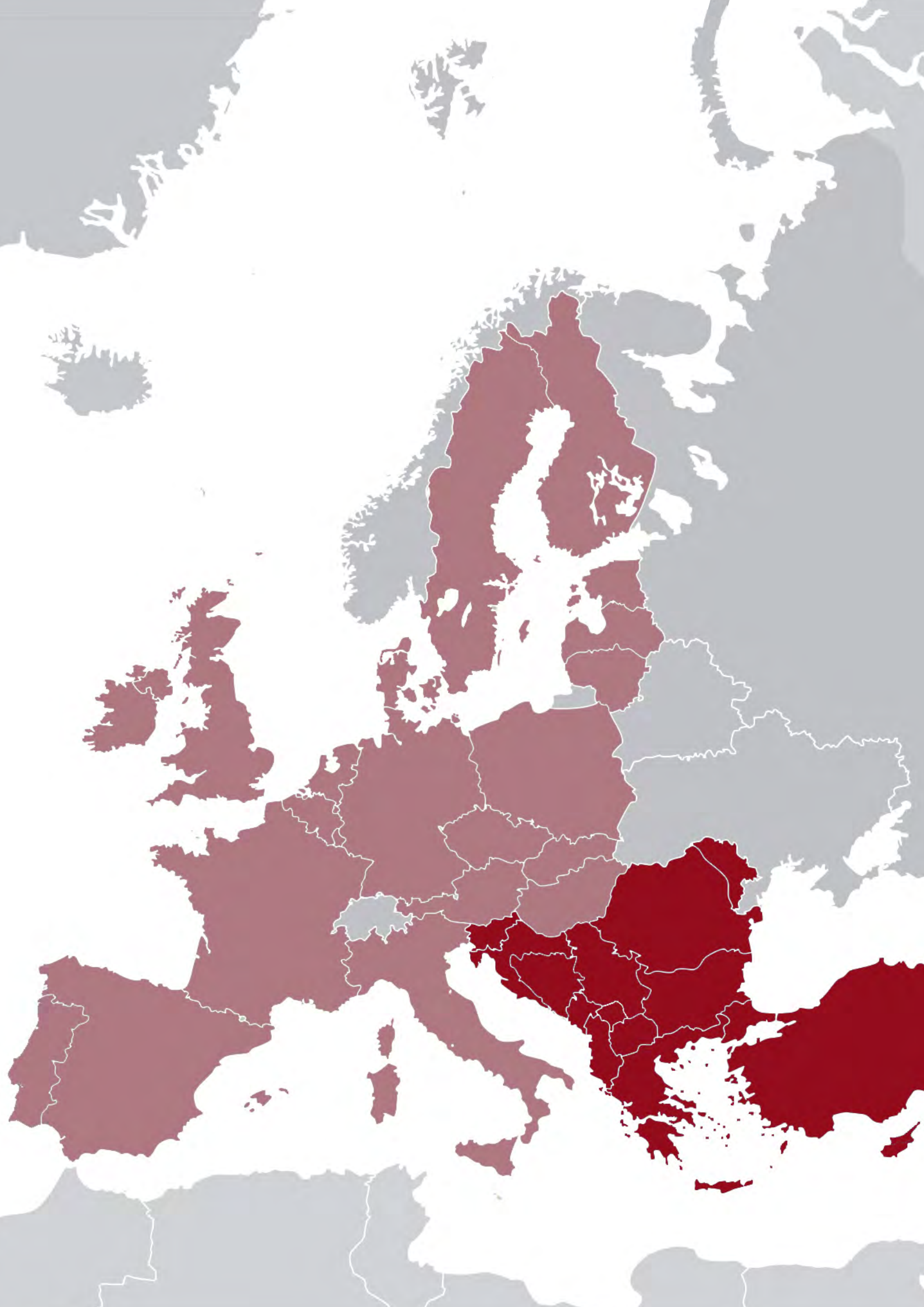


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Enlargement Policy and Social Change in the Western Balkans



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Preface

Has the European project in the Western Balkans delivered social change? Mass emigration and declining population rates, democratic backsliding, growing economic and social inequalities as well as social exclusion suggest otherwise. Correspondingly, the citizens of the region perceive that their interests and social rights have so far not been at the heart of the EU's transition efforts.

Indeed, the much-needed generational turn towards peace and reconciliation, the creation of economic opportunities and functioning public services, and of real connectivity and coherence with the rest of the continent seems to demand more than what the region's governments – with the assistance of the EU – have been able to provide. But even beyond discussions about whether it is the rule of law, economic development, or public administration, which need improvement most urgently, there is a normative and ideological dimension to the language and narratives of enlargement policy. In essence, we believe that social policies from social protection to healthcare, from education to employment have not been placed high enough on the agenda.

Social Europe itself is a contested idea. A mere function of the mode of overall European integration, enlargement policy shows the same normative ambiguity. The 2018 enlargement strategy announced a “new reinforced social dimension” for

the Western Balkans. The idea to use the EU's recently proclaimed European Pillar of Social Rights (EPSR) as a normative model for enlargement policy, with a stronger emphasis on approaches such as social investment, active inclusion, or flexicurity, has recently gained greater prominence. This study reveals, however, that EU-sponsored economic and social reforms have not been able to remedy poor social outcomes, and that further paradigmatic shift is indeed needed.

As initiators and supporters of the “Social Dimension Initiative”, we would like to thank the authors of this study for presenting this timely analysis, which succeeds in shedding light on the complex interactions between EU institutions and the governments of the Western Balkans countries with a view to strategic social reform. Analysing social protection, employment, education, and health-care policies in all six countries, the authors find that the idea of a “new reinforced social dimension” has not yet materialised in present-day reform programmes. Now that the credibility of the EU's policy towards the Western Balkans has been dealt a series of blows, we believe that the ordinary people of the Western Balkans must feel that European integration works in their favour. It is, therefore, high time to increase efforts towards inclusive growth, social citizenship, and equal opportunity through social and economic reform in the Western Balkans.

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1

Introduction

In February 2018, the European Commission published a new enlargement strategy for the Western Balkans.¹ The document promises “a new reinforced social dimension,” and its delivery to be supported by the EU in the realms of employment, education, and healthcare.² The pledge of greater importance being afforded to social matters is good news in a region affected by significant economic and social inequalities³ and high rates of social exclusion. As the region experiences a substantial exodus of its population, seeking a more prosperous future elsewhere, and is challenged by the demographic trends of ageing and falling fertility rates, augmenting the social dimension of the EU integration process has become extremely important. Nevertheless, it remains to be seen how such a promise will materialise in practice, and whether the European Union will devote greater attention to matters of social inclusion and equality in the region’s accession efforts than it has thus far.

This study aims to explore the state of the social dimension of accession in the region by looking at the interaction between EU institutions and governments of the countries of the Western Balkans in processes of strategic social reform. It casts a light on the expectations related to social matters as articulated in the accession process and the mechanisms deployed by EU institutions in the realm of

social policy in the region. Moreover, this study explores the commitments made and policy instruments pursued by the governments of the Western Balkans to ameliorate the social situation.

The social dimension is here understood to relate to areas of social protection, employment policy, education, and healthcare. The EU’s recently proclaimed European Pillar of Social Rights (EPSR) and its 20 key principles are used as the core normative model for the social dimension of enlargement in the region, with policy approaches pursued as part of the European Social Model, such as social investment, active inclusion, and flexicurity, serving as points of reference. When looking at countries’ reform courses, both the substance of reforms and the process by which they are formulated and adopted are studied. This, *inter alia*, entails looking at whether or not the processes have also opened up a possibility for civil society actors to meaningfully contribute.

The countries of interest are the Western Balkans six (hereafter: WB6), Albania, Bosnia and Herzegovina (BiH), Kosovo, Montenegro, North Macedonia, and Serbia. These countries are suited for comparison because of their socialist legacies and the difficult nature of their social, economic and political transitions, not limited to weak institutional apparatuses, “clear elements of state capture”⁴, and unfavourable social and economic outcomes. At the same time, there is variation in terms of their accession progress, with some countries already negotiating on various chapters of the *acquis communautaire* (Montenegro, Serbia), while others are

1 Refers to the countries that have not joined the European Union: Albania, Bosnia and Herzegovina (BiH), Kosovo, North Macedonia, Montenegro and Serbia.

2 European Commission, A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, COM(2018) 65 final, Strasbourg, 6 February 2018, p. 13.

3 For more, see, Mirna Jusić, *Unequal Chances and Unjust Outcomes: Confronting Inequality in Southeast Europe* (Sarajevo: Friedrich-Ebert-Stiftung Dialogue Southeast Europe, 2018).

4 European Commission, A credible enlargement perspective, p. 3.

awaiting the start of accession talks (Albania, North Macedonia) or have yet to receive candidate status (BiH, Kosovo). Such variation in progress allows for important insights into EU priorities and approaches with respect to the social dimension of accession over the years and shifts in that regard. In addition to the WB6, reference is made to Croatia and Slovenia and of the enlargement processes pursued there.

In terms of data-gathering, beyond EU standards in the social realm, the study analyses key documents of EU institutions pertaining to social aspects of the enlargement process, as well as strategic documents WB6 governments have formulated as part of processes of economic and social dialogue with the EU, the Economic Reform Programmes (ERPs), and the Employment and Social Reform Programmes (ESRPs).⁵ This is complemented by a small number of interviews with experts. The study also analyses commonly used indicators on social protection, education, employment, and healthcare, and provides a general overview of countries' reform courses in these areas.

The main finding of the study is that the social dimension of EU enlargement, as conceptualised and implemented in the countries of the region, remains narrow, geared towards the promotion of market-oriented, supply-side skill acquisition strategies and the maintenance of residual social safety nets. Governments of the region are not able to extend the contours of what are for the most part outdated system of social protection, healthcare, education, and employment to ensure a broader set of social rights for their citizens.

A number of culprits underlie this state of affairs. Due to the realities of their political economies, which include stagnant economic growth, sizeable informal labour markets, and pervasive clientelism in the state sector, countries have rather modest resources to implement ambitious social reforms. Added to this is the inertia of public institutions in charge of social policy and lacking capacities for evidence-based policy making. On the side of the EU, priorities have persistently been on economic growth and anti-corruption efforts in the last decades of Western Balkan enlargement. Moreover, rather conservative attitudes towards social policy reform in the region are a reflection of what appears

to be a lack of political agreement on the depth of Europe's own social integration, and by extension, the social integration of aspiring member states. Austerity policies, aggressively pursued in the Union and prospective members following the 2008 economic crisis, has only exacerbated such qualms. Altogether, these conditions have provided rather barren ground for the region's deeper social integration with other parts of Europe. It is therefore not a surprise that, at a practical level, the economic and social reform processes sponsored by the EU in the region have thus far not been able to respond to the broader set of challenges which are shaping poor social outcomes in the Western Balkans.

5
Analysing individual strategies, laws and bylaws in the areas of social policy, health, education and employment was outside the scope of the research for this study. However, policy developments in these areas were, beyond what is reported in the ERPs/ESRPs and the European Commission's assessments of the ERPs, monitored by looking at the annual reports prepared by the Commission as part of annual Enlargement Package, as well as reports on individual countries published by the European Social Policy Network (ESPN).

2

The Social Dimension of Europe: An Overview

Back in 1957, at the time of the establishment of the European Economic Community (EEC), the founding members' welfare states were already developed, albeit in different traditions. The founding of the EEC was based on the liberal paradigm of an open market that assumed economic and social development to be the consequence of companies competing on equal terms. However, as pointed out by Liebfried⁶, EU social policy has from its inception been an integral part of the process of market-building itself. The first Treaty of Rome, which marked the establishment of the economic union, also included articles devoted explicitly to social policy: Article 51 pertained to social security and Articles 117–28 related to improving working conditions, living standards and gender equality, albeit without stipulating how most of these provisions should be implemented. The liberal paradigm of the single market at the level of the EEC was accompanied by national policies that favoured Keynesianism. Those were policies of stable full employment, complemented with systems of social protection that, according to Keynesian economic logic, served as automatic stabilisers in the case of crisis. Most systems of social protection developed at the time supported the male breadwinner model.⁷ Therefore, it was a combination of Keynesianism, industrialism, and mainly passive social policies that facilitated

economic growth and the generalisation of an "affluent worker"⁸ type, contributing to the creation of affluent societies. Although the EEC's approach to social policy was cautious at that time, the Council of Europe was more explicit and affirmative by adopting the Social Charter in 1961, later confirmed by the Treaty of Amsterdam in 1997.

Over the years, governance at the level of EU institutions strengthened. In the 1980s and 1990s, it went through a remarkable expansion⁹, despite changing political paradigms and the resurrection of liberalism in treating social problems at the level of nation states. Interwoven with concerns of the growing impact of globalization, profound structural changes caused by rapid technological developments, an ageing population, as well as the anticipation of possible negative consequences of further market integration and the decision to establish the European Monetary Union (EMU), political support for a stronger role of the EU in social policy grew. This resulted in the development of the Protocol on Social Policy, annexed to the 1993 Maastricht Treaty, which was instrumental in making social policy an integral part of EU policy. It was followed by a further expansion of social policy with the 1997 Amsterdam Treaty, which aimed at high levels of employment, social protection, equality of men and women, fundamental rights and non-discrimination.

The late 1990s were also marked by an important paradigmatic shift. So-called activation policies

6 Stephan Liebfried, "Social Policy: Left to the Judges and the Markets?" *Policy-Making in the European Union*, eds. Helen Wallace, Mark A. Pollack and Alasdair R. Young (Oxford: Oxford University Press, 2010), p. 279.

7 Natalie Morel, Bruno Palier and Joakim Palme, "Beyond the welfare state as we knew it?" *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*, eds. Nathalie Morel, Bruno Palier and Joakim Palme (Bristol: The Policy Press, 2012), p. 6.

8 Luis Moreno and Bruno Palier, "The Europeanization of Welfare: Paradigm Shifts and Social Policy Reforms," Instituto de Políticas y Bienes Públicos (IPP) CSIC, Working Paper 2004-05, p. 3.

9 Robert Geyer, "The State of European Union Social Policy," *Policy Studies* 21, no. 3 (2000), p. 1.

– coined under different names, not limited to “social investment,” “developmental welfare state,” “the enabling state” and “inclusive liberalism”¹⁰ – were developed as a response to the emergence of new social risks, such as long-term unemployment, the rise of inequality, in-work poverty, and social exclusion. Here, social policies are viewed as a necessary and long-term investment in a future labour force, which would have to adapt to the economy’s continuously changing needs. Attention was given not only to activation aspects that incentivise participation in the labour market but also to investments, i.e. spending on upskilling or reskilling, education, and social services, in order to mobilise the productive potential of citizens. This is a fundamental shift from the neoliberal understanding of social policy as “a cost and a hindrance to economic and employment growth,” as well as from the traditional Keynesian welfare state, considered to be ill-equipped to deal with the challenges of post-industrialism.¹¹

The social investment paradigm has underpinned all important EU social policy strategies. The 1997 European employment strategy (EES) was aimed at developing comprehensive, high-quality labour market policies to upskill workers’ competencies,¹² its implementation started through the newly developed open method of coordination¹³ (OMC) as a means of achieving those goals. Activation policies at the EU level were further strengthened with the endorsement of the Lisbon Strategy in 2000, which aimed to achieve “knowledge-based growth with social cohesion,” and the subsequent Europe 2020 strategy, continuing in a similar vein with “smart, sustainable and inclusive growth” targets,¹⁴ both incorporating the EES.

A related concept that encapsulates the social investment approach promoted at the EU level since 2005 is that of “flexicurity.” Originally developed in Denmark, it embodies both the flexibility of jobs and security of income. The model consists of policy measures such as flexible contractual arrangements, comprehensive life-long learning strategies, effective active labour market policies (ALMPs), and modern social security systems.¹⁵ Therefore, apart from its traditional function to provide income security, a key function of national welfare states has been upgraded to facilitate access to employment through ALMPs and the flexibilisation of employment rules so as to make markets more efficient and stimulate employment.

The current Europe 2020 Strategy is an ambitious strategy for overcoming the structural weaknesses of Europe’s economy and improving its competitiveness. This agenda for growth and jobs has explicit and mutually reinforcing targets, i.e. for raising employment (75 % of people aged 20–64 to be in work) and reducing poverty and social inclusion (at least 20 million fewer people in or at a risk of poverty/social exclusion) to be achieved through labour market measures. So far, progress on these targets has not been satisfactory. In 2016, 23.5 % of the EU’s population was at risk of poverty or social exclusion, with substantial gender gaps in the labour market, as well as high youth unemployment, having peaked at 23.7 % in 2013 and in decline since, but still above the level observed in 2008. A recent report indicates a growing polarisation within the EU regarding the incidence of in-work poverty, as 9.6 % of all employed persons in the EU were at risk of poverty in 2017, meaning that 20.5 million European workers lived in households that were at risk of poverty.¹⁶

Due to different institutional social policy legacies and economic and labour market particularities, the implementation of these strategies through the OMC, which is essentially a soft policy mechanism, resulted in different policy instruments and diverse social outcomes at the country level. Social policies had to compete with the stronger and more binding rules of economic policy, anchored in neoclassical economic theory, with governments being urged to control public expenditure and reduce public deficits.¹⁷ As a result of the institutional and ideational

10 Morel, Palier and Palme, “Beyond the welfare state as we knew it,” p. 2.

11 Morel, Palier and Palme, “Beyond the welfare state as we knew it,” p. 2.

12 Caroline de la Porte and Kerstin Jacobsson, “Social investment or recommodification? Assessing the employment policies of the EU member states,” *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*, eds. Natalie Morel, Bruno Palier and Joakim Palme (Bristol: The Policy Press, 2012), p. 117.

13 The OMC is a mode of cooperation between Member States “based on the principles of subsidiarity, convergence through concerted action, mutual learning, and an integrated approach and management by objectives.” Inter alia, countries agree on guidelines and common targets and exchange best practices; joint targets are monitored, allowing countries to compare their progress. At the same time, there are no formal sanctions for not complying, with “naming and shaming” considered to be a sufficient incentive. Linda Hantrais, *Social Policy in the European Union* (Basingstoke: Palgrave Macmillan, 2007), p. 19.

14 Bengt-Ake Lundvall and Edward Lorenz, “From the Lisbon Strategy to Europe 2020,” *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*, eds. Nathalie Morel, Bruno Palier and Joakim Palme (Bristol: The Policy Press, 2012), pp. 334–336.

15 European Commission, *Towards Common Principles of Flexicurity: More and better jobs through flexibility and security – Summary of the Impact Assessment*, COM (2007) 359 final, 27 June 2007.

16 Ramón Peña-Casas, Dalila Ghailani, Slavina Spasova and Bart Vanhercke, *In-work poverty in Europe: A study of national policies*, European Social Policy Network (ESPN) (Brussels: European Commission, 2019).

17 De la Porte and Jacobsson, “Social investment or recommodification?”

set-up, social investment policies, which in most cases require substantial social expenditure, resulted in more flexibilisation and less security, making them workfarist (especially in the Mediterranean and New Member States) and, as such, the opposite of the social investment approach.¹⁸

The EU's social dimension has recently been reinforced with the adoption of the European Pillar of Social Rights (EPSR), proclaimed by the Council of the EU, the European Parliament and the Commission in November 2017 at the Gothenburg Social Summit, where the Commission also set out its vision for a European Education Area by 2025. The EPSR can be understood as a new EU social policy framework.¹⁹ It contains twenty principles and rights structured in three broad chapters (equal opportunities and access to the labour market, dynamic labour markets and fair working conditions, and public support / social protection and inclusion). In March 2018, the European Commission (EC) clarified that the Pillar's principles and rights will be considered within the European Semester,²⁰ while monitoring, comparing and assessing the progress made. Although the European Semester²¹ is, like the OMC, a non-binding instrument, the EU Member States are expected to take action in their own field of competence and thus implement the commitments of the EPSR. This implies that the Member States will be requested to set out, in their National Reform Programmes (NRPs), priorities and concrete actions for the national implementation of the Pillar. Some

claim that the EPSR in the future has the potential to become a real game changer if given adequate financial resources and clearly defined governance tools through an ambitious but realistic roadmap for implementation.²²

Closely related to the principles of the EPSR is the establishment of the European Labour Authority (ELA) in 2019, with a plan for its full operational capacity to be reached by 2023. The agency is to ensure the enforcement of EU rules in the realm of labour mobility, *inter alia* by strengthening administrative cooperation between labour market authorities in the EU, tackling the abuse of labour and social legislation, and organising cross-border control activities, building on existing structures in this realm for a more effective management of cross-border and joint initiatives, and providing a one-stop shop for citizens, businesses, and public authorities.²³ Another related initiative that aims to modernise social security systems, taking into account new forms of work, is the introduction of the European Social Security Number, which will facilitate the identification of persons across borders for social security coordination. In March 2019, the European Parliament and the Council of the EU reached a provisional agreement on the proposal to change Regulation (EC) No 883/2004 on the coordination of social security systems. Proposed changes are related to making rules for long-term care benefits, unemployment benefits, and family benefits fairer, clearer, and easier to apply for. Another recent development is the adoption of the Directive on work-life balance for parents and carers by the European Parliament in April 2019, after almost two years of negotiations. The Directive stipulates minimum standards pertaining to paternity and parental leave, carers' leave and flexible working conditions. It will encourage the sharing of care responsibilities between men and women and enable persons with caring responsibilities to better balance their work and family lives.

The most recent developments in the EU's social realm signal that the social dimension of Europe is continuously evolving and growing. While being subordinate to economic policy, social policy at the EU level has been necessary for the effective economic performance of the single market and the monetary union. Its main weakness has been the soft framework for implementation compared to economic policy, which has had stronger institutional

18 Ibid.

19 Sebastiano Sabato and Francesco Corti, "The times they are a-changin'?" The European pillar of social rights from debates to reality check," *Social policy in the European Union: state of play 2018*, eds. Bart Vanhercke, Dalila Ghailani and Sebastiano Sabato (Brussels: European Trade Union Institute and European Social Observatory, 2018).

20 European Commission, Monitoring the implementation of the European Pillar of Social Rights, COM(2018) 130 final, Strasbourg, 13 March 2018. Also see: Sebastiano Sabato, Dalila Ghailani, Ramón Peña-Casas, Slavina Spasova, Francesco Corti and Bart Vanhercke, *Implementing the European Pillar of Social Rights: what is needed to guarantee a positive social impact* (Brussels: European Economic and Social Committee, 2018).

21 The European Semester starts its annual cycle in November, with the European Commission publishing its autumn package, which, *inter alia*, includes the Annual Growth Survey, outlining general economic priorities for the EU and policy guidance for Member States for the following year. The Commission also provides opinions on countries' draft budgetary plans. After meetings with Member States, it produces a Country Report for each Member State, where countries' economic and social policies are analysed. Member States present their National Reform Programmes and Stability or Convergence Programmes in April. The Commission publishes Country-Specific Recommendations in May, providing each country with policy guidance; these are discussed and endorsed by the European Council. Taking into account these recommendations, Member States submit their draft budgetary plans in October. For more, see European Commission, "European Semester timeline" 2019.

22 Bart Vanhercke, Sebastiano Sabato and Dalila Ghailani, "Conclusions: The European Pillar of Social Rights as a game changer." *Social policy in the European Union: state of play 2018*, eds. Bart Vanhercke, Sebastiano Sabato and Dalila Ghailani (Brussels: ETUI and OSE, 2018), p.153.

23 European Commission, "A European Labour Authority," Factsheet, 2017.

backup and binding rules and thus greater priority over EU social policy. However, taking into account significant economic and social disparities across the EU, strengthening EU social policy becomes necessary as a tool for political re-legitimation and homogenisation within the Union, as well as for the process of EU enlargement.

3

EU Enlargement of the WB6: How Does a Social Dimension Fit In?

3.1 The EU as A Moving Target

The EU's enlargement policy has undergone a significant transformation since the entry of the ten states of Central and Eastern Europe in 2004, followed by Bulgaria and Romania in 2007 and Croatia in 2013. As each round of enlargement uncovered weaknesses of pre- and post-accession, EU institutions have sought to remedy such faults by amplifying conditionality with new requirements that prospective members need to meet.

In many ways, the accession process remains similar to that of the 2004 "big bang." The Copenhagen criteria²⁴ are the main point of reference for accession. Candidate countries that start accession talks negotiate on a number of chapters to harmonise their domestic legislation with the European *acquis*, guided by the technical and financial support of the EU. Given that Bulgaria and Romania in particular showed a rather disappointing track record in fighting corruption post-accession, a novelty in the accession process was formulated in the EC's 2011–2012 Enlargement Strategy. Difficult negotiating chapters – Chapter 23 on judicial reform, the anti-corruption, and fundamental rights, and Chapter 24 on justice, freedom, and security – would be frontloaded to secure enough time to comply with accession criteria and adequate adherence post-ac-

cession, effectively extending the negotiating timeframe for the two chapters.²⁵ Negotiations could halt if progress on these two chapters was judged to be slow. Another change pertains to ensuring harmonisation with EU legislation both *de facto* and *de jure* by introducing interim benchmarks in addition to the opening and closing benchmarks for negotiation chapters.

The 2013–2014 Enlargement Strategy highlights reforms in core areas of the rule of law, fundamental rights, democratic institutions and public administration reform, as well as in the realm of economic development and competitiveness, recognised as the "fundamentals first."²⁶ A stronger emphasis was also placed on regional cooperation and on resolving bilateral disputes early on in the accession process.

