croatia. Their number will undoubtedly grow in the future, and a new problem will arise after the problem of labor shortage is solved, which is how to adapt them to the new environment and resolve cultural differences, given that they mostly come from countries with different cultures and traditions.

This research fills significant gaps in the existing literature by providing detailed insight into the causal relationship between immigration and foreign workers regarding employment in the Republic of Croatia. The innovativeness of this work is reflected in the application of sophisticated statistical methods for the analysis of the long-term effects of migration flows and the influx of foreign workers on the labor market and the economy. This contributes to the understanding of how policies can be aimed at maximizing the positive effects of immigration and foreign workers on the economic development of the country.

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