Once candidacy is approved and negotiations are to begin, the Commission first performs a detailed examination of each chapter together with the candidate country to see how well the country is prepared. The findings are presented in the form of a screening report, containing the Commission's recommendation to either open negotiations directly or to demand that the country first meets a number of conditions (opening benchmarks).²⁷ One of them is the submission of the Action Plan for the transition, implementation, and enforcement of the *acquis* in all areas covered by a chapter. However, additional preconditions for starting negotiations could be required. For instance, to open Chapter 19 negotiations, Turkey had to fulfil a benchmark

24 They include political criteria (stable democratic institutions, the rule of law, human rights and the respect for and protection of minorities), economic criteria (functioning market economies and capacity to deal with competition and market forces), and administrative and institutional capacity for the implementation of the *acquis* and membership obligations. European Commission, Enlargement Strategy and Main Challenges 2013–2014, COM(2013) 700 final, Brussels, 16 October 2013.

25 European Commission, Enlargement Strategy and Main Challenges 2011–2012, COM(2011) 666 final, Brussels, 12 October 2011.

26 European Commission, 2013–2014 Enlargement Strategy, p. 1.

27 European Commission, "Steps towards joining," 2016.

related to trade union rights in line with EU standards and relevant International Labour Organisation (ILO) conventions.²⁸ Candidate countries submit their position, and the EU needs to adopt a common position prior to the beginning of negotiations; a country's closing benchmarks for a chapter must to be specified before negotiations can close. As of 2014, interim benchmarks have been added to opening and closing benchmarks; this especially pertains to Chapters 23 and 24, but in the case of Serbia, also to Chapter 35 on other issues, including the normalisation of relations with Kosovo.

Besides negotiating on the *acquis*, following the economic crisis, a stronger emphasis has been placed on economic governance, another novelty of the EU's 2013–2014 strategic document. All Western Balkan countries and Turkey have the obligation of drafting annual Economic Reform Programmes (ERPs), which replace the pre-accession economic programmes previously prepared by candidate countries. ERPs define countries' medium-term strategic priorities and objectives, which include a macroeconomic and fiscal framework and structural reforms. The ERPs are assessed by the EC and the European Central Bank (ECB) and such assessments are submitted to the Council of Ministers of the EU. An annual multilateral dialogue meeting, held in May of each year, hosts Ministers of Finance of EU Member States, the WB and Turkey, the EC and the ECB, as well as representatives of WB countries and Turkey's central banks. At this meeting, a country-specific policy guidance outlining the policy priorities for the next year is jointly agreed upon.

The novelty of ERPs is that they go beyond macroeconomic and fiscal issues to more systematically encompass growth and competitiveness.²⁹ The ERP annual cycle also allows for continuous cooperation between all governments in the region and EU institutions, including closer monitoring of countries' reform progress that extends beyond annual meetings of the EU with sectoral sub-committees formed under the Stabilisation and Association Agreements in each country.

However, countries' accession does not only depend on meeting formal membership criteria. The readiness to rapidly expand the Union in the 2000s was rooted in geostrategic considerations, the need to ensure the political stability of new CEE democracies and the economic logic of integration.³⁰ Similar

considerations with respect to the Balkans appear outweighed by the growing dissatisfaction of EU citizens with the prospects of further enlargement, fuelled by what are perceived to be the less successful integrations of Bulgaria and Romania, as well as the consequences of the economic and the refugee crises. These have served as a basis for the position of some countries, such as France, that the Union first needs to undergo internal consolidation before further expansion. Another novelty is the increasingly prominent role that the European Council plays in the accession process, where Member States have a much stronger say in determining whether or not negotiation benchmarks have been met, reducing the "rational and normative decision-making logic" of the process and politicising it with new bilateral conditions.³¹ Simultaneously, the role of the European Commission, the strongest supporter of enlargement, has been weakened in the process, as signalled by the "restructuring" of the Directorate General of Enlargement into one in charge of neighbourhood policy and enlargement. Thus, the accession of the WB6 countries will not only depend on 'own merits' achieved, but also on the willingness of Member States to welcome them into the Union.

As a result of their reform efforts, Albania, Montenegro, North Macedonia and Serbia have obtained candidacy status. Montenegro commenced EU accession negotiations in 2012, and thus far, 32 out of 35 negotiation chapters have been opened and 3 provisionally closed. According to a recent Commission document,³² progress towards meeting the interim benchmarks set in the rule of law chapters will be crucial for further progress in accession negotiations. Serbia, which began negotiations in 2014, has opened 17 out of 35 negotiation chapters, and has provisionally closed two. Albania has been a candidate country since June 2014 and expects to start accession negotiations. North Macedonia, a candidate since 2005, picked up its pace of reform after a new government assumed office in 2017, and even agreed to change its name in order to resolve a decades-long name dispute with Greece, removing an important obstacle on its EU accession path. Although the European Council was expected to give the green light for negotiations to begin with Albania and North Macedonia in mid-2019, this decision has been postponed. BiH and Kosovo have not yet attained candidacy status.

28 Directorate for EU Affairs of the Republic of Turkey, Chapter 19 – Social Policy and Employment, 2019.

29 Tanja Mišević and Mojmir Mrak, "The EU Accession Process: Western Balkans vs EU-10," *Croatian Political Science Review* 54, no. 4 (2017), p. 199.

30 Ibid, pp. 187–189.

31 Ibid, p. 193. See also: Toby Vogel, *Beyond Enlargement: Why the EU's Western Balkans Policy Needs a Reset* (Sarajevo: Friedrich-Ebert-Stiftung, 2018).

32 European Commission, Montenegro 2018 Report, SWD(2018) 150 final, Strasbourg, 17 April 2018.

3.2 EU Accession's Social Dimension: A Second-, Third-, or Fourth-Order Priority?

Social inclusion and solidarity are important EU values, and as such also the substance of EU accession requirements. The social dimension permeates accession negotiations as countries are expected to align their legislation with the EU's *acquis*.

The social *acquis* consists of a number of relevant chapters. Chapter 19 on social policy and employment spells out the minimum standards in terms of labour rights, equal treatment of women and men in employment, social security and health and safety at work. Specific binding rules have also been developed with respect to non-discrimination on the grounds of racial and ethnic origin, religion or belief, disability, age or sexual orientation. Out of the WB6 countries, only Montenegro has begun negotiations on Chapter 19 to date.

Chapter 2 on the freedom of movement for workers establishes the need to secure the same employment and social conditions of all workers throughout the EU. This entails efforts to prepare for the coordination of social security systems and the development of bilateral agreements on social insurance, ensuring non-discrimination, as well as coordination through the European network of employment services (EURES). To date, Montenegro has opened this chapter.

Chapter 23 also provides the basis for a social dimension as social rights are covered by the EU's Charter of Fundamental Rights and Member States, must, under this Chapter, "ensure respect for fundamental rights and EU citizens' rights, as guaranteed by the *acquis* and by the Fundamental Rights Charter."³³ EU's screening reports and countries' action plans for this chapter, however, generally do not treat social or employment-related matters, as these are reserved for Chapter 19. Serbia's and Montenegro's action plans for Chapter 23 feature measures relating to equal treatment and non-discrimination and to ensuring the protection of vulnerable groups such as children, persons with disabilities, or national minorities; there are only a few social and employment-related measures in relation to these groups.³⁴

Other chapters that are relevant for the social dimension include Chapter 26 on education and culture, which covers the EU *acquis* in the areas of education and training, and youth as an important cross-cutting issue, and Chapter 28 on consumer and health protection, which spells out requirements in relation to health protection policy. To date, both Montenegro and Serbia have opened and have provisionally closed Chapter 26, while Montenegro has also opened Chapter 28.

Beyond accession talks with candidate countries, coordination efforts pertaining to standards and best practices are another dimension of the EU's social harmonisation. Member states participate in policy cooperation and policy making at EU level, while prospective members may 'audit' some cooperation processes. The Union's strategic documents pertaining to this area, i.e. Europe 2020, the European Employment Strategy (EES), Education and Training 2020, or the EC's European Disability Strategy 2010–2020, are important guideposts during pre-accession. Although the implementation of the EPSR is not compulsory for enlargement countries, its implementation is a move in a right direction since the Pillar builds upon rights contained in the *acquis*.³⁵ In addition to international agreements such as relevant ILO and UN conventions, the 2030 Agenda for Sustainable Development will also play a significant role in the enlargement process, as it is expected to represent the framework for the next, post-Europe 2020 strategy.³⁶

Given the Western Balkans' slow road to accession, which has been closely monitored by the EU, it is somewhat surprising that social issues have not gained more prominence in light of the region's socioeconomic challenges. Indeed, scholars of the social situation in the Balkans have frequently assessed the EU's track record in the region as insufficient and sometimes over-shadowed by the intervention of other international institutions, such as the World Bank or the International Monetary Fund. As Deacon, Stubbs, and Lendvai point out, although the idea of Social Europe is expected to permeate social policy reforms as countries gear up for EU ac-

³³ European Commission, "Conditions for membership – Chapters of the *acquis*," 2019.

³⁴ For instance, Montenegro's Action Plan for Chapter 23 includes employment-related measures in relation to persons with disabilities, for instance, such as including persons with disabilities in active labour market policies, ensuring their professional rehabilitation, or fostering their employment through special grant schemes; as well as support for deinstitutionalisation. For more, see: Government of Montenegro, Action Plan for Chapter 23 – Judiciary and Fundamental Rights, 19 February 2015; Serbia's Action Plan for

this chapter covers measures such as social assistance for vulnerable families and children with disabilities; and social services such as day-care for children and persons with disabilities. Government of Serbia, Action Plan for Chapter 23, April 2016.

³⁵ Olivier De Schutter, "The European Pillar of Social Rights and the Role of the European Social Charter in the EU Legal Order," Council of Europe, 14 November 2018.

³⁶ Bart Vanhercke, Sebastiano Sabato and Dalila Ghailani, "Conclusions: The European Pillar of Social Rights as a game changer," *Social policy in the European Union: state of play 2018*. Eds. Bart Vanhercke, Dalila Ghailani and Sebastiano Sabato (Brussels: ETUI and OSE, 2018), p. 170.

cession, “the EU and models of a social Europe are absent from centre stage in most of the key debates and technical assistance programmes of the EU regarding policy reform in South Eastern Europe.”³⁷ Stambolieva also finds that, while the EU accession process has “increased the likelihood of international exchanges, in this case incorporating a social dimension,” its role has been uneven in the region.³⁸ A 2014 publication by the Foundation for European Progressive Studies and SOLIDAR also highlighted the need to improve the social dimension of EU enlargement in the region.³⁹

Nevertheless, the 2011–2012 Enlargement Strategy stresses that “the Commission emphasises employment and social policies in its policy dialogue and encourages countries to set clear and realistic targets in these two areas and to better target and prioritise social spending.”⁴⁰ Moreover, it underlines that the dialogues on economic policy and on employment and social policies that are taking place between the Commission and countries in the region reflect Europe 2020 objectives, which also serve as a guide for the programming of social assistance.⁴¹

A somewhat more explicit focus on social issues is articulated in the 2013–2014 Enlargement Strategy. In addition to the idea of addressing weak labour market performance through structural reforms inherent to the ERPs, the document highlights that the Commission has started “a new dialogue on employment and social reform programmes (ESRPs) with Serbia, and North Macedonia and Montenegro are to follow” (all three had adopted such programmes by 2017). The document underlines that, given the more challenging socioeconomic situation of potential candidates, “extra support will be needed to build administrative capacity to facilitate participation” in this dialogue.⁴² This is also reiterated in the 2014–2015 Strategy, which also announces that an employment and social platform will be launched as a further tool for countries to exchange experiences

and prepare to engage in the ESRP process.⁴³ However, the 2015 EU Enlargement Strategy, adopted for the mandate of the 2014–2019 Commission, provides a different outlook. The ESRPs are no longer mentioned; rather “from next year, the Economic Reform Programmes will be presented as a single integrated document with a stronger focus on employment and social challenges.”⁴⁴

The 2013–2014 Strategy also makes a reference to a regional 2020 strategy, which is to address Europe 2020 priorities. The “SEE 2020 strategy” was prepared by the Regional Cooperation Council (RCC) in 2013 upon the request of governments in the region and the Commission. It focuses on achieving integrated, smart, sustainable and inclusive growth, and features labour market, education, and healthcare measures. Employment and labour market mobility are to be induced, labour market governance is to be enhanced based on a flexicurity approach, social economy initiatives are to be stimulated and the health status of the population is to be improved (mainly through cross-border cooperation between health systems to facilitate labour mobility). However, unlike Europe 2020, the strategy lacks a more substantial social dimension. It assumes that economic growth, if achieved in the planned manner, will resolve high unemployment and labour market inactivity (seen to be the consequence of lacking skills and competences in the labour force)⁴⁵ and set the region on the tracks of economic development and convergence with the EU.

As new forms of economic and social dialogue were initiated by the EC in the region, round two of the Instrument of Pre-Accession Assistance (IPA) was launched for the 2014–2020 period, with 11.7 billion euros dedicated to enlargement countries. Unlike previous rounds of assistance, IPA II takes on a sectoral approach, with countries defining priorities to be supported. Western Balkan countries have developed, with the support of the EU, sector planning documents in the employment, skills and social policy realm in recent years.⁴⁶ The ERP and ESRP processes are also to be supported by the instrument.⁴⁷ A novelty of IPA II is budget support that

37 Bob Deacon, Noemi Lendvai and Paul Stubbs, “Social policy and international interventions in South East Europe: conclusions,” *Social Policy and International Interventions in South East Europe*, Bob Deacon and Paul Stubbs, Eds (Cheltenham, UK: Edward Elgar, 2007), p. 228.

38 Marija, Stambolieva, *Welfare State Transformation in the Context of Socio-economic and Political Changes: A Comparative Analysis of the post-Yugoslav States: Slovenia, Croatia, Serbia and Macedonia*, PhD Dissertation (Kassel: University of Kassel, 2014), p. 291.

39 See, for instance: Pierre Mirel, “The transformative power of enlargement needs to improve the social situation,” *The Social dimension of EU Enlargement*, eds. Ernst Stetter and Conny Reuter (Brussels: FEPS and SOLIDAR, 2014), pp. 19–25.

40 European Commission, 2011–2012 Enlargement Strategy, p. 11.

41 Ibid, p. 10.

42 European Commission, 2013–2014 Enlargement Strategy, p. 5.

43 European Commission, *Enlargement Strategy and Main Challenges 2014–15*, COM(2014) 700 final, 8 October 2014, Brussels, p. 8.

44 European Commission, *EU Enlargement Strategy*, COM(2015) 611 final, Brussels, 10 November 2015, p. 8.

45 Regional Cooperation Council, “South East Europe 2020 Strategy: Jobs and Prosperity in a European perspective,” November 2013, p. 30.

46 Montenegro has also adopted an operational programme for education, employment and social policies for the 2015–2017 period, streamlined with the sector planning document and the ESRP.

47 European Commission, 2013–2014 Enlargement Strategy, p. 6.

countries can direct towards the implementation of certain policies, with the precondition of observing public financial management standards.⁴⁸ Other financing schemes in the social realm include the EU Programme for Employment and Social Innovation (EaSI), which candidate and potential candidate countries may participate in; the Erasmus+ programme, which funds academic and youth mobility and cooperation and involves all countries of the region as either programme or partner countries; and the EU Health Programme, in which BiH and Serbia are taking part.

A few years later, the Commission's 2018 Western Balkans Strategy explicitly aimed to deliver a "new reinforced social dimension" as part of a flagship initiative to enhance support for socio-economic development (six initiatives are foreseen in total). Such a reinforced social dimension "will see more focus on employment and social policies, with increased financial assistance to support the social sector, in particular education and health."⁴⁹ The document promised a closer alignment of the countries' annual ERPs with the European Semester. Moreover, ERP measures that pertain to social challenges and structural unemployment were to be prioritised,⁵⁰ and relevant policies monitored. An annual EU-WB Ministerial meeting on social and employment issues was proposed⁵¹ and the first one was held in June 2019.

A palpable change since the strategy's adoption pertains to the inclusion of the EPSR in the countries' annual economic coordination with the EU. The EPSR, monitored as part of the European Semester for Member States, is as of 2019 featured in the EC's assessments of enlargement countries' 2019/2021 ERPs. This means that key indicators from the Social Scoreboard, by which the implementation of the Pillar is monitored, are included in the EC's assessments for each country.⁵² In addition to the Social Scoreboard, the EC's 2019 assessments differ from those of earlier years in that they include a more detailed overview of key challenges and important developments of countries by area, including the labour market, education, and social policies.

The following chapters review the key challenges in individual areas of social welfare, the EU's expectations, WB6 countries' key commitments as-

sumed in the processes of strategic social reform, as well as reported reform outcomes. As most reforms in the social realm require time for implementation, priority reform measures for most countries have changed little over time. The analysis thus primarily focuses on reforms outlined in countries' ERPs for the last three years, and the ESRPs of the countries that have adopted them.

⁴⁸ Ibid, p. 3.

⁴⁹ European Commission, "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans," p. 18.

⁵⁰ Ibid, p. 5.

⁵¹ Ibid, p. 13.

⁵² For more, see: European Commission, "Social scoreboard: Supporting the European Pillar of Social Rights," 2019.

4

Education in the WB6: Great Expectations, Poor Outcomes

4.1 Education: Main Challenges

Access to education in the WB6 region remains a serious challenge with respect to higher and pre-primary education, with enrolment being lower than in the EU (Graph 1).

One of the targets of the Europe 2020 strategy is to increase the share of 30–34-year-olds who have completed tertiary education to at least 40 % by 2020, which the EU reached in 2018. The countries of the WB6 region are at the bottom of the ladder of European countries when it comes to tertiary completion rates for this age group, with Albania and BiH being the poorest performers in the WB6 region (Graph 2).

The WB6 region also lags behind in terms of the participation of adults in formal or non-formal education and training: available indicators suggest that the share of persons aged 25–64 participating in learning was only 3.2 % in Montenegro, 2.4 % in North Macedonia and 4.1 % in Serbia in 2018, in comparison to an EU28 average of 11.1 % that year.⁵³

Unequal access to different levels of education is a serious concern. For instance, pupils and students from poorer households and from rural areas are less likely to attend education institutions in the first place, and much less likely to complete tertiary education. Inequalities conditioned by economic status are apparent when looking at the percentages of pupils and students belonging to the poorest quintile who are able to attend pre-primary education or to complete at least two years of tertiary education in comparison to the percentage of pupils or

students belonging to the richest quintile (Graphs 3 and 4). Beyond economic status (or in combination with it), pupils and students belonging to an ethnic minority group such as the Roma,⁵⁴ with a disability, or living in rural areas also face significant exclusion from education in the countries of the region.

Early school leaving from education and training, as another important indicator of educational equity, is generally not a widespread phenomenon in the region, and with the exception of Albania and Kosovo, already conforms with the to Europe 2020 target of being below 10 % (Graph 5). Nevertheless, overall shares of early school leavers mask the fact that pupils from underprivileged backgrounds are disproportionately affected. The Roma minority continue to face high drop-out rates throughout the region.

The quality of education systems in the region is lacking, as visible from the results of the OECD's Programme for International Student Assessment (PISA). A significant share of 15-year-old students perform below Level 2, which denotes basic aptitude, in three different subject areas (Graph 6). According to

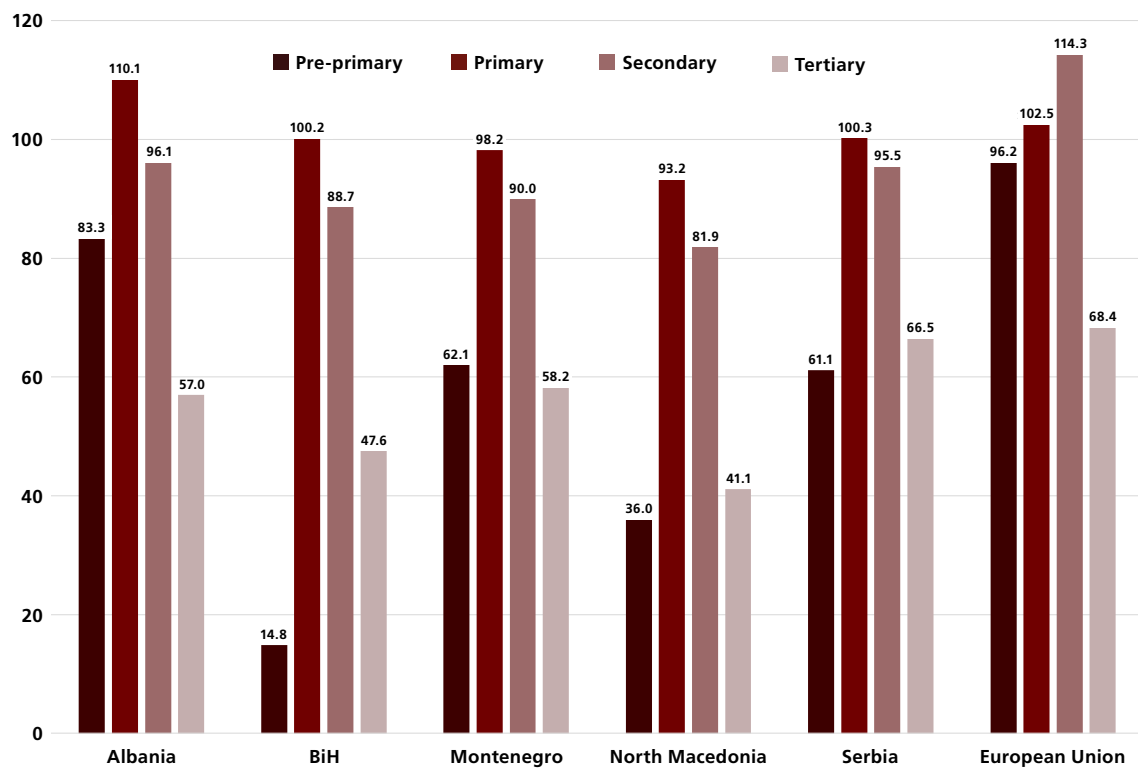
⁵³ Eurostat, "Adult participation in learning by sex – % of population aged 25 to 64 [sdg_04_60]."

⁵⁴ For instance, see UNDP, The World Bank and European Commission, "Regional Roma Survey 2017: Country fact sheets," 2018; Monica Robayo-Abril and Natalia Millan, *Breaking the Cycle of Roma Exclusion in the Western Balkans* (Washington, D.C.: World Bank, 2019).

⁵⁵ For all countries and EU, 2017, except BiH (2014) and North Macedonia (2015). Data not available for Kosovo. Values over 100 % are possible as students who are older or younger than the considered age group may be included (for instance, due to repeating a grade, due to later enrolment or faster completion of grades).

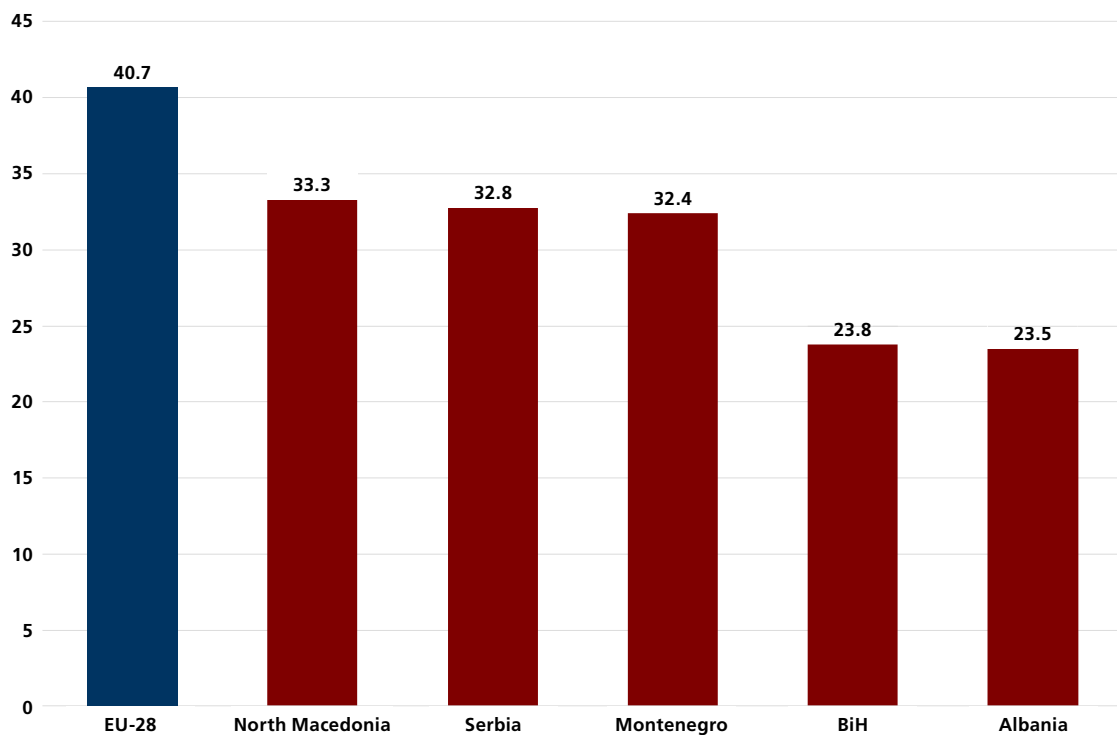
⁵⁶ Eurostat, "Population aged 30–34 with tertiary educational attainment level by sex [yth_educ_020];" for Albania and BiH: Eurostat, "Proportion of 30–34-year olds having completed tertiary or equivalent education," *Enlargement countries – education statistics*.

Graph 1: Gross enrolment ratios in education in WB and EU28, pre-primary to tertiary, last available year (in %)



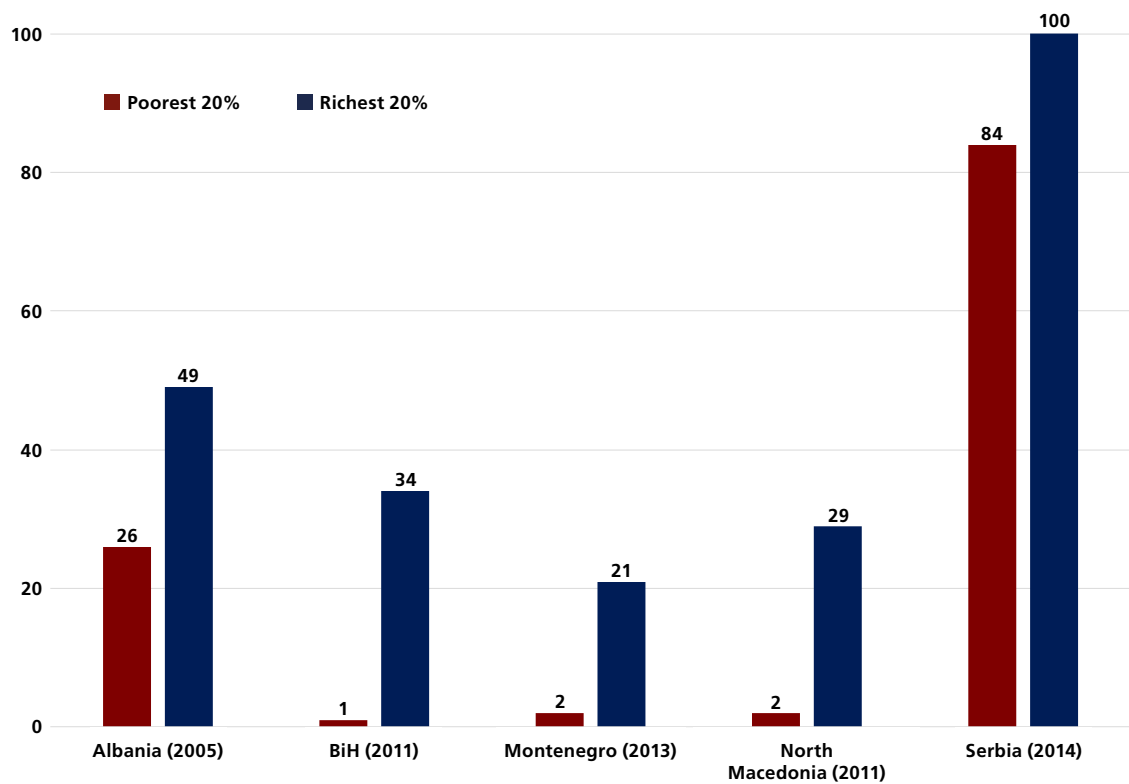
Note: Children aged 3 years and older are usually enrolled in pre-primary education.
Source: UNESCO Institute for Statistics (uis.unesco.org) and UN Data (data.un.org).⁵⁵

Graph 2: Share of population aged 30–34 with tertiary educational attainment, 2018



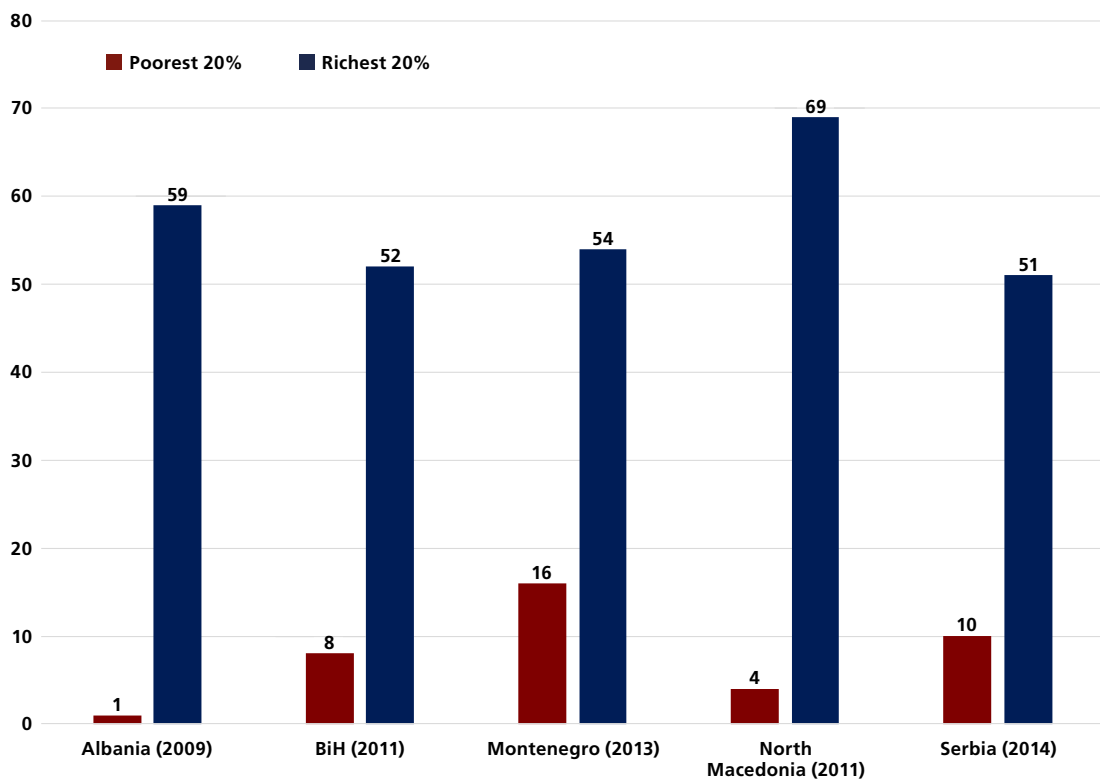
Note: Data for Kosovo not available; data for Albania and BiH pertain to 2017.
Source: Eurostat.⁵⁶

Graph 3: Share of pupils from poorest and richest 20 % of population attending pre-primary education



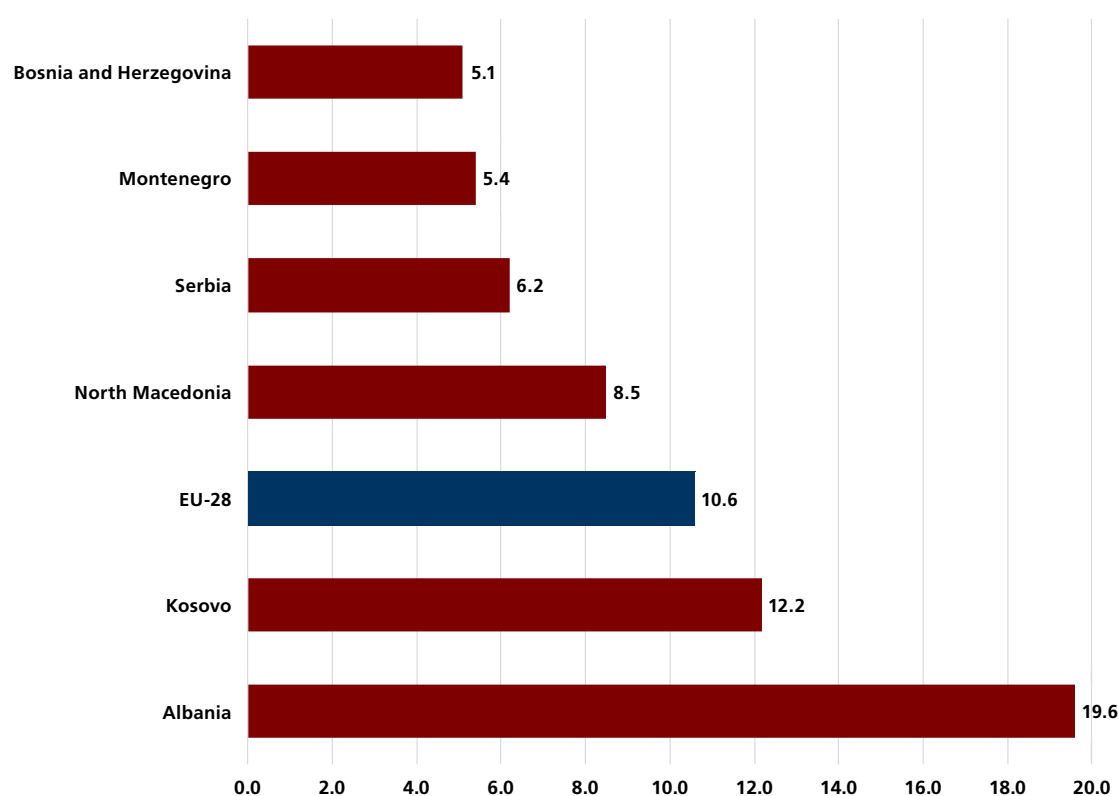
Source: World Inequality Database on Education⁵⁷

Graph 4: Tertiary completion rates, percentage of pupils from poorest and richest 20 % of population, at least 2 years of education



Source: World Inequality Database on Education

Graph 5: Early school leavers (ages 18–24 as % of population of same age), 2018

Source: Eurostat⁵⁸

the World Bank, based on PISA data calculations, “at the current rate of progress, it would take Western Balkan countries 29 years to reach today’s EU reading average.”⁵⁹

Another important indicator of poor-quality education are the prevalent skills mismatches in secondary and higher education throughout the region, which complicate school-to-work transitions and lead to structural unemployment in the labour market.⁶⁰ In the higher education realm, 2015 research shows that out of the 53% of students that complete their study programme, only 52% find a job – and of them, only 48% find employment well-matched to their educational level, indicating low

internal effectiveness of higher education and labour market systems in the region.⁶¹ According to data from the 2018/2019 FES Youth Study Southeast Europe, on average, 49% of young people from the WB6 region who were employed said that they were working in jobs they had not been trained for.⁶²

4.2 EU Expectations: Towards Market-Driven Education Reforms?

Requirements regarding education reform as part of the EU accession process are primarily reflected in the binding rules of the *acquis*, contained in Chapter 26 on education and culture. Beyond the *acquis*, the importance of education is also regularly highlighted in the EU’s strategic documents for the region, such as the 2018 Western Balkans Strategy.

⁵⁷ Based on various surveys, such as the Multiple Indicator Cluster Survey (MICS), European Union Statistics on Income and Living Conditions (EU SILC) or Demographic and Health Survey (DHS). No data for Kosovo. Household data has been classified into five groups by wealth (proxies for wealth differ – household characteristics/assets in the case of DHS and MICS; disposable income in the case of EU SILC).

⁵⁸ Eurostat, “Early leavers from education and training,” Enlargement countries – education statistics.

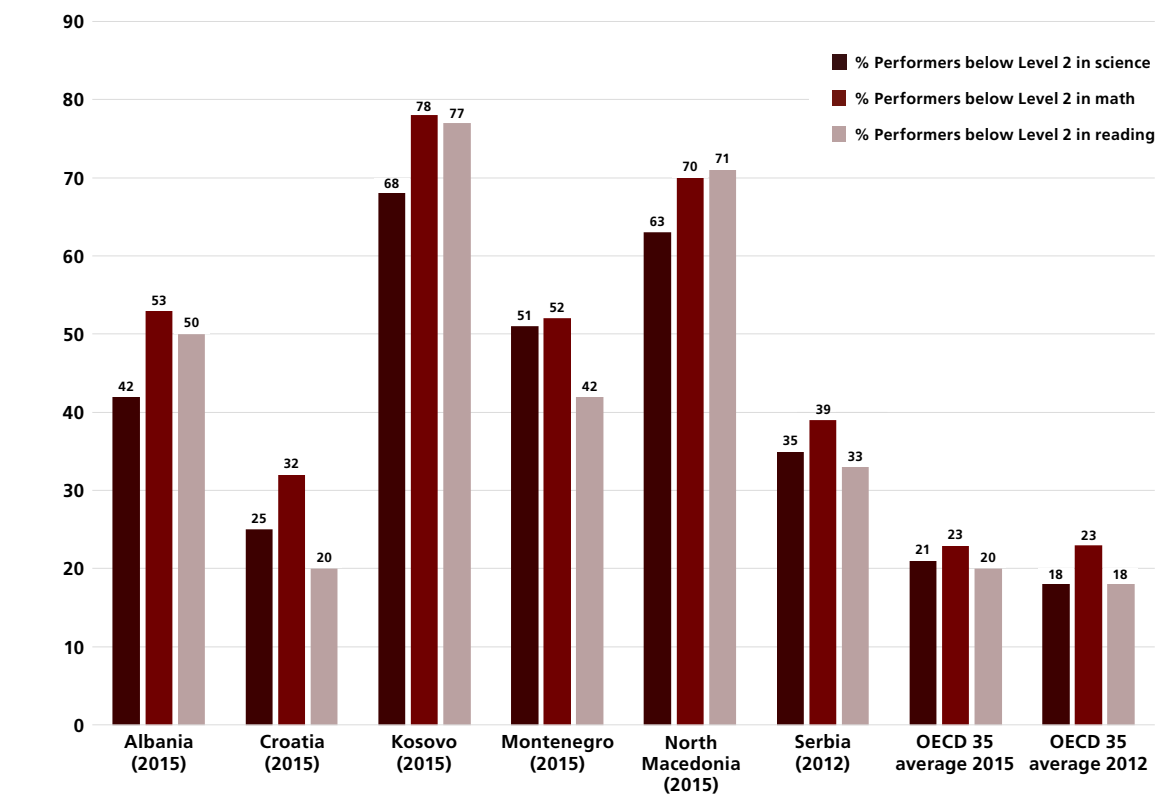
⁵⁹ World Bank, Reform Momentum Needed, Western Balkans Regular Economic Report, no. 15 (Washington, D.C.: World Bank Group, 2019), p. 50.

⁶⁰ See, for instance, Mihail Arandarenko and Will Bartlett, eds., Labour Market and Skills in the Western Balkans (Belgrade: Foundation for the Advancement of Economics, 2012); World Bank, Reform Momentum Needed, p. 50.

⁶¹ Will Bartlett, Milica Uvalić, Niccolo Durazzi, Vassilis Monastriotis and Tanguy Sene, From University to Employment: Higher Education Provision and Labour Market Needs in the Western Balkans: Synthesis Report, ed. Helene Skikos, European Commission (Luxembourg: Publications Office of the EU, 2016), p. 10.

⁶² See: Mirna Jusić, “Employment,” *Youth Study Southeast Europe 2018/2019* (Sarajevo: Friedrich-Ebert Stiftung, 2019), p. 29.

Graph 6: Percentage of performers below Level 2 in different subject areas, WB countries and OECD average (2012 and 2015 data)

Source: OECD PISA⁶³

The EU has certainly been investing in education in the WB6 region. Education is a core area of the 2014–2020 IPA II, taking on a prominent role in countries' sector planning documents. It constitutes an important part of the SEE 2020 Strategy. Mobility initiatives, such as the Erasmus+ programme, have proven invaluable for students and teachers from the region; the 2018 Western Balkans Strategy announces that funding for the programme will be doubled. Regional cooperation and countries' policy exchange is also supported. In 2012, the EU launched the Western Balkans Platform on Education and Training, as part of which the annual Ministerial Meeting is organized as a venue to identify priorities, discuss recent policy and reform measures, and set topics for regional cooperation to be supported by the EU. As part of accession efforts, all candidate countries have also appointed representatives to participate in the EU's strategic framework for European cooperation in education and training (ET 2020) thematic working groups as part of the OMC, an opportunity for policy

exchange and learning. Countries of the region also receive policy support from the European Training Foundation (ETF) in reforming their education, training and labour market systems. WB candidate countries have also joined the European Alliance for Apprenticeships, which provides them with support in improving their apprenticeship systems.

The EU's strategic documents pertaining to the Western Balkans show that vocational education and training (VET) figures prominently in the education realm. The 2018 Western Balkans Strategy states, for instance, that "enhanced support should be provided to education, in particular vocational education and training and skills as well as teacher training and pre-school education."⁶⁴ The EC's 2019 Communication on enlargement announced the launch of a new VET mobility scheme for vocational education and training in the region.⁶⁵ Revised 2018 IPA Indicative Strategy Papers for WB6 countries also promise support for education and training systems that are better adapted to the needs of the labour market, but also for inclusive and quality education.

⁶³ The assessment was not conducted in Serbia in 2015. Thus, data from the 2012 assessment are provided for Serbia, as well as the OECD averages for that year. OECD, PISA 2015 Results (Volume 1): Excellence and equity in education (Geneva: OECD, 2016), p. 204; OECD, PISA 2012 Results: What Students Know and Can Do: Student Performance in Mathematics, Reading and Science, Volume 1 (Geneva: OECD, 2014).

⁶⁴ European Commission, A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, p. 13.

⁶⁵ European Commission, 2019 Communication on EU Enlargement Policy, COM(2019) 260 final, 29 May 2019, Brussels.

Table 1: Recommended Education Reforms: Annual Policy Guidance 2017–2019

Countries	2017	2018	2019
Albania	"Intensify teacher training to improve quality of teaching and support curricular reform."	"Support the development of basic education and increase the investment in initial teacher training."	"Increase investment in early childhood education and care, especially for increasing enrolment of children from vulnerable families." "Increase spending on education and research in percentage of GDP in line with the government's policy objectives."
BiH	"Increase enrolment in pre-school education. Address skills mismatches by increasing participation in vocational and higher education programmes relevant for labour market needs."	"Increase enrolment in pre-school education. Undertake a review of secondary and higher education enrolment policies in order to improve their links with the labour market needs."	"Undertake a review of secondary and higher education enrolment policies in order to improve their links to the current and prospective needs of the domestic labour market."
Kosovo	"Target reforms in vocational education and training and higher education on business sectors with labour demand and job creation potential. Increase enrolment in pre-school education."	"Conduct a skills needs analysis for identification of priority sectors to inform the review of occupational profiles and curricula [...] Increase enrolment in pre-school education."	"Increase the provision of vocational education and training for professions in demand. Increase investments in education with particular focus on expanding early childhood education."
Montenegro	"Improve school-to-work transitions through work-based learning and promoting the appeal of vocational professions."	"Increase enrolment in vocational and higher education corresponding to labour market needs."	"Establish a solid monitoring and evaluating mechanism on the implementation and results of practical learning at vocational and higher education."
North Macedonia	"Improve the qualifications of teachers and increase enrolment in pre-school education. Stimulate work-based learning in both initial and continuous vocational education and training."	"Modernise the education system at all levels by further improving the infrastructure, curricula and teacher qualification. Pursue the reform of the VET system to facilitate school- to-work transition. [...] Increase enrolment in pre-school education."	"Strengthen the governance in the education sector in order to accelerate the modernisation of the education system at all levels through improving infrastructure, curricula and teachers' qualifications."
Serbia	"Develop dual learning in vocational education and training in close cooperation with social partners."	"Involve closely all relevant actors for the country-wide roll-out of dual learning."	None

Source: Council of the European Union's Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey – 2017–2019⁶⁶

Education reform assumes an important role in countries' annual ERPs, as well as the policy guidance agreed upon by EU institutions and WB governments each year (Table 1).

As can be seen from Table 1, the predominant focus of suggested reforms pertains to skills mismatches. VET and education that are more aligned with labour market needs constitute the main suggestions. To some extent, but not for all countries and not consistently, countries are advised to in-

crease participation rates in preschool education. Strengthening education quality is primarily recommended through curricular reform and teacher qualifications and training. Considerations of equality in access to education are almost entirely absent, as are governance-related matters, such as curbing corruption.

4.3 Education Reforms: Countries' Lacklustre Commitments and Outcomes

How do countries respond to the requirements and proposals set by the EU? What reforms do they engage in and what are their outcomes? Given the EU's strong strategic focus on skills, it does not come as a surprise that in countries' annual ERPs,

⁶⁶ Council of the European Union, Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, 9655/17, Brussels, 23 May 2017; Council of the European Union, Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, 9319/18, Brussels, 25 May 2018; Council of the European Union, Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, 9474/19, Brussels, 17 May 2019.

VET represents the core of structural reform in education. However, countries are on different tracks in that regard: some have instituted more ambitious, multifaceted reforms than others, for instance by trying to address the issue of skills mismatches, outdated vocational qualifications and standards and the irrelevance of programs, inadequate funding formulas, underinvestment in facilities and poor teacher training, or of low interest in VET. Individual countries, such as Albania, plan to introduce elements of dual education, while others, such as Montenegro or Serbia, have already taken concrete steps in that regard. With the exception of the latter examples, the importance of a wider institutional framework and relevant actors does not appear to have been taken into account with regards to VET reform. While some countries do report making efforts to involve employers to secure practical training for VET students and graduates, measures to substantially strengthen the role and the involvement of social partners in education are generally not foreseen. Given the weak state of social dialogue in the region, such measures would be deemed more than necessary to secure better linkages with labour markets. Strengthening institutions in charge of VET policy and oversight is generally not a priority.

While a few countries report progress in overhauling VET curricula and increasing participation rates, it remains questionable to what extent countries have improved their VET programmes. Major obstacles are contained in a persistently poor quality of VET⁶⁷ (usually due to slow development⁶⁸ and poor implementation of revised curricula⁶⁹ or the lack of teacher training⁷⁰) or a lack of access to VET in rural areas.⁷¹ Serbia and Montenegro stand out because of their recent success in introducing dual education,⁷² though Montenegro still records high numbers of student transfers from VET to higher

education⁷³ and both need to increase the relevance of their general secondary⁷⁴ or higher education.⁷⁵

The emphasis on VET reform leaves the impression that improving basic education is not a priority in the region,⁷⁶ despite its poor quality. Continuous curricular reform in primary and secondary education is pursued in some countries,⁷⁷ while others have completed such a task in earlier years. However, actual implementation is considered to be poor due to inadequate investment in a number of countries, most notably Albania and BiH.⁷⁸

Despite its many deficiencies in the region, tertiary education is rarely mentioned in ERPs, usually in relation to the development of quality assurance mechanisms,⁷⁹ an enhanced practical orientation⁸⁰ or new funding modalities.⁸¹ Slow reform progress is especially evident in BiH, where disputes between accreditation agencies at different administrative levels of government have prevented the accreditation of higher education institutions and new programmes, which has even threatened the country's participation in the Erasmus+ programme.⁸² Persistently low tertiary education completion rates in all countries suggest that reforms in improving the quality of and access to higher education are progressing rather slowly.

67 European Commission, Economic Reform Programme of Albania (2018–2020): Commission Assessment. SWD(2018) 135 final, Brussels, 17 April 2018, p. 16; European Commission, Economic Reform Programme of Albania (2019–2021): Commission Assessment. SWD(2019) 166 final, Brussels, 11 April 2019, pp. 21–22; European Commission, Economic Reform Programme of Kosovo (2019–2021): Commission Assessment, SWD(2019) 168 final, Brussels, 11 April 2019, p. 18.

68 European Commission, Assessment of Kosovo 2019–2021 ERP, p. 29.

69 European Commission, Albania 2019 Report, SWD(2019) 215 final, Brussels, 29 May 2019, p. 88.

70 European Commission, North Macedonia 2019 Report, SWD(2019) 218 final, Brussels, 29 May 2019, p. 86.

71 European Commission, Albania 2019 Report, p. 79.

72 European Commission, Serbia 2019 Report, SWD(2019) 219 final, Brussels, 29 May 2019, p. 84; European Commission, Economic Reform Programme of Montenegro (2018–2020): Commission Assessment, SWD(2018) 131 final, Brussels, 17 April 2018, p. 16.

73 European Commission, Montenegro 2019 Report, SWD(2019) 217 final, Brussels, 29 May 2019, p. 84.

74 European Commission, Serbia 2019 Report, p. 84; European Commission, Montenegro 2019 Report, p. 84.

75 European Commission, Montenegro 2019 Report, p. 84.

76 This is noted in the European Commission's assessment in the cases of Albania and North Macedonia. E.g. see: European Commission, Economic Reform Programme of Albania (2016–2018): Commission Assessment, SWD(2017) 140 final, Brussels, 21 April 2017, p. 19; European Commission, Economic Reform Programme of the Former Yugoslav Republic of Macedonia (2018–2020): Commission Assessment, SWD(2018) 134 final, Brussels, 17 April 2018, p. 16.

77 Council of Ministers of Republic of Albania, Economic Reform Programme 2017–2019, 31 January 2017; Council of Ministers of Republic of Albania, Economic Reform Programme 2018–2020, 31 January 2018; Council of Ministers of Republic of Albania, Economic Reform Programme 2019–2021; Ministry of Finance of the Republic of Macedonia, Economic Reform Programme 2019–2021, January 2019, p. 35.

78 European Commission, Assessment of Albania's 2019–2021 ERP, p. 20; European Commission, Economic Reform Programme of Bosnia and Herzegovina (2017–2019): Commission Assessment, SWD(2017) 146 final, Brussels, 21 April 2017, p. 17; European Commission, Bosnia and Herzegovina Analytical Report, SWD(2019) 222 final, Brussels, 29 May 2019, 2019 p. 153; European Commission, North Macedonia 2019 Report, p. 85.

79 Ministry of Finance of the Government of Macedonia, ERP 2019–2021, p. 36; Government of the Republic of Kosovo, Economic Reform Programme 2018–2020, pp. 92–93.

80 European Commission, Assessment of Montenegro's 2018–2020 ERP, p. 16.

81 Ministry of Finance of the Government of Macedonia, ERP 2019–2021, p. 36; European Commission, Assessment of Montenegro's 2018–2020 ERP, p. 16; Government of the Republic of Kosovo, ERP 2018–2020, pp. 92–93; European Commission, Montenegro 2019 Report, p. 85.

82 European Commission, BiH Analytical Report 2019, p. 153.

Despite research for the region pointing to a low level of cooperation between higher education institutions and employers regarding curriculum design and the recruitment of graduates,⁸³ such cooperation is generally not addressed by reforms. Neither is the problem of corruption in higher education, which is frequently mentioned by research conducted in the region.⁸⁴

Greater access to quality preschool education is understood as a core pillar of a state's social investment orientation. A lack of access to quality and affordable preschool education not only hampers children's opportunities for development, but also impedes parents', and especially women's participation in the labour market. Despite regularly being emphasised in annual policy guidance, preschool education is generally not a priority structural reform in countries' ERPs. While some countries envisage the expansion of preschool capacities,⁸⁵ the development of learning standards,⁸⁶ or greater access to preschool education in rural areas,⁸⁷ the affordability of preschool programmes as a significant obstacle is not tackled. Incremental reform and poor performance are frequently noted in the EC's assessments and progress reports; only a few countries have recently been commended for their efforts, such as Albania's implementation of teacher training following new early childhood education curricula⁸⁸ and North Macedonia's efforts to invest in preschool infrastructure and quality teacher training.⁸⁹

Adult education and life-long learning is the focus of reform in some countries, but such reforms appear rather incremental. A lack of training facilities and programs, especially in remote areas, are seen to pose challenges in several countries,⁹⁰ while others have not developed their qualifications systems enough to allow for upskilling.⁹¹

Inclusive education is to be ensured through support mechanisms such as free textbooks,⁹² trans-

portation, accommodation,⁹³ scholarships for ethnic minorities,⁹⁴ greater accessibility of education in rural areas,⁹⁵ free-of-charge VET or higher education for disadvantaged students,⁹⁶ and the assistance or the removal of physical barriers for students with disabilities.⁹⁷ While some countries show progress in terms of greater enrolment of traditionally excluded groups of students and pupils,⁹⁸ improved financial support,⁹⁹ assistants¹⁰⁰ or mediators¹⁰¹ and strategic frameworks for inclusion,¹⁰² a number of obstacles persist, including the inaccessibility of preschool education,¹⁰³ the exclusion of children with disabilities from general education,¹⁰⁴ the segregation of students along ethnic lines,¹⁰⁵ inadequately trained teaching staff or a lack of assistants to work with children with disabilities,¹⁰⁶ high drop-out rates of Roma students,¹⁰⁷ or a lack of support for inclusion measures as envisaged by national legislation.¹⁰⁸ Early school leaving as a form of education exclusion is the subject of reforms in some countries, such as Kosovo and Serbia, which plan to develop a system of monitoring so as to be able to prevent early school

93 Ministry of Labour and Social Policy of the Republic of Macedonia, Employment and Social Reform Programme 2020, Skopje, July 2017, p. 45.

94 Government of the Republic of Kosovo, ERP 2018–2020, p. 92; Ministry of Labour and Social Policy of Macedonia, ESRP 2020, p. 45.

95 Council of Ministers of Albania, ERP 2019–2021.

96 Ministry of Labour and Social Policy of Macedonia, ESRP 2020, p. 45.

97 Government of the Republic of Kosovo, ERP 2018–2020, p. 92; Ministry of Labour and Social Policy of Macedonia, ESRP 2020.

98 Council of Ministers of the Republic of Albania, ERP 2018–2020, p. 92, ERP 2019–2021, p. 109. European Commission, Montenegro 2019 Report, p. 31; European Commission, Kosovo 2019 Report, SWD(2019) 216 final, Brussels, 29 May 2019, p. 31; European Commission, North Macedonia 2019 Report, p. 86; European Commission, Serbia 2019 Report, p. 84.

99 European Commission, Serbia 2019 Report, p. 30; European Commission, Kosovo 2019 Report, p. 31.

100 European Commission, Albania 2019 Report, p. 30.

101 European Commission, Montenegro 2019 Report, p. 31; European Commission, North Macedonia 2019 Report, p. 32.

102 European Commission, Montenegro 2019 Report, p. 84.

103 European Commission, Assessment of Kosovo's 2019–2021 ERP, p. 29.

104 European Commission, Albania 2019 Report, p. 30; European Commission, Kosovo 2019 Report, p. 68.

105 European Commission, Albania 2019 Report, p. 31; European Commission, Serbia 2019 Report, p. 30; European Commission, BiH Analytical Report 2019, p. 50; European Commission, North Macedonia 2019 Report, p. 86.

106 European Commission, Kosovo 2019 Report, p. 72; European Commission, BiH 2019 Analytical Report, p. 153.

107 European Commission, BiH Analytical Report 2019, p. 55; European Commission, Kosovo 2019 Report, p. 31, European Commission, Montenegro 2019 Report, p. 31; European Commission, North Macedonia 2019 Report, p. 85; European Commission, Albania 2019 Report, p. 31.

108 European Commission, Albania 2019 Report, p. 87.

83 Bartlett et al, From University to Employment, p. 9.

84 Bartlett et al, From University to Employment, p. 51; Also see: Smiljka Tomanović, "Education", *Youth Study Southeast Europe 2018/2019* (Sarajevo: Friedrich-Ebert-Stiftung, 2019), p. 20.

85 Government of the Republic of Kosovo, Economic Reform Programme 2019–2021, January 2019. Government of Montenegro, ERP for Montenegro 2018–2020, Podgorica, January 2018, p. 82.

86 Council of Ministers of Albania, ERP 2018–2020, p. 89.

87 Government of Montenegro, ERP 2018–2020, p. 82.

88 European Commission, Albania 2019 Report, p. 87.

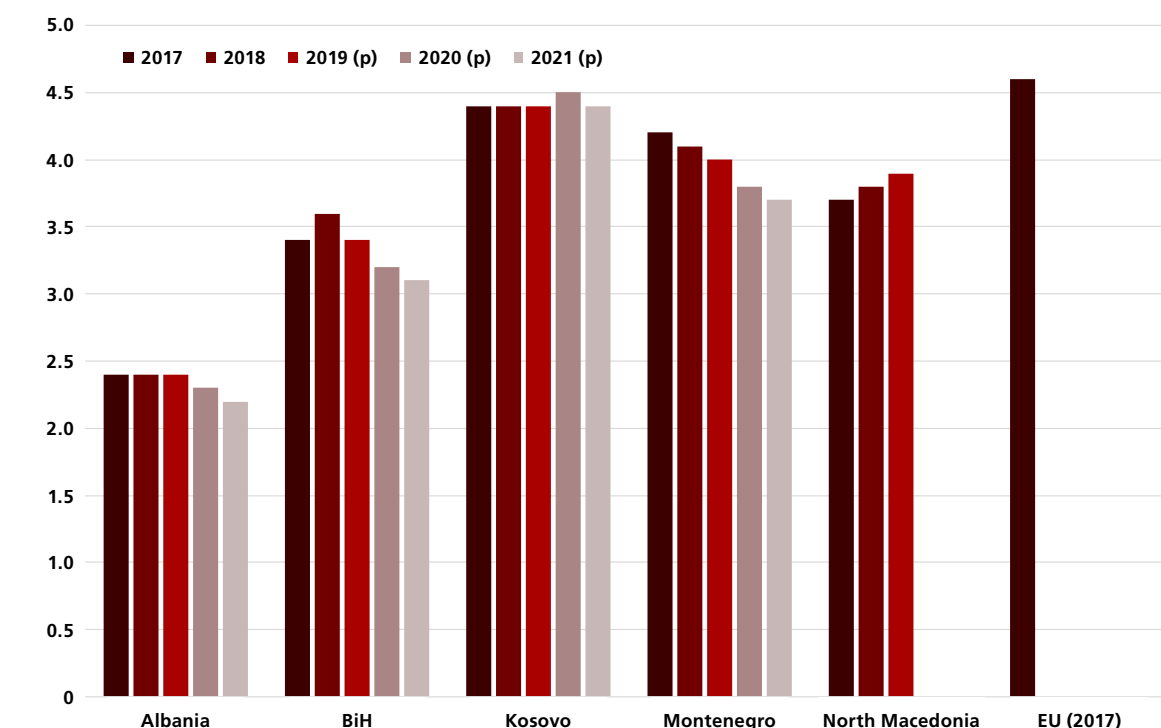
89 European Commission, North Macedonia 2019 Report, p. 85.

90 For instance, see: European Commission, Assessment of Albania's 2019–2021 ERP, p. 21.

91 For instance, see: European Commission, Economic Reform Programme of BiH (2019–2021): Commission Assessment, SWD(2018) 167 final, Brussels, 11 April 2019, p. 20.

92 There is a plan to provide free textbooks for compulsory education to all students by 2021. Council of Ministers of Albania, ERP 2019–2021.

Graph 7: Public expenditure on the education function, WB6 and EU28 (% of GDP)



Note: Based on COFOG classifications; p=projected
Source: 2019–2021 country ERPs; not available for Serbia

leaving,¹⁰⁹ while Montenegro has already put such a system in place.¹¹⁰ Specific measures targeting high drop-out rates among Roma students appear to be generally absent.¹¹¹ Widespread educational exclusion casts doubts on countries' respect for education as a fundamental human right.

The establishment of quality assurance systems, especially in relation to VET and higher education, is the subject of countries' political agendas throughout the region. The pace of reforms is generally evaluated as slow, as quality assurance institutions lack robustness¹¹² and adequate procedures have yet to be established in some countries.¹¹³ Teacher training is usually foreseen in relation to curricular reform, but there is less of a focus on initial teacher education,¹¹⁴ certification, or performance assessment. It is not a surprise that the EC's annual assessments of ERPs point to the need to provide teachers with much-

needed support in implementing curricula¹¹⁵ and improve initial training.¹¹⁶

All countries are also affording substantial attention to the formulation and implementation of and their approximation with the European Qualifications Framework (EQF), with considerable support of the EU through IPA funding to that end. However, the pace of progress differs, with some countries in the process of establishing a legal and institutional framework, and others having advanced in that regard. Countries continue to face obstacles in the implementation of QFs.¹¹⁷

Innovation in education is side-lined. Some initiatives include digital competences¹¹⁸ in curric-

¹⁰⁹ Government of the Republic of Kosovo, ERP 2018–2020, p. 89; Government of the Republic of Serbia, Employment and Social Reform Programme in the Process of Accession to the European Union, Belgrade, May 2016.

¹¹⁰ European Commission, Montenegro 2019 Report, p. 31.

¹¹¹ European Commission, Kosovo 2019 Report, p. 72.

¹¹² European Commission, North Macedonia 2019 Report, p. 85.

¹¹³ European Commission, BiH Analytical Report 2019, p. 153; European Commission, Kosovo 2019 Report, p. 72.

¹¹⁴ There are some plans in that regard in Albania and Serbia.

¹¹⁵ European Commission, Assessment of Albania's 2019–2021 ERP, p. 20; European Commission, Assessment of BiH's 2017–2019 ERP, p. 17; European Commission, BiH Analytical Report 2019, p. 153; European Commission, Economic Reform Programme of North Macedonia (2019–2021): Commission Assessment, SWD(2019) 165 final, Brussels, 11 April 2019, p. 26; European Commission, Serbia 2019 Report, p. 82.

¹¹⁶ European Commission, Albania 2019 Report, p. 87; European Commission, BiH Analytical Report 2019, p. 153; European Commission, Kosovo 2019 Report, p. 72.

¹¹⁷ European Commission, Assessment of Albania's 2019–2021 ERP, p. 22; Ministry of Finance of the Republic of Macedonia, ERP 2018–2020, p. 36; European Commission, Serbia 2019 Report, p. 84.

¹¹⁸ Council of Ministers of BiH, Economic Reform Programme 2017–2019, p. 110; Council of Ministers of the Republic of Albania, 2019–2021 ERP.

ula or innovative teaching methods.¹¹⁹ Serbia seems to be an exception, at least with regards to the education-labour market link, as the EC notes that “rapid strides have been taken to improve the innovation infrastructure to link business with academia through science and technology parks in Serbia’s three main economic hubs.”¹²⁰

Despite the many challenges that mark the education systems of the region, public expenditure on education remains below the level of spending in the EU as a percentage of the GDP, with some countries planning to decrease spending even further (Graph 7).

4.4 Key Takeaways

Countries’ commitments concerning education appear to lack a comprehensive and ambitious vision. The predominant occupation is with skills mismatches, which is understandable from the perspective of wanting to increase countries’ labour market performance and competitiveness. However, less attention is being paid to the role of education in empowerment, not only in economic terms, but also in terms of personal development or active political and civic participation. While a social investment orientation is apparent, with Europe 2020 serving as an inspiration, much greater attention ought to be afforded to inclusive education in light of the complex social, political and economic trends that the region is facing. Moreover, the EC, in its annual assessments, uses the language of competitiveness and labour market demand when it comes to the allocation of resources to education, rather than explicitly attaching importance to other aims as well.

The repercussions of lacklustre reforms in the education realm are serious. A lack of quality jobs and weak labour market performance will continue to plague countries that have failed to invest in modern curricula, teacher training and more practically oriented education, as individuals leaving the education system will continue to be challenged by joblessness, precarious work, or in-work poverty. Persistent income inequality and poverty are further consequences that will continue to disproportionately affect pupils and students from underprivileged backgrounds. Beyond material aspects, a lack of access to quality education (including, for instance, adequate civic education) may also hamper civic and political engagement, and ultimately, countries’ democratic development.

¹¹⁹ Ministry of Finance of the Republic of Macedonia, 2019–2021 ERP, pp. 36–37.

¹²⁰ European Commission, Economic Reform Programme of Serbia (2019–2021): Commission Assessment, SWD(2019) 169 final, Brussels, 11 April 2019, p. 18.

5

The WB6 Job Insecurity Landscape

5.1 The Challenges of Joblessness and Precarious Work

Weak labour market performance is one of the most paramount challenges that the countries of the region face. Employment rates are significantly lower than in the EU, especially in the case of Kosovo and BiH. In the latter two countries, the gender employment gap is also the largest (Graph 8).

Unemployment rates remain very high in most countries; the challenge of finding employment is especially difficult for youth, with the situation being the most severe in Kosovo, North Macedonia, and BiH (Graph 9).

The share of young people who are not in employment, education, or training (NEET) is staggeringly high in most parts of the region (Graph 10).

Women's activity rates are significantly below those of men in some WB countries, such as Kosovo and BiH (Graph 11). Other groups that face exclusion in labour markets are the Roma and people with disabilities.

Structural unemployment, usually a result of lacking skills and competences which are not sought by the labour market, is a significant issue, as suggested by the high shares of the long-term unemployed, i.e. persons who have been unemployed for more than a year (Graph 12). Long bouts of unemployment may render the skills and competences that jobseekers possess obsolete, thus further reducing their chance at employment.

Beyond joblessness, precarious work, "usually defined by uncertainty as to the duration of employment, multiple possible employers or a disguised or ambiguous employment relationship, a lack of access to social protection and benefits usually associated with employment, low pay, and substantial legal and practical obstacles to joining a trade union and bargaining collectively"¹²³ is another dominant challenge in the region. Informal work as a severe manifestation of this phenomenon represents a share of 36.2% of total employment in Albania, 20.7% in Serbia, and 18.1% North Macedonia in 2017, as suggested by official estimates. For BiH, 30% of all workers are estimated to be working informally.¹²⁴ Vulnerable employment – which refers to own-account workers and contributing (non-paid) family workers – is also common to WB labour markets, especially in Albania (Graph 13).

Another indicator of the precarity of work is the substantial share of people in the WB region who are employed, yet live in poverty (Graph 14).

Countries of the region are characterised by dual labour markets, with significant cleavages between the 'insiders,' usually employed in the public sector on permanent contracts, and the 'outsiders' working in temporary jobs and in precarious conditions. This does not only pertain to informal versus formal employment, but also to permanent as opposed to temporary, or public as opposed to private sector employment. Many countries of the region have taken efforts to deregulate and 'flexibilise' labour market legislation in recent years with the aim

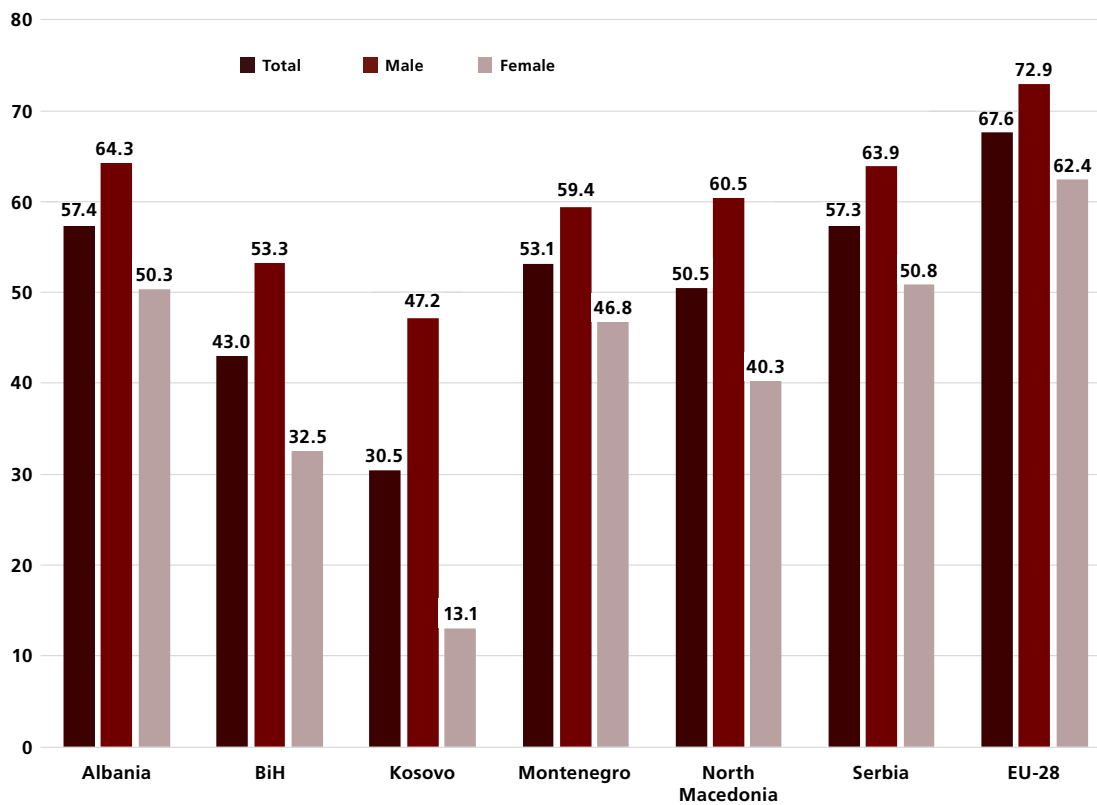
121 World Bank and Vienna Institute for International Economic Studies (wiiw) "Jobs Gateway in South Eastern Europe" Database, 2019.

122 Eurostat, "Employment rates by sex, age and citizenship (%) [lfsa_ergan]," 2019.

123 International Labour Organization, From precarious work to decent work. Policies and regulations to combat precarious employment (Geneva: ILO, 2019), p. 5

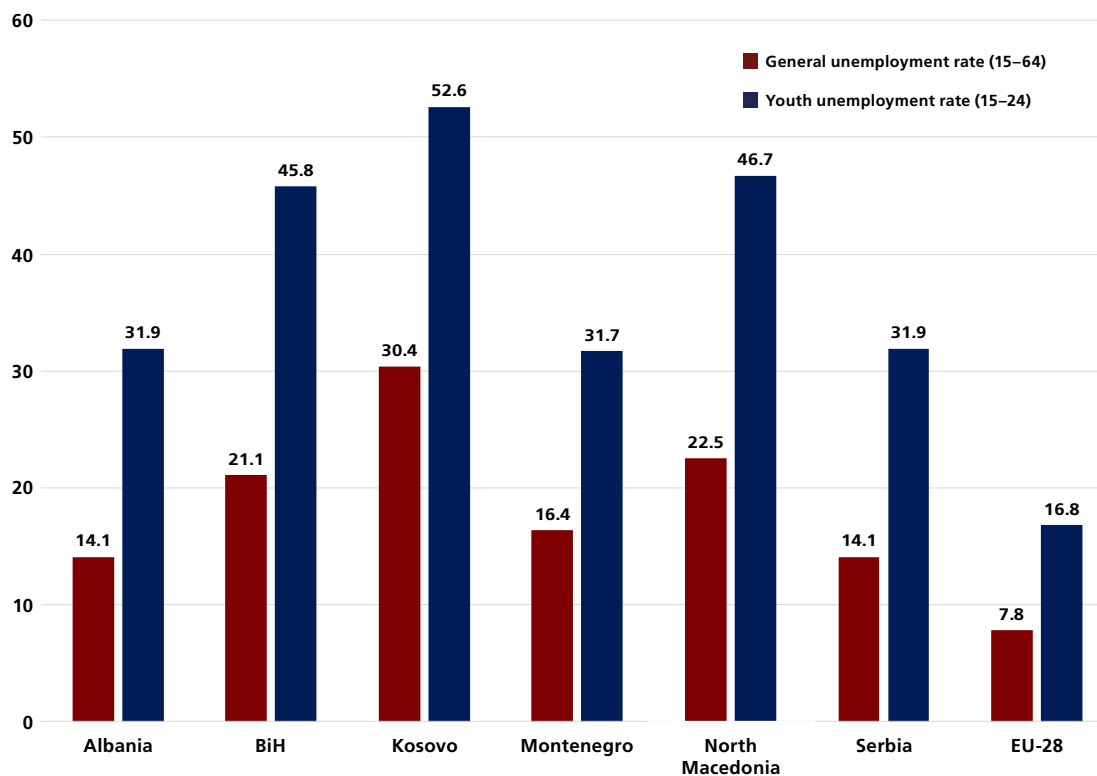
124 SEE Jobs Gateway Database, 2017; European Commission, BiH Analytical Report 2019, p. 139.

Graph 8: Employment rates, % of population (total, male, female), age 15–64, WB6 and EU28, 2017



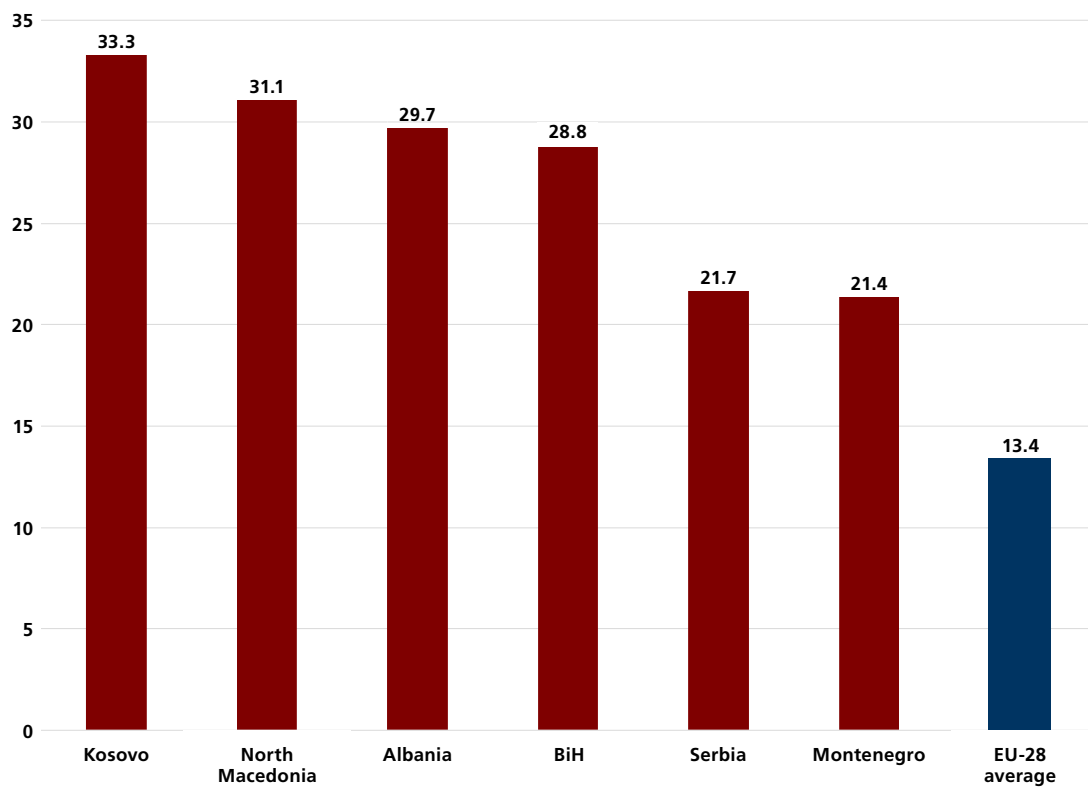
Source: SEE Jobs Gateway for WB6,¹²¹ Eurostat for EU28¹²²

Graph 9: General and youth unemployment rates, % of labour force, WB6 and EU28, 2017



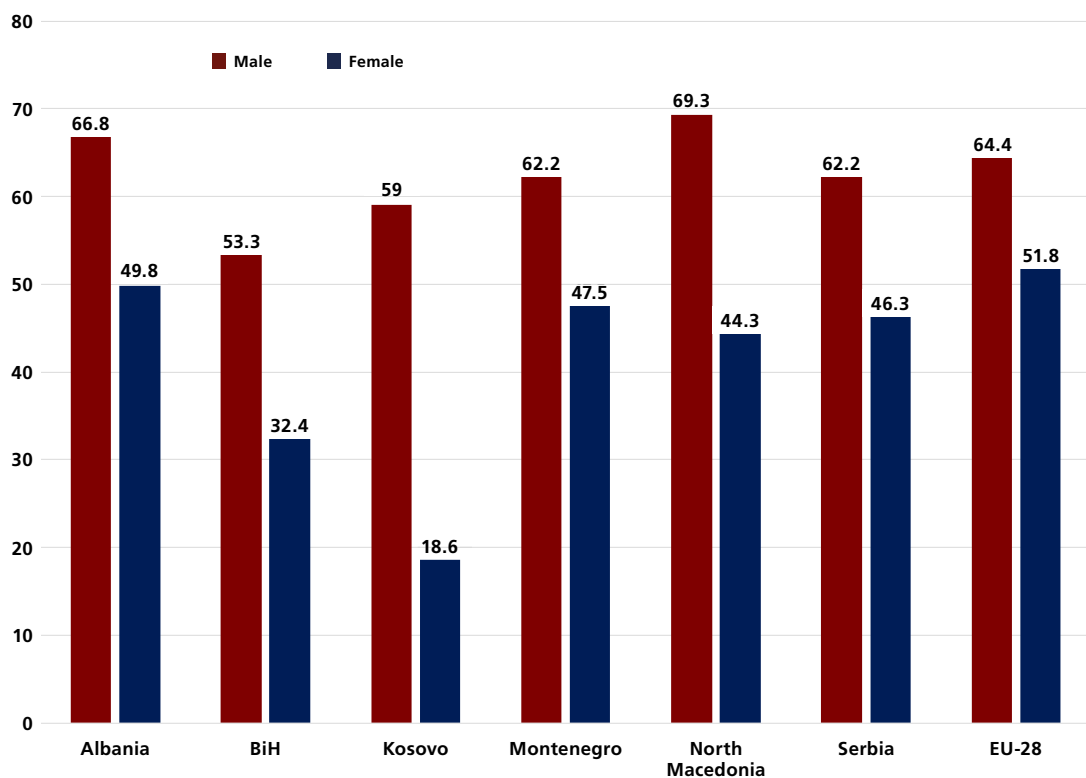
Source: SEE Jobs Gateway for WB6, Eurostat for EU28

Graph 10: NEET rates, % of population, age 15–29, WB and E28, 2017



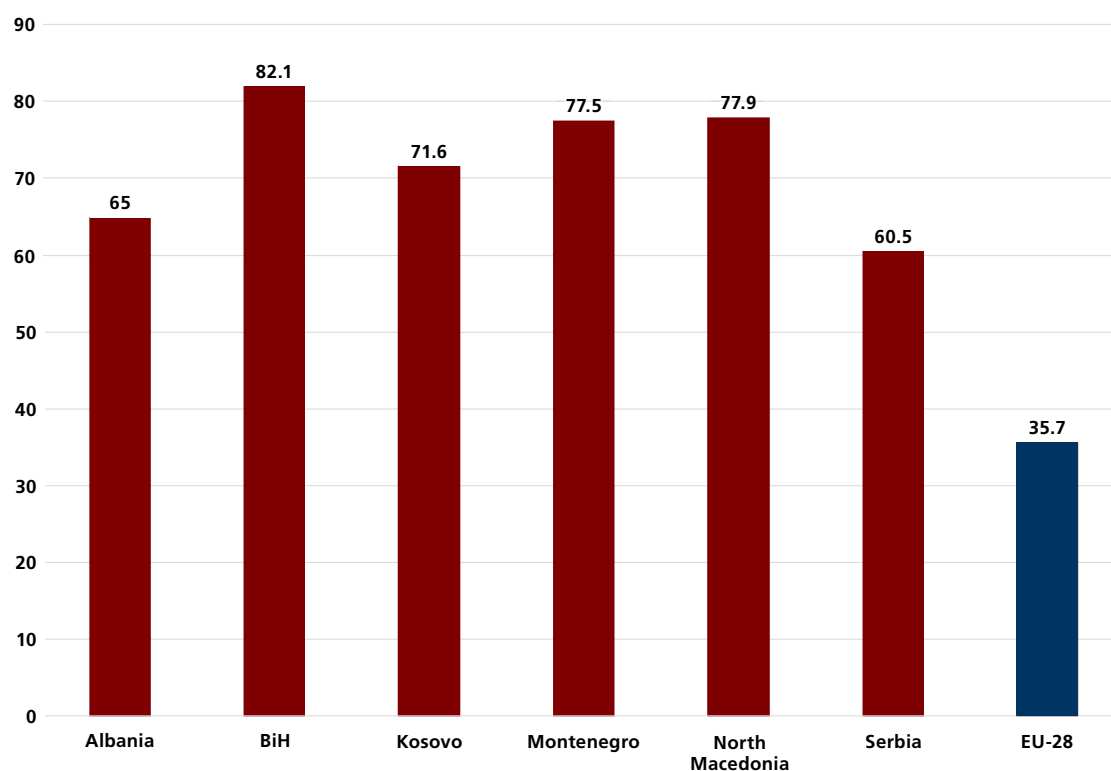
Source: SEE Jobs Gateway for WB6, Eurostat for EU28

Graph 11: Activity rates, % of working-age population (15+), WB6 and EU28, 2017



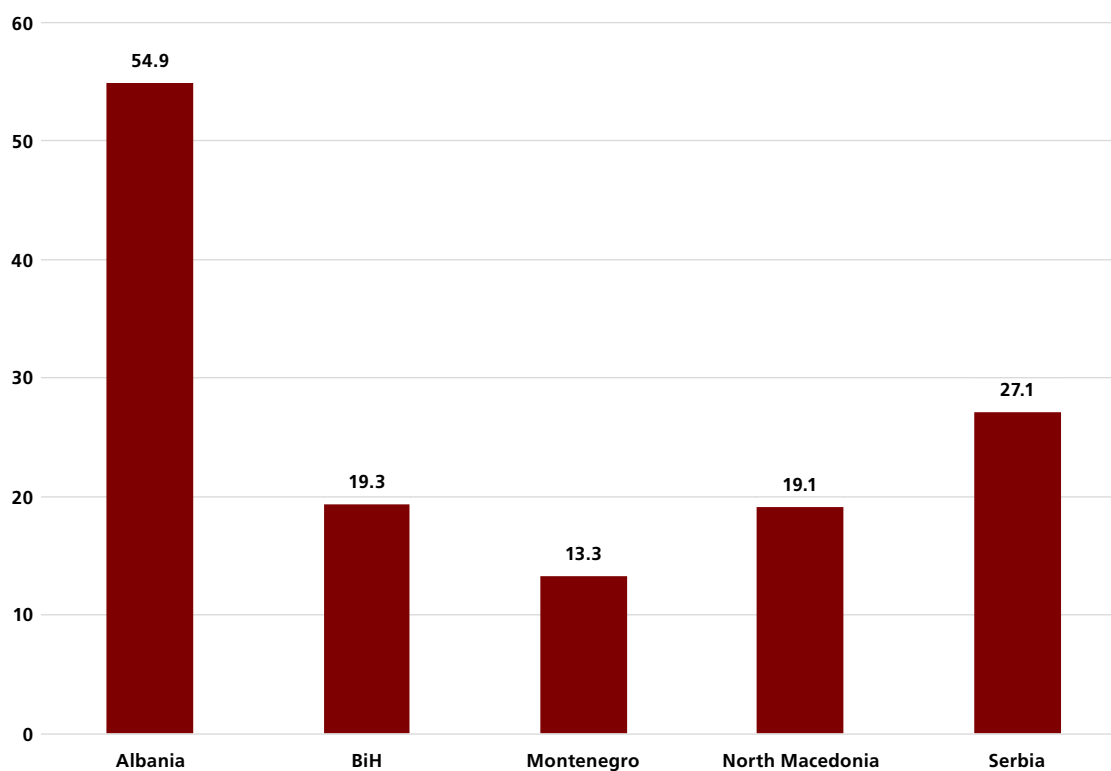
Source: SEE Jobs Gateway for WB6, Eurostat for EU28

Graph 12: Share of long-term unemployed in total employment, age 15–64, WB6 and EU28, 2017



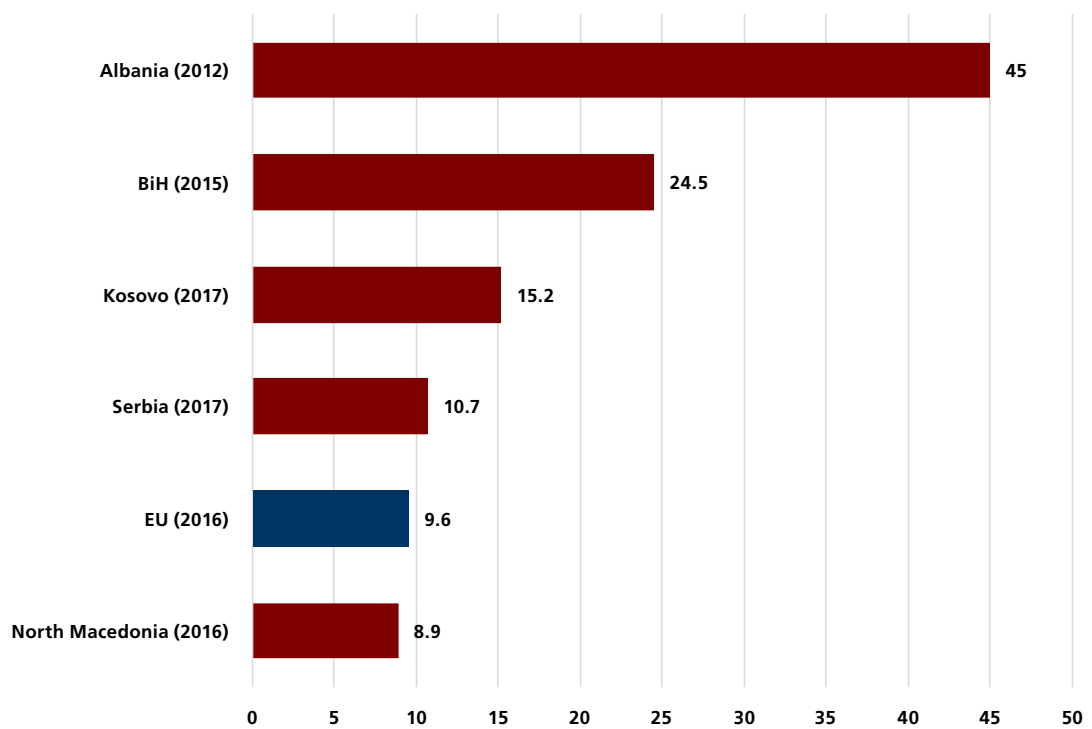
Source: SEE Jobs Gateway for WB6, Eurostat for EU28

Graph 13: Vulnerable employment as a share of total employment, WB6 countries



Source: ILOSTAT, ILO modelled estimates as of November 2018

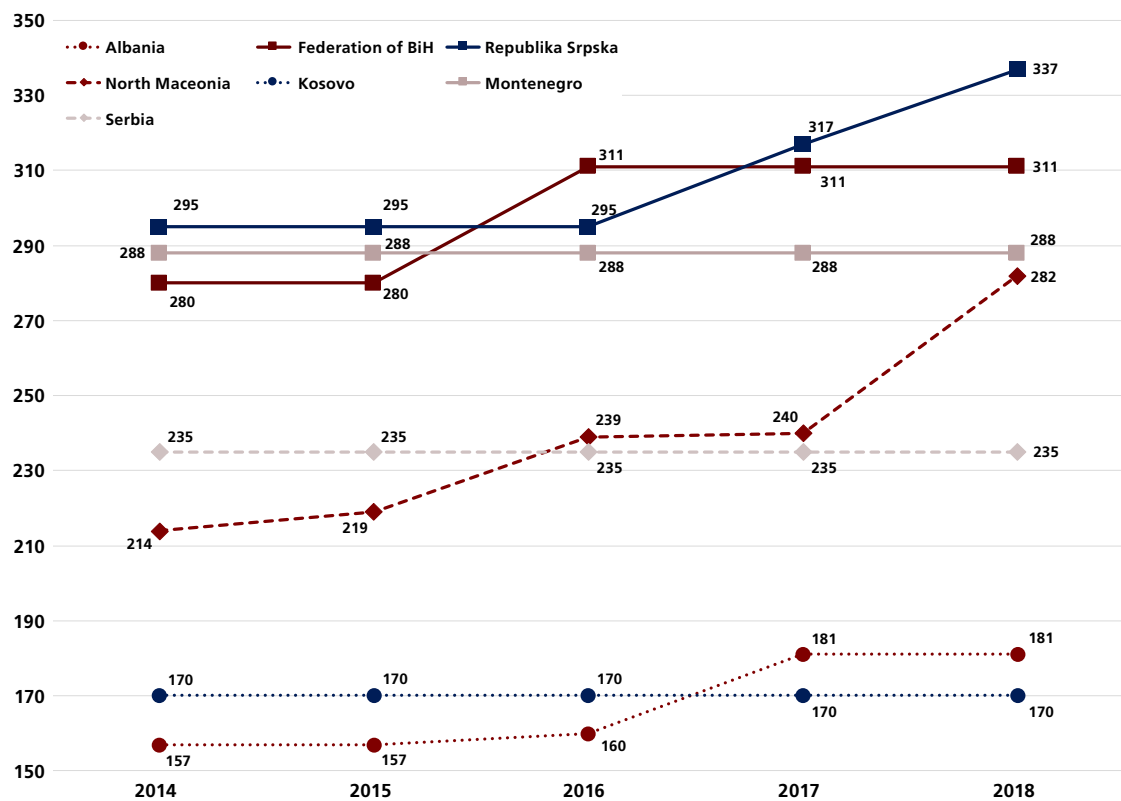
Graph 14: Employed persons at a risk of in-work poverty as a share of total employment, WB countries, different years



Note: Estimates based on different sources of data – EU-SILC surveys for North Macedonia, Serbia and EU countries; Household Budget Surveys for BiH and Kosovo; and Living Standards Measurement Survey for Albania.

Source: European Social Policy Network (ESPN) 2019 reports on in-work poverty for Albania, BiH, Kosovo, North Macedonia and Serbia;¹²⁵ Eurostat for EU28¹²⁶

Graph 15: Gross minimum wages, EUR, WB6 countries



Source: Koettl-Brodman et al., 2019 (based on World Bank, national statistics and Eurostat data)¹²⁷

of increasing employment rates; nevertheless, such reforms have often adversely affected persons working on the margins of the labour market due to more favourable conditions for hiring temporary labour.

At the same time, workers face the conundrum of what Arandarenko calls “a low-wage, high-tax trap,” a result of low progressivity of personal income taxation and high social security contributions. This negatively affects not only low wage earners’ incentives to work in the formal sector, but also employers’ incentives to hire low-wage earners or invest in labour-intensive sectors employing such workers, perpetuating lower employment and inactivity, informal work, and high income and wage inequality.¹²⁸

In view of improved labour market performance in recent years following economic recovery, most governments in the region have begun to increase the minimum wage as to address the “supply-side problems of stagnant wages, a shrinking working-age population, and increased emigration rates”¹²⁹ (Graph 15).

In addition to labour market deregulation and increases in minimum wages in some countries, the development of active labour market policies and public employment service reform have assumed the front and centre of reform in the labour market realm. Nevertheless, investment in ALMP measures has not been impressive, constituting a low share of GDP in comparison with countries of the EU. For instance, spending on LMP measures¹³⁰ was only 0.21% of GDP in BiH and 0.18% of GDP in Montenegro in 2017,¹³¹ as opposed to 0.41% in the EU28 in 2011 (the last year for which aggregate data is available).¹³²

125 Elira Jorgoni, ESPN Thematic Report on In-work poverty – Albania, ESPN (Brussels: European Commission, 2019); Nikola Obradović, Mirna Jusić and Nermin Oruč, ESPN Thematic Report on In-work poverty – Bosnia and Herzegovina, ESPN (Brussels: European Commission, 2019); Amir Haxhikadija, Artan Mustafa and Artan Loxha, ESPN Thematic Report on In-work poverty – Kosovo, ESPN (Brussels: European Commission, 2019); Maja Gerovska Mitev, ESPN Thematic Report on In-work poverty – North Macedonia, ESPN (Brussels: European Commission, 2019); Ljiljana Pejčin Stokić and Jurij Bajec, ESPN Thematic Report on In-work poverty – Serbia, ESPN (Brussels: European Commission, 2019).

126 Eurostat, “In-work at-risk-of-poverty rate by age and sex – EU-SILC survey [ilc_iw01].”

127 Koettl-Brodmann et al, Western Balkans Labor Market Trends 2019, p. 68.

128 Mihail Arandarenko, “A low-wage, high-tax trap in the Western Balkans,” Brookings Institute, 22 March 2019.

129 Koettl-Brodmann et al., Western Balkans Labor Market Trends 2019 (Washington, D.C.: World Bank Group, 2019), p. 86.

130 Refers to spending on (2–7) categories of LMP measures, i.e. activation measures such as training, employment incentives, supported employment and rehabilitation, direct job creation or start-up incentives.

131 Data for other countries is not available.

132 Eurostat, “LMP expenditure by type of action – summary tables [LMP_EXPSUMM].”

However, the performance of the labour market must be analysed within the broader socioeconomic context of these countries, one of the most important factors being the fact that high unemployment is not merely a result of skills mismatches, but also a lack of jobs and the weak economies of the WB6. Recent years have brought modest economic growth to the region (Graph 16). In 2017 and 2018, growth translated into job creation in Albania, Montenegro, North Macedonia, and – to a lesser extent – Serbia. The largest portion of employment growth in North Macedonia was due to a rise in informal sector employment. According to a 2019 World Bank report, “the upsurge in economic growth continues to fall far short of the level that would substantially spur formal private sector job creation and reduce poverty in the region. Consequently, the informal sector shows little sign of dissipating.”¹³³

Moreover, an increase in employment and a decrease in unemployment in some countries can only partly be attributed to better economic performance. A decline in the working-age population in BiH due to the combined effect of low fertility rates and outmigration is seen to have positively contributed to an increase in the employment rate, while a fall in the unemployment rate is attributed to a decrease in the working-age population and a rise in inactivity. In Kosovo, which has the lowest employment rate in the region, a fall in employment is considered to be partly due to a rise in the working-age population, combined with outmigration of persons who had previously been employed.¹³⁴ According to the World Bank, the WB6’ emigration potential remains strong¹³⁵ and may result in significant shortages of skilled labour. This is also confirmed by the FES *Youth Study SEE 2018/2019*, according to which a substantially higher percentage of young people from the WB6 region expressed a desire to leave their countries than those living in SEE countries that had joined the EU. Such a desire was fuelled mainly by socioeconomic insecurity at home.¹³⁶

5.2 EU Expectations: A Focus on Activation

Employment is certainly a priority area of reform as part of the EU enlargement process. Important aspects of reform in relation to the harmonisation of

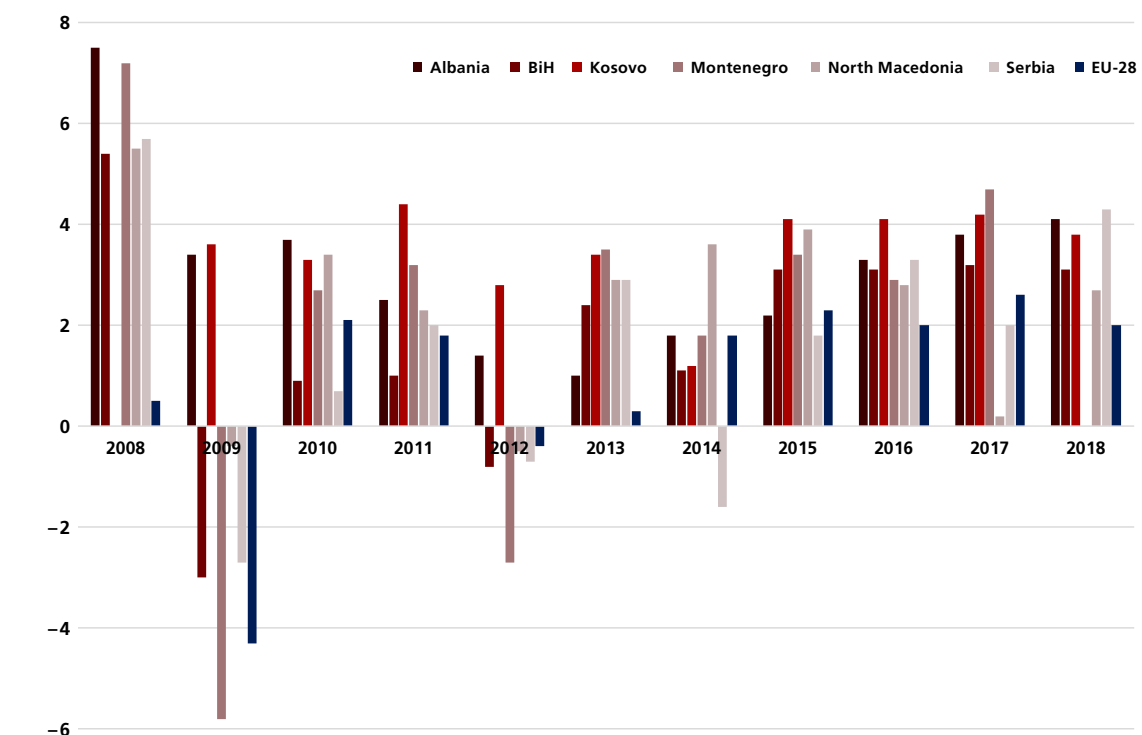
133 Koettl-Brodmann et al., Western Balkans Labor Market Trends 2019, p. 22.

134 Koettl-Brodmann et al., Western Balkans Labor Market Trends 2019, pp. xv–xvi.

135 Ibid, p. 22.

136 Mirna Jusić and Miran Lavrič, “Mobility and migration,” *Youth Study Southeast Europe 2018/2019* (Sarajevo: Friedrich-Ebert Stiftung, 2019), p. 74.

Graph 16: Real GDP growth rate, % change in comparison to previous year



Note: Data provisional for North Macedonia and Albania for 2017, and estimated for 2018 for these countries; data provisional for Serbia for 2018.
Source: Eurostat¹³⁷

relevant national legislation with the EU *acquis* is contained in chapters 19 and 2, which have to date been opened by Montenegro. Beyond negotiation chapters, the EU's recent Western Balkans Strategy stresses the need to address high unemployment, emphasising that "measures tackling social challenges and structural unemployment must be prioritised,"¹³⁸ and pledges increased support to that end. The revised IPA II indicative strategy papers for the countries of the region promise assistance that aims to increase labour market participation, especially for disadvantaged groups, and to strengthen the capacities of employment institutions and services. Employment also constitutes a core of the "inclusive growth" pillar of the SEE 2020 Strategy. Support to institutions implementing employment policy is also delivered through projects such as the RCC's and ILO's Employment and Social Affairs Platform (ESAP), which has, *inter alia*, worked on building up the capacity of public employment services (PES) in the region through activities such as a regional benchlearning initiative.¹³⁹

¹³⁷ Eurostat, "Real GDP growth – volume [TEC00115]."

¹³⁸ European Commission, A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, p. 5.

¹³⁹ Beyond work with PES, the ESAP project has also provided support to agencies for the peaceful settlement of labour disputes in the region and labour inspectorates, and has worked with social partners to strengthen social dialogue. For more, see: www.esap.online

Employment is a core reform area of countries' annual ERPs; recommendations on what countries should do to improve labour market performance is spelled out in the annual policy guidance agreed upon by EU institutions and WB governments, shown in Table 2.

As evident from Table 2, the annual policy guidance on employment, which is adopted as part of the joint conclusions, generally covers three areas:

- Improving activation policies, especially with respect to the design and delivery of ALMPs as well as the involvement of social assistance recipients;
- Increasing the capacity of PES to be able to implement activation measures; and
- Reducing the tax wedge on salaries in countries where it is deemed to be particularly high, especially for low-wage earners.

The recommendations above are consistent with the overall drive by the EU to increase activation in the region, an important component of IPA II support.

¹⁴⁰ Council of the European Union, Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, 2017, 2018 and 2019.

Table 2: Reforms in the employment realm: Annual Policy Guidance 2017–2019

Countries	2017	2018	2019
Albania	“Enhance the capacities of employment services and their provision of active labour market measures to the unemployed and inactive. By end 2017, outline concrete plans to address undeclared work.”	“Review active labour market policies in order to improve their coverage and effectiveness, in particular for youth, women and the long-term unemployed. Ensure better coordination between employment activation measures and social benefit schemes.”	“Improve the targeting of active labour market policies and implement the prepared Vocational Education and Training reform package.”
BiH	“Strengthen the employment services to better assist job seekers, in particular youth, women and long-term unemployed. Reduce the tax wedge and reinforce delineation of employment and social policy measures.”	“Reduce the tax wedge and disincentives to work. Ensure better coordination between employment activation measures and social benefit schemes.”	“Reduce the tax wedge, especially for low-income workers, and disincentives to work in order to incentivise formal employment. Disburden public employment services from administrative duties related to health insurance for registered unemployed in order to free their capacities for more active support to jobseekers.”
Kosovo	“Adopt an action plan for tackling youth unemployment, based on a sound assessment of the challenges. Finalise the operationalization of the Employment Agency.”	“Monitor the implementation of the youth employment action plan and increase the scope of active labour market measures in particular for women.”	“Develop active measures for increasing female labour market participation and employment.”
Montenegro	“Carry out a review of active labour market policies with a view to improving their coverage and targeting the long-term unemployed, women and youth.”	“Review active labour market policies in order to improve their coverage and effectiveness, in particular for youth, women and the long-term unemployed. Ensure better coordination between employment activation measures and social benefit schemes.”	“Increase labour market participation, in particular for youth, women and the low skilled, by strengthening employment activation measures, including through better provision of upskilling and reskilling measures. Improve coordination between employment and social services.”
North Macedonia	“Strengthen the outreach and coverage of active labour market policies towards the long-term unemployed, youth, and the low-skilled.”	“Facilitate women’s access to the labour market and ensure sufficient capacity of the Employment Service Agency for implementing the Youth Guarantee.”	“Implement the Youth Guarantee in the whole territory with an emphasis on underdeveloped regions by ensuring sufficient and qualified human resources of the Employment Agency, and the participation of relevant stakeholders.”
Serbia	“Increase labour market participation and reduce the high non-wage labour cost of jobs at the lower sections of the wage distribution in a fiscally neutral way. Target active labour market measures to vulnerable groups, including social assistance beneficiaries.”	“Reduce the high non-wage labour cost of jobs at the lower sections of the wage distribution. Increase substantially the inclusion of unemployed in active labour market measures, in particular women and Roma.” “Further attention should be devoted to tackling undeclared work.”	“Significantly increase funding and the implementation of active labour market measures adjusted to the needs of the unemployed, in particular women, youth, including highly skilled persons. Adopt measures to incentivise the formalisation of labour in non-agricultural sectors. Reduce the high non-wage labour cost of jobs at the lower sections of the wage distribution.”

Source: Council of the European Union’s Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey – 2017–2019¹⁴⁰

Although the tax wedge on salaries in the WB region is not too high by European standards and total labour costs are significantly lower than in the EU, the tax wedge has been shown to be comparatively very high on low-wage earners in BiH, Montenegro and Serbia,¹⁴¹ a potential disincentive for formal work. The general recommendation for WB countries has been to reduce social security contribution rates, the bulk of the tax wedge, as to encourage formal employment and induce competitiveness.

Beyond these measures, the EC has shown support for labour law reforms in parts of the region in view of reducing labour market rigidities and making working conditions more flexible as to increase employment, such as in BiH and Serbia.¹⁴² Such support is also evident in the case of Montenegro's ongoing labour legislation reform.

What appears to be generally absent in terms of the EU's support and expectations in the employment realm are the rights and principles of the EPSR pertaining to fair working conditions,¹⁴³ especially secure and adaptable employment in view of preventing precarious work; fair wages providing a decent living standard; work-life balance for parents or carers; and healthy, safe and well-adapted working environments. While there have been efforts to involve social partners in national policy-making processes as part of a number of EU-funded initiatives and to build their capacities through IPA support, social dialogue and workers' involvement in collective bargaining is not prioritised with regards to national ERPs. Moreover, little attention appears to be afforded to passive support measures for the unemployed in the form of unemployment benefits or assistance, despite their low coverage, span and replacement rates.

5.3 WB Employment Reforms: The Primacy of (Any) Job

Given the paramount labour market challenges that the countries of the region face, it is somewhat surprising to see a rather narrow set of measures in this area.

The "ALMP" acronym is the lowest common denominator of all ERP documents in the WB region. Countries have certainly espoused an activation turn, albeit more or less ambitiously in terms of the range

of programmes, their coverage, and institutional support for implementation. In general, ERPs feature incremental changes to ALMPs measures from year to year, which remain modest in scope¹⁴⁴ and continue to be underfunded.¹⁴⁵ Coverage of the unemployed with ALMP programmes remains low,¹⁴⁶ though showing increases in some countries.¹⁴⁷ Programme design generally remains weak¹⁴⁸ and the lack of evaluation of ALMP effectiveness and its subsequent usage in the creation of new policies and measures remains a serious issue in BiH and Montenegro.¹⁴⁹ North Macedonia stands out with the introduction of a Youth Guarantee in 2018, where persons under the age of 29 are to either be given an adequate job offer, the chance to continue education or to be included in an internship or training as preparation for employment within four months of completing their education or registering themselves as unemployed.¹⁵⁰

Although ALMPs have, in line with the EC's continuous recommendations, sought to target more hard-to-employ categories, the principle of active inclusion espoused by the EU is not fully embraced.¹⁵¹ Countries foresee the implementation of various ALMPs that are to include categories such as youth, women, low or unskilled workers, persons with disabilities, older workers, or ethnic minorities such as Roma, but inadequate tailoring or design of programmes bring into question the effectiveness of measures.¹⁵² Although a

144 European Commission, Assessment of Kosovo's 2017–2019 ERP, p. 18.

145 European Commission, Kosovo 2019 Report, p. 67; European Commission, Economic Reform Programme of Montenegro (2019–2021): Commission Assessment, SWD(2019) 163 final, Brussels, 11 April 2019, p. 14.

146 European Commission, Economic Reform Programme of Serbia (2018–2020): Commission Assessment. SWD(2018) 132 final, Brussels, 17 April 2018, p. 17; European Commission, Assessment of Albania's 2017–2019 ERP, p. 20.

147 European Commission, Assessment of Montenegro's 2018–2020 ERP, p. 17; European Commission, Assessment of North Macedonia's 2018–2020 ERP, p. 16.

148 European Commission, Assessment of Albania's 2017–2019 ERP, p. 19.

149 European Commission, Assessment of BiH's 2017–2019 ERP, p. 20; European Commission, Assessment of Montenegro's 2018–2020 ERP, p. 17.

150 Ministry of Finance of the Republic of Macedonia, 2018–2020 ERP, p. 83.

151 Targeted towards persons excluded from the labour market, active inclusion policies combine adequate income support; measures to make labour markets more inclusive; and access to quality services. For more, see: Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market, *Official Journal of the European Union* L 307/11, 18 November 2008.

152 European Commission, Assessment of Albania's 2019–2021 ERP, pp. 16–17; European Commission, Assessment of BiH's 2018–2020 ERP; European Commission, Albania 2019 Report, p. 31; European Commission, Kosovo 2019 Report, p. 68; European Commission, Montenegro 2019 Report, p. 31; European Commission, Assessment of the 2017–2019 ERP of the Former Yugoslav Republic of Macedonia, p. 20; European Commission, North Macedonia 2019 Report, p. 32.

141 Koettl-Brodman et al., Western Balkans Labor Market Trends 2019, p. 13; p. 64.

142 See, for instance: European Commission, 2014 Serbia Progress Report, October 2014, p. 18; Council of Ministers of BiH, 2015–2018 Reform Agenda for Bosnia and Herzegovina.

143 These are, however, addressed within Chapter 19 negotiations, which is currently only opened by Montenegro.

number of countries have instituted special funds for the rehabilitation and employment of persons with disabilities and implement measures to that end, the strengthening of such programmes is generally not reflected in countries' structural reforms, but may be mentioned as an ongoing activity.

Even though there is a great focus on activation, measures that feature skill acquisition and retention, which have shown long-term effects to people's enhanced employability and career prospects, are less apparent in countries' structural reforms. Direct job creation measures (e.g. through wage subsidies) prevail in most countries.¹⁵³ In other words, ongoing measures do not necessarily have a productive potential or an aim to prevent unemployment. Novelty includes Albania's programme, whereby 50% of an unemployment benefit is to be paid to current and former unemployment benefit recipients in order to participate in vocational training courses,¹⁵⁴ but these are considered to be "of too low quality for a successful transition to the labour market."¹⁵⁵

With activation representing the core of employment policy, the overhaul of income support schemes during unemployment is almost entirely absent, despite the low coverage and replacement rates of unemployment benefits in countries of the region.

In line with greater activation efforts, there is a strong focus on restructuring institutions under the PES umbrella. This generally pertains less to an increase in staff, but rather to the training or certification of counsellors, changes to processes and methods of working with the unemployed, more efficient IT services, and so on. It does not come as a surprise that countries point to a lack in human resources and heavy workloads as a challenge in their ERP diagnostics. Countries have sought different ways to reorganise this workload: by reducing the number of unemployed persons per councillor,¹⁵⁶ separating active from passive job seekers¹⁵⁷ or strengthening criteria for active-job seeking,¹⁵⁸ or trying to reallocate the administrative burden, such as the administration of health insurance for the unemployed to other

parts of the system.¹⁵⁹ A few countries are undergoing capacity-building efforts in recent years, especially North Macedonia, where a youth guarantee scheme is being introduced;¹⁶⁰ Kosovo, where a new employment agency is being established; and Albania, with the establishment of the National Agency for Employment and Skills.¹⁶¹ Despite some improvements in individual countries, PES generally lack the capacity to effectively implement employment measures.¹⁶²

Most countries are working towards a greater integration of social and employment services to better target ALMPs towards social assistance recipients, with what appear to be limited results thus far.¹⁶³ Some countries promise to activate recipients of social assistance benefits who are able to work – and such activation is in some cases also encouraged by the EC¹⁶⁴ – albeit its modalities are not always clear. In 2014, Serbia introduced the obligation of activation for social assistance recipients who are able to work; in practice, this may entail engaging in activities such as communal cleaning or other public works in order to receive benefits.¹⁶⁵ While offering social assistance recipients the possibility to partake in programmes that enhance their skills, and ultimately, their employability is a welcome step, countries should be aware of ethical issues surrounding workfarist elements to activation, where social assistance or unemployment benefits are made conditional upon accepting jobs as to reduce the reservation wage. Obliging beneficiaries to take up (any) work for benefits is highly problematic, especially if such benefits are cut in the absence of adequate opportunities for work. Workfarist activation policies, most commonly found in Central and Eastern Europe, have been contested on these grounds. In the case of a public service programme in the Czech Republic, it was overturned by the Constitutional Court in 2011 for violating the Human Rights Charter.¹⁶⁶ The

.....
¹⁵³ European Commission, Assessment of the 2017–2019 ERP of the Former Yugoslav Republic of Macedonia, p. 20; European Commission, Assessment of Montenegro's 2019–2021 ERP, p. 14; European Commission, Assessment of Albania's 2019–2021 ERP, pp. 16–17.

¹⁵⁴ Council of Ministers of the Republic of Albania, 2019–2021 ERP, p. 118.

¹⁵⁵ European Commission, Assessment of Albania's 2019–2021 ERP, p. 13.

¹⁵⁶ Government of Serbia, ESRP, 2016.

¹⁵⁷ Ministry of Finance of the Republic of Macedonia, 2018–2020 ERP, p. 82.

¹⁵⁸ European Commission, Assessment of BiH's 2018–2020 ERP, p. 17.

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¹⁵⁹ Council of Ministers of BiH, 2017–2019 ERP, p. 107.

¹⁶⁰ European Commission, Assessment of North Macedonia's 2019–2021 ERP, p. 27.

¹⁶¹ European Commission, Assessment of Albania's 2019–2021 ERP, pp. 16–17.

¹⁶² European Commission, Kosovo 2019 Report, p. 79, p. 66; European Commission, Assessment of North Macedonia's 2019–2021 ERP, p. 15; European Commission, BiH Analytical Report 2019, p. 138;

¹⁶³ European Commission, Albania 2019 Report, p. 79; European Commission, BiH Analytical Report 2019, p. 140; European Commission, Montenegro 2019 Report, p. 78.

¹⁶⁴ European Commission, Assessment of Montenegro's 2017–2019 ERP, p. 17.

¹⁶⁵ Sanja Kljajić, "Prinudni rad za 7.946 dinara," Deutsche Welle, 11 April 2017.

¹⁶⁶ Steven Saxonberg and Tomáš Sirovátka, "Central and Eastern Europe," *Routledge Handbook of the Welfare State*, 2nd edition, ed. Bent Greve (London: Routledge, Taylor & Francis Group, 2019), pp. 148–161.

recommodification of social rights may also lead to a continued spike in poverty and inequality.

In parts of the region, efforts are being made to 'flexibilise' employment protection legislation. This is currently the case in Montenegro, where, as part of the Action Plan for Chapter 19, the country's labour legislation is to be harmonised with the *acquis*. Montenegro's 2017–2019 ERP states that "the lack of labour market flexibility, as a precondition for higher employment, steps from certain provisions of the Labour Law," such as the limited duration of part-time employment contracts (up to 24 months), drawn-out disciplinary proceeding and restrictions in ending employment.¹⁶⁷ Such changes are further explained to pertain to "recruiting employees in a fast, simple and efficient way and without a public announcement of vacancies, while for the purpose of achieving a more flexible layoff of employees, the procedure has been simplified for establishing the liability of employees in a much shorter, more efficient and economical procedure."¹⁶⁸ According to the EC, while "labour market flexibility is important in raising employment levels, the solutions should be evidence-based and avoid the risk of labour market segmentation."¹⁶⁹ Substantial reforms of labour laws have earlier taken place in other countries (for instance, BiH in 2015 or Serbia in 2014).

Indeed, while some aspects of such reforms have been welcomed,¹⁷⁰ they have also been criticised because of the possibility of even greater labour market duality given the extension of the duration of temporary contracts. Moreover, such measures have been hyped up as a precondition for greater employment, for which evidence in international empirical research remains inconclusive. More flexible hiring and firing procedures were touted as a key measure to increasing employment as part of BiH's 2015–2018 Reform Agenda, its implementation effectively a condition for the country's advancement in the accession process.¹⁷¹ However, the EC notes in its 2017 assessment of the country's

ERP that "it is difficult to establish whether any gains in employment are attributable to increased labour market flexibility."¹⁷²

Despite significant levels of in-work poverty and labour market duality in the region, the quality of work is not a priority. Some measures, such as reducing the tax-burden on minimum-wage earners, regulating temporary work agencies,¹⁷³ or adopting new occupational safety standards,¹⁷⁴ are mentioned in individual countries' plans, yet the complex reasons for poor job quality are not tackled in a comprehensive manner. Informal work is rarely the subject of countries' measures on employment,¹⁷⁵ but the need to manage it may be included in countries' measures which, rather than looking to secure workers' rights, aim to curb unfair business competition (e.g. more stringent labour inspection).¹⁷⁶ In its annual progress reports, the EC notes the weak capacities of labour inspectorates to enforce labour standards in most countries;¹⁷⁷ inadequate legal protection of workers;¹⁷⁸ inadequate safety work standards¹⁷⁹ or a lack of protection against child labour.¹⁸⁰

Most countries also do not foresee any substantial strengthening of social dialogue or collective bargaining, measures that would be conducive to better quality of work. An exception is North Macedonia, where the EC notes "encouraging progress in social dialogue."¹⁸¹ However, social

¹⁶⁷ Government of Montenegro, 2017–2019 ERP, p. 88.

¹⁶⁸ Government of Montenegro, 2018–2020 ERP, p. 85.

¹⁶⁹ European Commission, Assessment of Montenegro's 2017–2019 ERP, p. 19.

¹⁷⁰ For instance, in Serbia, the employers' obligation to pay severance pay based on each worker's total years of service was changed to paying only for the years of service accumulated with the current employer. Moreover, in the process of changing labour laws, countries have also aligned labour standards to be more in line with EU *acquis* (e.g. with regards to non-discrimination, protection of employees in case of insolvency, obligation of informing employees of contract conditions, etc.).

¹⁷¹ Bodo Weber, The EU's Failing Policy Initiative for Bosnia and Herzegovina: A Reform Agenda and Questionnaire Monitoring Report, DPC Policy Paper, Berlin/Sarajevo, April 2018.

¹⁷² European Commission, Assessment of BiH's 2017–2019 ERP, p. 17.

¹⁷³ Government of Serbia, ERP 2019–2021, p. 123.

¹⁷⁴ FBiH still implements a law on occupational safety that was adopted during former Yugoslavia. While it is working on adopting on new one, this reform has not been implemented yet, and has been rolled over from previous ERPs. Council of Ministers of BiH, ERP 2019–2021, p. 111.

¹⁷⁵ North Macedonia adopted its first medium-term strategy for the formalisation of the informal economy (2018–2022) and action plan in 2018. European Commission, North Macedonia 2019 Report, p. 79. In Montenegro, a national commission to fight the informal economy was established in 2018. European Commission, Montenegro 2019 Report, p. 78.

¹⁷⁶ European Commission, Assessment of BiH's 2017–2019 ERP, p. 17; European Commission, Assessment of Montenegro's 2018–2020 ERP, p. 17; European Commission, Serbia 2019 Report, p. 78.

¹⁷⁷ European Commission, BiH Analytical Report 2019, p. 137; European Commission, Albania 2019 Report, p. 79; European Commission, Montenegro 2019 Report, p. 77; European Commission, North Macedonia 2019 Report, p. 79.

¹⁷⁸ European Commission, BiH Analytical Report 2019, p. 137; European Commission, Kosovo 2019 Report, p. 67.

¹⁷⁹ European Commission, BiH Analytical Report 2019, p. 137; European Commission, Kosovo 2019 Report, p. 67.

¹⁸⁰ European Commission, BiH Analytical Report 2019, p. 137; European Commission, Albania 2019 Report, p. 79; European Commission, North Macedonia 2019 Report, p. 79.

¹⁸¹ European Commission, Assessment of North Macedonia's 2019–2021 ERP, p. 15.

dialogue remains weak throughout the region.¹⁸² In some instances, such in the case of BiH's Republika Srpska entity, a new general collective agreement has been being negotiated on for years; the Federation of BiH is currently also without such an agreement.

Efforts to reduce the tax wedge on labour (e.g. through a reduction of social security contributions or through greater tax credits) or to introduce progressive taxation, especially at the lower ends of the wage spectrum, are generally absent from reform programmes, even though they could lead to greater labour market activity and formal employment. Exceptions are BiH and North Macedonia: in BiH, the Republika Srpska government boosted the annual personal tax deduction as to increase workers' take-home pay in 2018. With changes to the Personal Income Tax Law, North Macedonia introduced progressive taxation in 2018, adding a tax rate of 18% for income from labour exceeding circa EUR 17,560 a year (a 10% tax continues to apply to lower incomes) and increasing the tax rate from 10% to 15% for capital income. Serbia's 2017 changes of the tax wedge are perceived as marginal.¹⁸³

As mentioned earlier, increasing the minimum wage has recently been the strategy of several governments in the region. Kosovo, where the gross minimum wage has remained at 170 euros for a number of years, plans to increase the minimum wage to 250 euros. The Commission notes, however, that "an increase of this size would not be in line with the cumulative GDP and productivity growth over the past years and may negatively affect the employment of young people and low skilled workers." It could also represent an additional financial burden in terms of an increase in expenditure on war veterans' pensions.¹⁸⁴ However, even if the argument has merit, it does not go further in addressing the challenge of establishing a minimum wage that would ensure a decent standard of living, incentivise employment and thwart in-work poverty,¹⁸⁵ also corresponding with EPSR's principle 6 on adequate minimum wages. In the case of Montenegro, the plan to raise the minimum wage is not a part of the ERP, but an increase of the net minimum wage from

193 euros to 222 euros, which was recently agreed on by social partners.¹⁸⁶

In line with the EPSR, greater possibilities to align family and work life are not foreseen in countries' programmes. Such measures may include, *inter alia*, more flexible working arrangements (e.g. in terms of hours, place of work), greater flexibility in the use of parental leave and its distribution between parents, or the introduction of a carer's leave, in line with the EU Directive on work-life balance for parents and carers. It is important to know that this could substantially increase women's participation in labour markets of the region. Concurrently, linkages between employment and other means to foster activation, such as through improved access to care services, are not addressed in any meaningful way.

5.4 Key Takeaways

Given the severity of labour market challenges that countries of the WB6 face, measures in this realm could be much more ambitious and comprehensive. That countries of the region have to pursue reforms beyond activation is also recognised by the Commission. For instance, in the case of Serbia's ERP, the lack of "substantive labour market reforms"¹⁸⁷ and "strategic vision"¹⁸⁸ is noted and systemic reforms that go beyond ALMPs are recommended.¹⁸⁹ In BiH, the lack of employment-related strategic documents is noted, which is also needed for effective educational reform.¹⁹⁰ Montenegro's employment support measures listed in the most recent ERP are considered not to "constitute a structural reform measure addressing a key structural challenge on the labour market."¹⁹¹ On the other hand, the Commission praises North Macedonia's successful piloting of a Youth Guarantee in 2018, noting that the "political will of national authorities to tackle youth unemployment is clear."¹⁹² At the same time, even activation measures, prioritised by countries, suffer from tremendous shortcomings, such as low levels of financing

¹⁸² See, for instance, Annual Review 2018 of Labour Relations and Social Dialogue for countries of the region published by Friedrich-Ebert-Stiftung's Labour Relations and Social Dialogue office.

¹⁸³ European Commission, Assessment of Serbia's 2018–2020 ERP, p. 18.

¹⁸⁴ European Commission, Economic Reform Programme of Kosovo (2018–2020): Commission Assessment, SWD(2018) 133 final, Brussels, 17 April 2018, p. 17.

¹⁸⁵ European Commission, Towards a European Pillar of Social Rights: Wages, 2016, p. 1.

¹⁸⁶ Vojin Golubović, A minimum wage increase in Montenegro as of 1 July 2019, ESPN Flash Report 2019/28, European Social Policy Network (ESPN) (Brussels: European Commission, 2019)

¹⁸⁷ European Commission, Assessment of Serbia's 2019–2021 ERP, p. 17.

¹⁸⁸ Ibid, p. 3.

¹⁸⁹ European Commission. Economic Reform Programme of Serbia (2017–2019): Commission Assessment, SWD(2017) 142 final, Brussels, 21 April 2017, p. 18.

¹⁹⁰ European Commission, BiH Analytical Report 2019, p. 152.

¹⁹¹ European Commission, Assessment of Montenegro's 2019–2021 ERP, p. 30.

¹⁹² European Commission, Assessment of North Macedonia's 2018–2020 ERP, p. 16.

and coverage, poor targeting, or weak capacities of PES to implement them. As Matković writes, “the gap between the size of the vulnerable population and the institutional capacities brings into question activation and other active labour market policies as a general strategy.”¹⁹³

Measures to tackle the precariousness of work and the lack of consideration for workers’ rights as an understanding of labour markets in the region are hardly the concern of institutions occupied with placing the jobless into any job. The desired quality of employment in the region is a product of a complex set of conditions. Beyond the low level of workers’ skills and competences, these include high tax wedges on salaries in most countries, poor labour market standards and their enforcement, deteriorating collective bargaining mechanisms, weak social dialogue – and ultimately, the important fact that there are not enough jobs due to a lack in visions and strategic investments that would increase the productivity and competitiveness of these economies. Due to an insufficient number of job opportunities on the market, workers are willing to take up lower-quality jobs with inadequate pay. To substantially address such challenges, considerations of meaningful strategic reform must extend beyond the narrow walls of employment bureaus to incorporate actors and institutions in the areas of education, taxation and social protection, industry and the economy.

¹⁹³ Gordana Matković, *The Welfare State in Western Balkan Countries: Challenges and Options*, Position Paper (Belgrade: Center for Social Policy, 2017), p. 30.

6

Social Protection and Healthcare in the WB6

6.1 The Challenges

Social protection systems ought to protect citizens against social risks and to promote their well-being. Available data for individual WB6 countries suggests that systems of social protection are not sufficiently effective in tackling the high rates of income inequality (Graph 17) and at-risk-of poverty rates (Graph 18) in the region.¹⁹⁴

Spending on social protection and healthcare in the region is not sufficient to counter the complex and multifaceted problems that are rooted in the region's weak economies and inefficient systems of governance, as suggested by Eurostat's data on social protection expenditure available for a few countries in the region (Graph 19). Available estimates from the ERPs for other countries of the region indicate somewhat lower levels of financing, with expenditures for social protection and health constituting 12.3% of GDP in Albania¹⁹⁵ and only 9.2% in Kosovo¹⁹⁶ in 2016.

Systems of social protection in the region are dominated by inherited systems of social insurance consisting mainly of pensions, health and unemployment insurance. Kosovo is the exception with only a pension scheme, where the government is financing a major part of pension transfers. In BiH, 72% of all social protection financing comes from social insurance contributions,¹⁹⁷ which is exceptionally higher

compared to 60.2% in Serbia or the EU28 average of 52.8%¹⁹⁸ for the same year. In Montenegro, after the 2008–2010 crisis, there was a shift towards government financing, which resulted in a gradual decrease in financing from contributions, down to 65% in 2017.¹⁹⁹

In all countries, a relatively small share of the overall social spending pertains to social assistance schemes. The low generosity of social assistance transfers towards those most in need is a serious issue.²⁰⁰ Benefits range from only 7% to 20% of the minimum wage levels in the countries of the region.²⁰¹ Hence, social assistance benefits are so small that in most cases they do not affect the poverty status of beneficiaries.

Available estimates suggest that the targeting of social assistance transfers for those who are most in need is adequate throughout the region, as the poorest shares of the population tend to receive benefits more frequently than those who are better off.²⁰² Nevertheless, BiH remains an exception; for

¹⁹⁴ See, for instance, Jusić, *Confronting Inequality in SEE*.

¹⁹⁵ Council of Ministers of the Republic of Albania, ERP 2018–2020, p. 115. Based on COFOG classification, which is not fully comparable to ESSPROS.

¹⁹⁶ Government of Kosovo, ERP 2018–2020, p. 107. Based on COFOG classification, which is not fully comparable to ESSPROS.

¹⁹⁷ Agency for Statistics of Bosnia and Herzegovina, "First Release: European System of Integrated Social Protection Statistics – ESSPROS," no. 1, Sarajevo, 12 March 2019.

¹⁹⁸ Eurostat, "Receipts by type [spr_rec_sumt]."

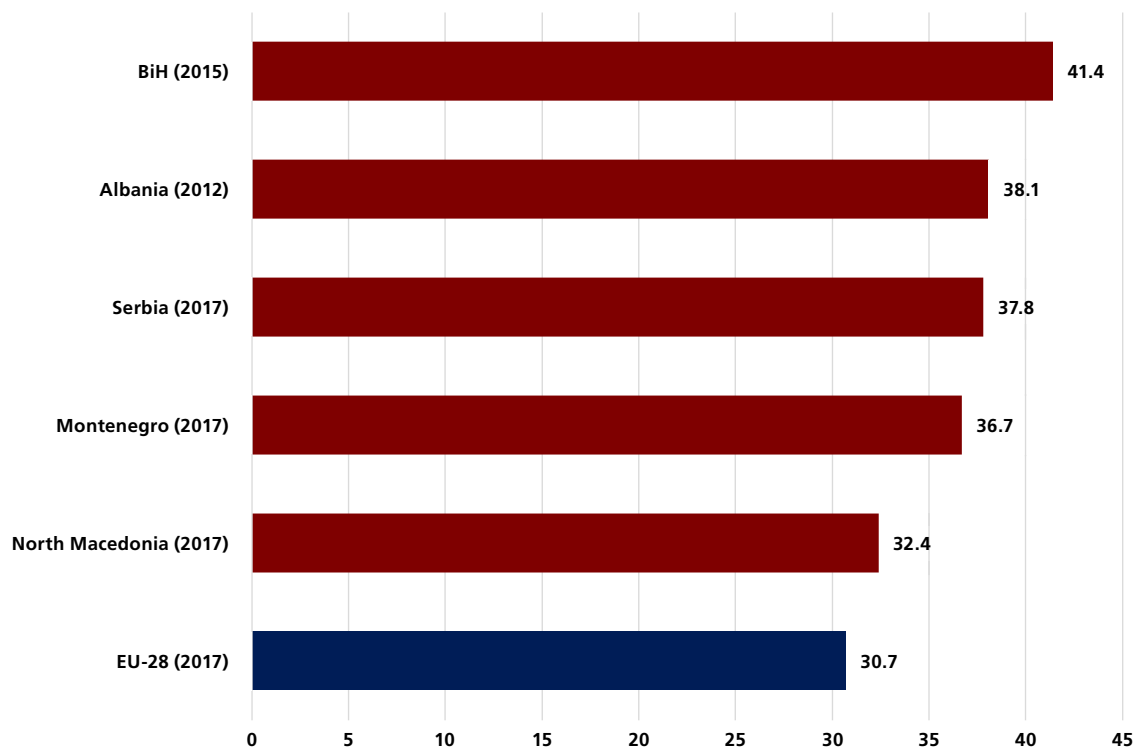
¹⁹⁹ Jadranka Kaluderović and Vojin, Golubović, ESPN Thematic Report on Financing social protection – Montenegro, European Social Policy Network (ESPN) (Brussels: European Commission, 2019), p. 4.

²⁰⁰ Blagica Petreski and Marjan Petreski, Assessing the level of harmonization of regional welfare state policies with the European Pillar of Social Rights, Policy Study, no. 18 (Skopje: Finance Think, 2018); Nikolina Obradović, Could non-contributory social transfers in Bosnia and Herzegovina reach those most in need? ESPN Flash Report 2018/74, European Social Policy Network (ESPN) (Brussels: European Commission, 2018); Council of Ministers of the Republic of Albania, ERP 2018–2020.

²⁰¹ Zsoka Koczan, Being Poor, Feeling Poorer: Inequality, Poverty and Poverty Perceptions in the Western Balkans, WP/16/31 (Washington, D.C.: International Monetary Fund), p. 30.

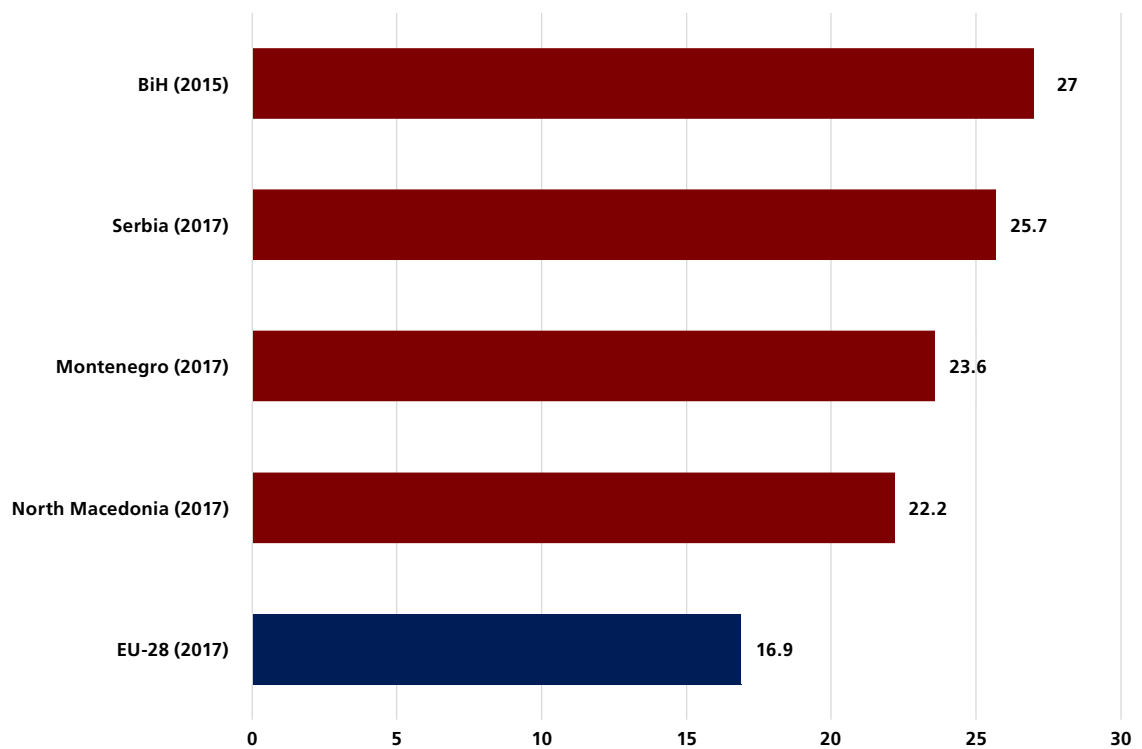
²⁰² E.g. see Jusić, *Confronting Inequality in SEE*, p. 35.

Graph 17: Gini coefficients of equivalised disposable income, WB6 countries and EU28 latest available year



Sources: Eurostat for EU28, North Macedonia and Serbia (EU-SILC data)²⁰³; Montenegro Statistical Office based on EU-SILC data;²⁰⁴ Jusić for Albania and BiH (estimates based on 2012 LSMS data and 2015 HBS data, respectively)²⁰⁵

Graph 18: At-risk-of-poverty rates, WB6 countries and EU28, latest available year



Sources: Eurostat for EU28, North Macedonia and Serbia (EU-SILC data);²⁰⁶ Statistical Office of Montenegro based on EU-SILC data; Obradović, Jusić and Oruč for BiH²⁰⁷

instance, available estimates suggest that the incidence of social assistance benefits among the poorest quintile of the population was only 16.5%, as opposed to 24.7% among the richest quintile.²⁰⁸ Such inefficiencies in targeting can mostly be attributed to the significant expenditure on status-based social benefits for war veterans and other war-related categories, which makes up three-fourths of all social assistance expenditures in BiH.²⁰⁹ Consequently, it is estimated that social transfers (without pensions) in BiH, according to the 2015 HBS data, reduce the at-risk-of-poverty rate only by 9.16 percentage points, which is significantly lower than the EU average (33.2 percentage points in 2016).²¹⁰

Another characteristic of social assistance systems in the region is weak coverage (Graph 20), which may, *inter alia*, be attributed to restrictive rules to accessing social benefits.

A lack of coverage, however, also pertains to social insurance schemes, and is due not only to low rates of registered employment, but restrictive rules in accessing benefits. For instance, unemployment benefits are received by a very small share of the unemployed throughout the region (ranging from only 2% in BiH to 12% in North Macedonia),²¹¹ while (non-contributory) social assistance schemes for the unemployed, common in countries of the EU, do not exist. This can, *inter alia*, be attributed to high shares of persons registered as unemployed in countries of the region who have not acquired or have lost the right to unemployment benefits after a given period of time.

While pensions play an instrumental role in reducing inequality and the risk of poverty,²¹² most pension systems in the region face challenges of sustainability, coverage and adequacy of pension amounts. At the same time, they are rather diverse in terms of

their financing mechanisms. In some countries, like North Macedonia and Kosovo, compulsory-funded private pension schemes have been introduced. Nevertheless, all countries except Kosovo²¹³ have pay-as-you-go (PAYG) systems in place, yet none can be financed through contributions alone due to a lack of funding.²¹⁴ The maturation of pension funds in the region is manifested by the continuously increasing number of pensioners, which, coupled with the problem of mostly stagnant employment and widespread labour market informalities, leads to pension fund deficits. Although unpopular, reforms of pension systems to enhance sustainability, i.e. by increasing the effective pensionable age,²¹⁵ more restrictive rules for retirement and pension indexation, have been inevitable. However, BiH entity pension systems and the pension system of Montenegro still have exceptions enabling earlier retirement, mainly used by those working in precarious conditions and less attractive jobs and professions. In Montenegro, early retirement options have allowed 70% of pensioners to retire earlier than the pensionable age since 2010.²¹⁶ In BiH and Kosovo, privileged pension rights given to war veteran groups (mostly of working age) represent a long-term government liability. Privileged pension rights also raise questions of equality, entitlement and even discrimination, given the privileged access of particular social and political groups to special benefits that many others cannot access. Generally stagnant labour markets, population ageing and outmigration of youth from the region make it more than certain that government financing of pension funds in the future will be necessary and it is likely to increase in order to maintain an adequate and socially acceptable pension level. Furthermore, all countries in the region have a significant number of elderly persons without pensions. This comes as a consequence of traditionally low employment rates and labour market informalities resulting in inadequate old-age pension system coverage. Only Kosovo (with a guaranteed old-age pension financed by the government) and

203 Eurostat, "Gini coefficient of equivalised disposable income – EU-SILC survey [ilc_di12]."

204 Montenegro Statistical Office, Statistika dohotka i uslova života 2013–2017, Podgorica, 2018.

205 Jusić, *Confronting Inequality in SEE*, p. 16.

206 Eurostat, "At-risk-of-poverty rate by sex [TESSI010]."

207 Obradović, Jusić and Oruč, ESPN Thematic Report on In-work poverty – Bosnia and Herzegovina.

208 Based on HBS 2015 data. World Bank ASPIRE Database, "Benefits Incidence – All Social Assistance," Bosnia and Herzegovina.

209 See, for instance, Amar Numanović, Social Assistance System in BiH: The Neglected Potential of Active Social Policies, Policy brief 20 (Sarajevo: Analitika – Center for Social Research, 2016), p. 2.

210 European Commission, Assessment of BiH's 2019–2021 ERP, p. 18.

211 ILO, World Social Protection Report 2017/19: Universal social protection to achieve the Sustainable Development Goals (Geneva: ILO, 2017).

212 For instance, see Jusić, *Confronting Inequality in SEE*, p. 32.

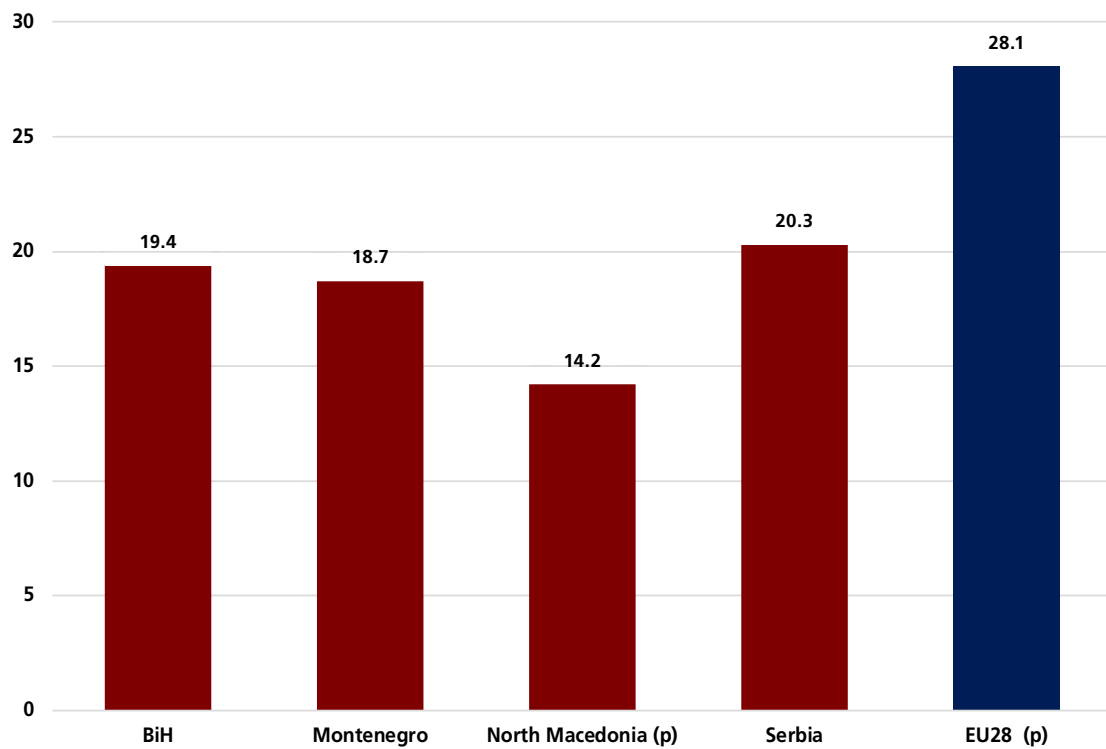
213 The Kosovo pension system includes a fully-funded defined contributions pillar, while a basic non-contributory pension, special privileged pension benefits, and pensions of those who contributed under the old system of Former Yugoslavia are funded from the budget.

214 Koettl-Brodman et al., Western Balkans Labor Market Trends 2019, p. 67.

215 The pensionable age is 64 for men and 62 years for women in North Macedonia, 65 years for men and 60 years for women (with a gradual phasing out to 65) in Serbia, 65 years in BiH and Kosovo and 67 years (by 2025 for men and by 2041 for women) in Montenegro.

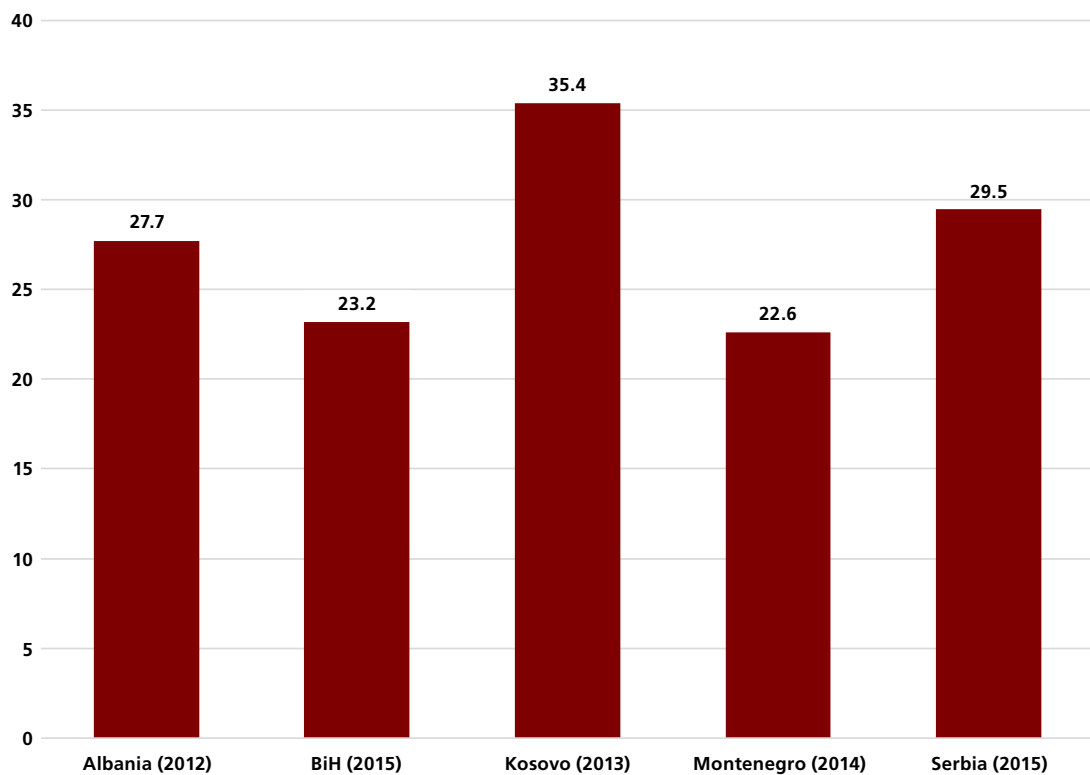
216 Jadranka Kaluderović, On-going debates about pension legislation changes in Montenegro, ESPN Flash Report 2018/75, European Social Policy Network (ESPN) (Brussels: European Commission, 2018).

Graph 19: Total social protection spending (including healthcare), 2016, % of GDP



Note: Data for EU28 and North Macedonia are provisional.
Source: Eurostat ESSPROS data;²¹⁷ Montenegro Statistical Office²¹⁸

Graph 20: Coverage of all social assistance in the poorest quintile of the population (in %)



Source: World Bank ASPIRE database

North Macedonia (through a guaranteed minimum income scheme) have thus far adopted policies to address this problem.

There is a lack of data on the availability and the quality of social services in the region. Social services are generally considered to be underdeveloped and underinvested in. This is partly due to decentralised systems and competencies for social services, which have devolved to local governments, and tend to have low levels of capacity and funding. Nevertheless, there are some differences between countries in terms of the extent to which they have regulated service provision or have made the transition from institutional towards community-based service models, *inter alia*. For instance, available estimates for childcare (less than 3 years), based on different sources, suggest that only a small share of children attend such institutions: from 5% in BiH and 10.3% in North Macedonia, to 14.5% in Serbia; and 15% in Albania and Montenegro, in comparison to 34.2% in the EU28 in 2017.²¹⁹ Various studies also suggest problems in the availability, quality and accessibility of service provision in other realms, such as long-term care, integrated services for persons with disabilities, or social housing.

Last but not least, access to quality healthcare remains a serious concern due to low public system coverage and the limited provision of services. Health systems in the region are developed in a Bismarckian tradition and depend on contribution payments for their financing (in Kosovo, a public health insurance scheme has still not been set up). The major share of financing comes from payroll contributions. Hence, the main burden of public health systems financing is placed on poorly performing labour markets. Because of the systems' design, this leaves uninsured everyone who is without employment, official unemployment status, or social assistance. Consequently, as a result of inadequate effective health insurance coverage on the one hand and

of imposed health system patient participation rates on the other, households' out-of-pocket payments on health services are much higher than in countries of the EU (Graph 21) and raise questions of health care affordability and accessibility, making it out of reach for the poor.

In most countries of the region, the dominant concern of health sector reforms to date has been regarding financial aspects, i.e. reducing health expenditure through cost containment or the prevention of unpaid liabilities, which have had a limited impact. At the same time, and as pointed by a recent World Bank report, non-communicable diseases "are rising dramatically in all Western Balkan countries except Kosovo,"²²⁰ to a level which is beyond the average for their level of development. This raises concerns about the effectiveness of the current health-care systems in preventing diseases and reducing morbidity and mortality rates.

Available indicators suggest that the welfare states of the Western Balkans require serious investments in order to be able to adequately respond to all the challenges that the region faces, such as widespread poverty and social inequality. In the face of a decline in the working-age population in most countries of the region, in combination with an ageing population, the financing of the social protection system through a contribution-based model will be further challenged.

6.2 EU Requirements and Expectations: A Focus on the Consolidation of Social Spending

When assessing the annual policy guidance from 2017 to 2019 regarding reforms in the social protection and healthcare realms (presented in Table 3), the common theme is cost containment and better targeting of social protection spending. An exception are recommendations for Albania that pertain to raising the capacities of local governments to prepare social care plans. It is surprising that similar measures are not suggested for other countries, given the general underdevelopment of local social care services, which contributes to women's low employment rates, especially in BiH and Kosovo.

Furthermore, given the inherent problems of systems' low levels of coverage, which results in unequal access to rights and services, and sometimes direct discrimination in terms of the level of benefits (as with war-related benefits in the case of BiH and

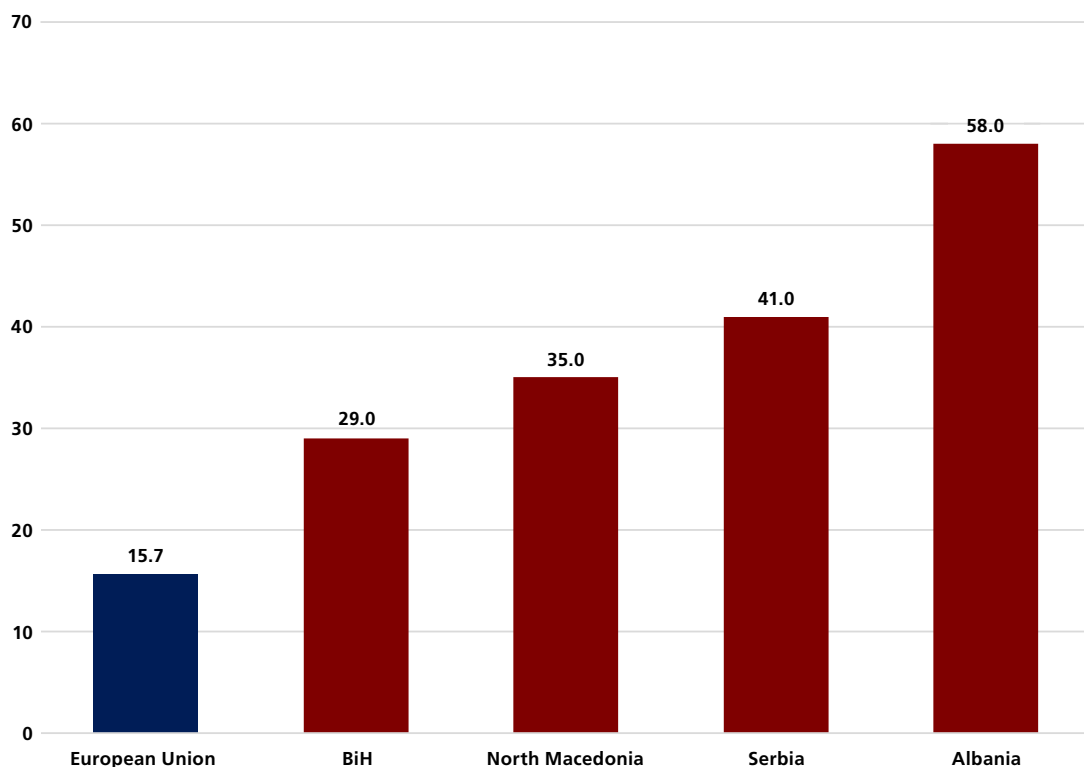
217 ESSPROS is a harmonised statistical system which can be used for the analysis and comparison of social protection financing. For enlargement countries, it is a part of the statistical *acquis*. It does not, however, give a full picture of social protection spending, since neither the available government data nor ESSPROS data takes into account private expenditure, which in countries of the region can be sizeable, especially on health protection, and some social services, which are in most cases not available free of charge, like childcare and long-term care. Eurostat, "Expenditure: main results [spr_exp_sum]."

218 Montenegro Statistical Office, "Social protection in Montenegro for 2016–2017 (ESSPROS methodology)," Release no. 125, Podgorica, 5 July 2019.

219 Eurostat, "Formal child care by duration and age group [TP500185];" European Commission's assessments of 2019/2021 ERPs for Albania and BiH; UN Women and UNDP, Investing in social care for gender equality and inclusive growth in Europe and Central Asia, Policy brief 2017/1.

220 World Bank, Reform Momentum Needed, p. 51.

Graph 21: Out-of-pocket health expenditure (% of current health expenditure), 2016



Source: World Health Organization Global Health Expenditure database

Kosovo), which is in direct collision with EU fundamental rights pertaining to non-discrimination and gender equality, it is surprising that the policy guidance for countries in the region does not address any of these issues. Generally, the policy guidance provided for this area does not reflect the principles and rights enshrined in the EPSR's Chapter III on social protection and inclusion.

6.3 Reform Commitments, Achievements and Deficits

The ERP strategic documents for all countries, under the chapter "Structural reform priorities" and sub-chapter "Social inclusion, poverty reduction and equal opportunities," give attention to better targeting and the reduction of government expenditure on social transfers, while also aiming to improve the effectiveness (in terms of poverty reduction) and transparency of cash benefits. With the aim of ensuring better targeting and more efficient use of resources, several countries have embarked on reforms to introduce the so-called Social Card, a computerised system for processing, approving, monitoring and auditing social benefits and transfers. Some countries have already established

similar measures.²²¹ Albania plans to implement electronic registries and apply a scoring formula for benefits (with the active role of the World Bank in the reform efforts).²²² In BiH, the FBiH plans to establish a single registry of government-financed social transfer beneficiaries, as well as to adopt legislation pertaining to means-tested social assistance, family benefits and rights of people with disabilities.²²³ The RS envisages the improved targeting of social benefits, which should result in savings and an eventual increase of benefit levels, as well as the development of a social benefits register in

²²¹ The system connects relevant government institutions and bodies (i.e. existing social and labour market institutions, tax authorities, land registry, etc.) into a single system, to determine if a person or a family could be eligible for social transfers. In Montenegro, such a measure was implemented through a UNDP project, while Serbia has just recently initiated a similar reform with the assistance of the Kingdom of Norway. A registry system was introduced in North Macedonia in 2011 with the assistance of the World Bank; similarly the World Bank in BiH has supported the establishment of the registry since 2014 (the project was completed but the registry is still not functional); the establishment of an electronic registry system is underway in Albania.

²²² Council of Ministers of the Republic of Albania, ERP 2019–2021.

²²³ Since most of these measures have not been implemented (with the exception of passing a new pension law), all activities have been carried forward to 2019–2021.

Table 3: Reforms in social protection and healthcare: Annual Policy Guidance 2017–2019

Countries	2017	2018	2019
Albania	None	None	"Under the steer and with financial support from central government, establish capacities at the level of all local government units for assessing social care needs and preparing social care plans."
BiH	"[...]create fiscal space for public investment by containing spending on public consumption and improving the targeting of social spending. Take steps to reduce public sector payment arrears, including social security contributions."	"Create fiscal space for public investment by containing spending on public consumption and improving the targeting of social spending."	"Improve the targeting of social transfers, based on needs."
Kosovo	"Take steps towards introducing targeting and means-testing to all war veteran programmes in order to further contain current expenditure."	"Complete the war veteran certification and reclassification processes with a view of decreasing costs of the war veteran pension scheme in line with the current legislation." "Complete the necessary steps for the introduction of the general health insurance scheme."	"Complete the war veteran certification and reclassification processes in order to decrease the costs of the war veteran pension scheme in line with the current legislation."
Montenegro	"Gradually reduce public spending on wages and pensions as a share of GDP." "Reform the law on social protection to ensure cost-effectiveness, better targeting of assistance and the reduction of disincentives for women to work."	"Gradually reduce public spending on wages and pensions as a share of GDP." "[...]prepare pension reforms that would change the valorisation and indexation of pensions and tighten eligibility for early retirements."	None
North Macedonia	None	"Streamline and better target social spending." "Adopt the law on social protection to better target those at risk of social exclusion."	"Adhere to agreed consolidation measures, in particular the new pensions indexation formula." "Adopt and implement the new social protection legislation for improving the impact of social transfers on poverty reduction."
Serbia	"Improve the composition of budget expenditure by further reducing public spending on wages and pensions as a share of GDP."	"Accelerate the envisaged reforms for better targeting of social assistance."	"Contain overall spending on wages and pensions as a percentage of GDP."

Source: Council of the European Union's Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey – 2017–2019²²⁴

this entity. Serbia plans better targeting of overall social assistance, better integration and coordination of social and employment services and tax administration, and the introduction of social cards.²²⁵ However, there are no plans for an increase in social spending in this area.²²⁶ North Macedonia's ERP also includes measures aimed at better targeting of social benefits, but also the extension of social pro-

tection coverage to tackle poverty.²²⁷ In order to finance a new set of social protection laws, the North Macedonian government decided to introduce progressive taxation.²²⁸

It appears that continuous reforms in the realm of social protection aimed at improved targeting towards those most in need actually do very little for them. In that sense, reform plans continue to speak the language inherent to the prevailing policy or-

²²⁴ Council of the European Union, Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, 2017, 2018 and 2019.

²²⁵ Government of the Republic of Serbia, ERP 2019–2020.

²²⁶ European Commission, Assessment of Serbia's 2019–2021 ERP, p. 17.

²²⁷ Ministry of Finance of the Republic of Macedonia, ERP 2018–2020; European Commission, Assessment of North Macedonia's 2019–2021 ERP, p.17.

²²⁸ European Commission, Assessment of North Macedonia's 2019–2021 ERP, pp.16–17.

thodoxy, stressing the need for a reduction in, and further means-testing of social benefits,²²⁹ despite an erosion of social safety nets in the region. For instance, Albania has been piloting a new social model of disability benefits that is supposed to modernise the administrative procedure and has begun implementing a reformed economic assistance scheme to improve targeting and reduce extreme poverty as of 2018.²³⁰ However, the allowance is meagre and below the extreme poverty threshold. In BiH, despite the government's declaration and undertaken reforms, assisted by the World Bank, to improve social assistance targeting, almost nothing seems to have been done in ameliorating the position of those most in need. Most importantly, governments' efforts excluded status-based war veteran benefits, which consume more than three-quarters of all social assistance expenditure in both entities. Hence, all efforts were focused on making already well-targeted means-tested social assistance benefits more restrictive, while keeping the benefit level below subsistence minimum.²³¹ North Macedonia stands out in terms of its recently-adopted Law on Social Protection, given that the law abolishes means-testing for disability benefits.²³² Moreover, with 2017 amendments to the Law on Social and Child Protection, specific childcare benefits were increased in Montenegro after benefits for mothers of three or more children were abolished.²³³

In most countries, despite modernisation efforts, the administrative burden for submitting claims for benefits continues to deter accessibility, especially for the most vulnerable and excluded groups, such as the Roma and homeless persons.

The activation of fit-for-work social assistance recipients is another common measure in countries' ERPs. For instance, Montenegro's 2018–2020 ERP envisages the activation of family cash beneficiaries and other hard-to-employ categories, while improving access to childcare services. The social inclusion

of people with disabilities is to be achieved through labour market measures (job-skills training, professional rehabilitation) and improving services a local level. North Macedonia's 2018–2020 ERP foresees the introduction of financial benefits up to the poverty threshold; a part of these benefits is to be conditional upon working-age beneficiaries' entry into the labour market.²³⁴

The reform of pension systems has also been one of the priorities in a number of countries. Here, the aim has been to reduce government expenditure on pension benefits. For instance, FBiH adopted a new law on pensions in 2018, whereby the pension formula was altered and conditions for qualifying for an old-age pension (as well as early retirement) have become somewhat more stringent. In Montenegro, the government proposed in 2018 a gradual phasing out of early retirement and new qualifying conditions for those with 40 years of insurance, which has been opposed by the trade unions. North Macedonia is planning to support the fiscal consolidation of pensions with an increase in the pension contribution rate of 0.4 percentage points, while at the same time achieving savings through the introduction of indexation based on a consumer price index only.²³⁵ A new law on social security of the elderly in North Macedonia does, however, introduce a minimum income for persons aged 65 and older who are not receiving a pension or other types of assistance due to insufficient years of contribution.²³⁶

While the social investment perspective "is biased in favour of services against cash transfers,"²³⁷ it appears that most governments in the region would like to curb social assistance spending but without necessarily investing in social services. These are generally side-lined or, where mentioned, addressed in very broad terms.²³⁸ For instance, Serbia plans to improve the accessibility and quality of social services,²³⁹ while Kosovo aims to enhance social ser-

229 See, Jusić, *Confronting Inequality in SEE*, p. 38; see also William Bartlett, "The Political Economy of Welfare Reform in the Western Balkans," *Poverty and Exclusion in the Western Balkans*, eds. Caterina Ruggeri Laderchi and Sara Savastano (New York, NY: Springer, 2013).

230 The reform of cash assistance is supported through a loan of the World Bank, which aims to build capacities for calculating the cost of social assistance programmes and for poverty knowledge. Council of Ministers of the Republic of Albania, ERP 2018–2020, p. 101.

231 Obradović, Could non-contributory social transfers in Bosnia and Herzegovina reach those most in need?

232 Maja Gerovska Mitev, North Macedonia strengthens disability rights with a new Law on Social Protection, ESPN Flash Report 2019/40, European Social Policy Network (ESPN) (Brussels: European Commission, 2019).

233 European Commission, Assessment of Montenegro's 2019–2021 ERP, p. 98.

234 Ministry of Finance of the Republic of Macedonia, 2018–2020 ERP, p. 85. Also see Ministry of Finance of the Republic of Macedonia, 2019–2021 ERP, p. 42.

235 European Commission, Assessment of North Macedonia's 2019–2021 ERP, p. 7.

236 Finance Think, "System of Social Protection in North Macedonia," 28 July 2019. Also see: European Commission, Assessment of North Macedonia's 2019–2021 ERP, p. 17.

237 Thomas Leoni, The social investment perspective as guiding principle for welfare state adjustment, WIFO, 2015, p. 12.

238 The three countries that have adopted ESRPs do place a stronger focus on the development of social services. For instance, North Macedonia's programme envisages the expansion of social service centres and local social protection councils; moreover, a substantial focus is placed on deinstitutionalisation and community-based social services. Deinstitutionalisation measures and the strengthening of local services are also contained in Serbia's ESRP.

239 Government of the Republic of Serbia, ERP 2018–2020.

vices through the provision of a designated municipal grant. Montenegro has included a measure on the development of day-care services for the elderly in its most recent ERP.²⁴⁰ However, the Commission notes that such a measure is “likely too narrow to have any comprehensive impact on poverty rates among older people or on the deinstitutionalisation of social care provision.”²⁴¹ North Macedonia’s introduction of new social services in its new law on social protection, such as respite care and personal assistance, is a welcome step.²⁴²

Despite all countries in the region facing challenges with regards to health system coverage, accessibility and financial sustainability, health system reforms are almost entirely absent from ERPs. Kosovo is one exception since the country is about to establish a public health system to be financed from social insurance contributions.²⁴³ Nevertheless, the process of introducing such a system has been significantly delayed, and this structural reform is repeated in each annual ERP. Given the low levels of employment in the country, the new health system is likely to start generating the same problems as public health systems of other countries in the region, such as insufficient revenue from contribution payments, insufficient coverage, and continuously rising costs. Montenegro’s 2018–2020 ERP is concerned with unpaid liabilities generated by the health system and with keeping the budget for pharmaceutical products under control (planned under the ERP’s chapter on the sustainability of public finances), while Albania and Serbia are planning to implement e-Health services. In BiH, where an asymmetric system of health protection is characterized by the unequal provision of services, non-portability of insurance in the country, significant out-of-pocket payments, and significant debt, reforms were planned as part of governments’ 2015–2018 Reform Agenda (with the assistance of the World Bank), but were placed aside in the end.

If judging by the measures proposed in ERPs, one would assume that health systems in the region are well-functioning, and that all citizens have good-quality health protection. This is far from reality, especially having in mind the high private out-of-pocket

expenditure in the region. The general absence of substantial healthcare reforms is surprising in light of the countries’ drive towards activation, given that “good health is a keystone of employability and therefore a precondition of any activation strategy.”²⁴⁴ Countries in the region clearly need guidance and support in reforming their public health systems. In order to achieve universal health protection coverage, one reform avenue may be to rely more on the revenue from government budgets rather than contribution payments. As a result, payroll social contributions could be reduced significantly.

In the annual policy guidance, agreed upon by EU institutions and governments of the WB region, social protection and healthcare reforms appear to be somewhat less prioritised in relation to employment measures, such as active labour market policies, or education reforms to tackle skills mismatches, even though EC’s assessments of countries’ plans at times emphasize the ambiguity of planned measures in the social realm. While the Social Scoreboard, containing indicators for countries from the region, is included in the EC’s most recent assessments of country ERPs and reference is made to the European Pillar of Social Rights, it is yet to be seen whether or not there will more resolute recommendations on the need to comply with the Pillar’s principles in a comprehensive way in EU institutions’ future policy advice to the governments in the region.

6.4 Key Takeaways

Poor social outcomes in the region manifest themselves not only in high poverty and inequality rates in monetary terms but also in poor and unequal access to some essential social services, including healthcare, uncovering the shortcomings of social protection systems. Although below the EU average, the overall social protection spending in the WB countries is not negligible. However, much of it is used in a non-productive way on passive and status-based benefits, contributing very little to ameliorating poverty and social risks arising from high unemployment, child-bearing, low wages, poor health, etc. In some cases, evidence suggests that these systems generate inequality and propel gender disparities.

None of these shortcomings appear to have been tackled by recent social protection reforms. Instead, the focus has been on cost containment through projects aimed at better targeting, activation and modernisation of the social administration, where the World Bank has played a dominant role

²⁴⁰ Government of Montenegro, 2019–2021 ERP, p. 99.

²⁴¹ European Commission, Assessment of Montenegro’s 2019–2021 ERP, p. 30.

²⁴² Gerovska Mitev, North Macedonia strengthens disability rights with a new Law on Social Protection.

²⁴³ The government also plans, in the most recent ERP, to ameliorate the system through additional measures, such as a scheme to compensate medications bought outside of the hospital; expansion of health services through home visits; or extending the reach of cardio-surgical health services. Government of Kosovo, 2019–2021 ERP, p. 98.

²⁴⁴ Leoni, The social investment perspective, p. 17.

in influencing reform priorities. The short-sighted, project-based approach to reforms of governments in the region has also done little for human capital development and the functioning of labour markets. Much-needed reforms that would address the shortcomings of systems in terms of granting universal access to benefits and services are being neglected or placed aside, as this would probably require changing entire systems and additional investments. Governments have yet to espouse a strategic approach to reforms on the basis of EPSR principles that would be conducive to WB countries' harmonising their systems with the social *acquis* and the implementation of fundamental rights.

Discussion: Is Gradual Transformative Social Change Possible in the Balkans?

This study shows that the social dimension of Western Balkan enlargement is yet to be secured. Market-driven education reforms and activation as the cure-all for the ails of the region's labour markets, and residual systems of social protection and healthcare prevail in countries' strategic documents and other forms of communication with the Union. But why is this so? Isn't the EU allocating considerable amounts of financial, technical and political support to accelerate the countries' accession prospects? Wouldn't it be in national governments' interest to ameliorate the social situation in order to magnify the prosperity of the region's populations and economies? Various conditions seem to be shaping the region's unenthusiastic social reform portfolio and poor social outcomes.

Maybe the most obvious condition is economic – due to the modest performance of its economies, governments of countries have rather humble resources at their disposal to implement ambitious social reforms. The Western Balkans have experienced somewhat greater growth in recent years, driven by rising exports and public consumption, but also by higher public investment and spending on public wages and social benefits.²⁴⁵ Economic growth has, for the most part, been accompanied by job growth, albeit such growth has recently slowed down. While there are considerable differences between countries (e.g. in terms of the types of industries or the level of sophistication of products), their markets continue to face numerous challenges, not limited to the generally low productivity of firms, poor economic governance, lack of access to finance, or a high burden on firms

in terms of various taxes and charges. GDP per capita remains low with a slowed pace of income convergence with European standards (Graph 22).²⁴⁶ Weak labour demand means a narrower pool of jobs, especially high quality jobs. Due to a labour force surplus, jobseekers are more likely to accept subpar working conditions, including lower wages. At the same time, a large informal sector means that taxes and social security contributions are not channelled into the state cashbox, further reducing space for social investment. Nevertheless, it is important to note that higher levels of economic growth are not a precondition for the implementation of more redistributive policies or different types of social reform in the region.

The political economies of the region are also marked by the realities of poor governance and weak corruption control, showing, as stressed in the 2018 EU's Western Balkans Strategy, "clear elements of state capture."²⁴⁷ Beyond the inefficiencies in governing public resources in the first place, political clientelism is pervasive²⁴⁸ and redirects resources away from important social reforms. 'Welfare clientelism' is present in the region and is most visible in particularistic social transfers, such as substantial status-based transfers to war-related categories in BiH and Kosovo. It is not surprising

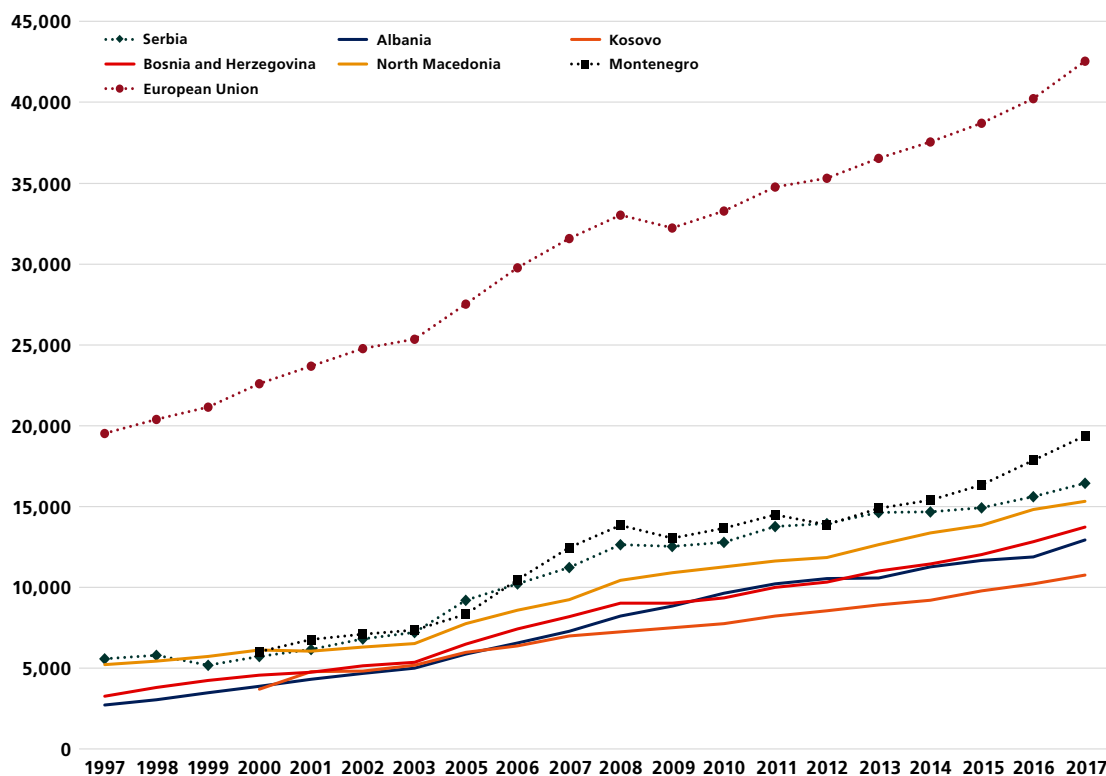
²⁴⁵ World Bank, Reform Momentum Needed.

²⁴⁶ World Bank, Reform Momentum Needed, p. 46. Also see: World Bank, The Western Balkans: Revving Up the Engines of Growth and Prosperity (Washington, D.C.: World Bank Group, 2017).

²⁴⁷ European Commission, A credible enlargement perspective, p. 3.

²⁴⁸ BIEPAG, The Crisis of Democracy in the Western Balkans: An Anatomy of Stabilitocracy and the Limits of EU Democracy Promotion, Policy study, eds. Marko Kmezić and Florian Bieber, March 2017.

Graph 22: GDP per capita, purchasing power parity (PPP) (current international \$), 1997–2017



Source: World Development Indicators, World Bank, 2019

that, throughout the region, levels of trust in government and in local authorities are very low, as suggested by Eurofound's 2016 European Quality of Life Survey (EQLS).²⁴⁹

Institutional inertia also conditions the prospects of change in the social realm. According to theories of historical institutionalism, interests that are generated by social policy programmes tend to result in 'increasing returns' for maintaining the *status quo*, effectively hampering the preferences of actors attempting policy change.²⁵⁰ In the Western Balkans context, this pertains to the vested interests of certain groups to maintain a given set of social rights. Such path dependence²⁵¹ means that there is little room for far-reaching reform, unless there is a radical shift of the balance of power in a society.²⁵² Examples of this abound in the region,

from the inability to tip the balance away from particularistic benefits in favour of more universalistic payments, to the reluctance to abandon the current systems of social security provision and financing in the region, which yield poor coverage, insufficient assistance and are clearly fiscally unsustainable. Gradual transformative change²⁵³ of social institutions is a more realistic option, but this requires substantial efforts by enterprising actors to actively cultivate changes from within existing institutions.²⁵⁴

Beyond the lock-in-effects of existing programmes and practices, the Economic Reform Programme exercise, as the currently highest-level expression of policy dialogue on economic and social issues between the WB6 governments and the European Union, once again points to the serious lack of policy-making capacity within government administrations in the region.²⁵⁵ While each country is aided in the process of formulating their ERP and

²⁴⁹ The survey was implemented in four countries of the region – Albania, Montenegro, North Macedonia and Serbia. Eurofound, *Life and society in the EU candidate countries, European Quality of Life 2016 series* (Luxembourg: Publications Office of the European Union, 2019).

²⁵⁰ For more, see: Paul Pierson, "Increasing Returns, Path Dependence, and the Study of Politics," *American Political Science Review* 94, no. 2 (2000).

²⁵¹ Ibid.

²⁵² Wolfgang Streeck and Kathleen Thelen, eds., *Beyond Continuity. Institutional Change in Advanced Political Economies* (Oxford: Oxford University Press, 2005), pp. 20–21.

²⁵³ Ibid, p. 21.

²⁵⁴ Ibid, p. 21.

²⁵⁵ Albeit there are differences between countries, assessments by OECD SIGMA also point to the generally low levels of policy-making capacity of governments in the region. For more, see OECD SIGMA, *Monitoring reports*, 2019.

in prioritising reform by the EC and the OECD,²⁵⁶ it is ultimately up to the governments to prepare their annual documents. There are multiple problems in that regard. Some of the countries do not provide basic diagnostics for a given field. In the social protection realm especially, countries sometimes fail to include concrete social protection measures as structural reforms, but rather only provide a diagnostic overview of the state of social protection and inclusion. This suggests that lower priority is afforded to reform in this realm in comparison to other structural measures. In other instances, countries reflect only on the legislation which is to be adopted in particular areas, rather than outlining concrete objectives, activities or impact. Some measures are rather broad, and it is unclear how they will be implemented; this hampers the possibility to even assess their relevance. In practice, measurable indicators in the social realm are generally absent from the ERPs, making it very difficult to evaluate their success. Several reform measures also lack funding modalities, estimates and fiscal impacts. Some countries frequently carry on measures from previous years, which is not unusual for reform measures that take many years to implement. Nevertheless, prolonged reforms, with measures being carried over from one ERP to the next, or the formulation of the continuous implementation of a policy or programme already adopted as a reoccurring measure, are common to ERPs. Last but not least, the ERP process makes it evident that reforms in many areas, and in the social realm especially, lack comprehensiveness and adequate financial investment to effect required changes. Measures often appear underwhelming in comparison to the challenges at hand.

The lack of social statistics and other important data is a serious impediment to reform and hampers evidence-based policy making. Only Serbia and North Macedonia have fully aligned their poverty and inequality measurement with Eurostat statistical standards.²⁵⁷ Other countries tend to use different and generally insufficient sources of data to that end. A lack of reliable, comparable and accessible administrative data on social services, education, and other social policy areas poses a problem

for monitoring the progress and evidence-based policy making. For instance, BiH has “only limited country-wide information on the overall quality and outcomes of the education system.”²⁵⁸ While some countries implement tracer studies to track the employment of students after graduation or surveys on employers’ needs for skills, the implementation of such studies is not always effective: in the case of Montenegro, for instance, the EC notes that “poor use and application of forecasting tools for future skills and employers’ needs act as an additional obstacle for matching skills with labour market needs.”²⁵⁹ A lack of relevant data also makes it difficult to monitor reform in line with the Social Scoreboard.

Whether or not it is due to non-transparent governance, reluctance to involve in decision-making processes more than only a narrow set of political allies, or simply a lack of policy-making capacities, it is evident that there is a general lack of willingness to open up the process of formulation of ERPs to a wider set of stakeholders. The consultation processes with external stakeholders in most countries resemble a window-dressing exercise, rather than a true determination to involve relevant sectoral actors in the formulation of strategic priorities. Problems with stakeholder involvement are highlighted by the Commission on an annual basis. They mostly refer to draft programme documents being published online for consultation only weeks to days before the documents are to be submitted to the Commission.²⁶⁰ Most countries do organise meetings with stakeholders, but this usually occurs at a late stage in the formulation process. In some countries, stakeholders’ written feedback on the ERPs is scarce due to the short deadlines given.²⁶¹ While some countries have recently shown improvements in regard to organising consultations on ERPs, following criticism from the EC, these still remain to be improved. Underpinning the generally weak consultation processes is equally the generally weak social dialogue throughout the region.

On the side of the EU, some conditions have also constrained a stronger push towards social reform in the WB region. Attention has understandably and

²⁵⁶ Beyond working sessions guided by the EC and OECD, countries have at their disposal a range of tools to guide the process of ERP formulation and monitoring, such as the OECD’s ERP Diagnostic Tool for Identifying Key Constraints to Competitiveness or the ERP Monitoring Tool for Tracking Progress of the Reform Implementation.

²⁵⁷ Albania has begun implementing EU-SILC since 2016, but data is not yet publicly available. Montenegro’s EU-SILC data is also not available on Eurostat’s website, while some of the data is published by the country’s statistical office. BiH has piloted EU-SILC, but it has yet to implement the first round of the survey.

²⁵⁸ European Commission, Assessment of BiH’s 2017–2019 ERP, p. 19.

²⁵⁹ European Commission, Assessment of Montenegro’s 2018–2020 ERP, p. 17.

²⁶⁰ For instance, the Commission notes that the ERP 2017–2019 for BiH was published on the Council of Ministers’ website less than two weeks before being submitted to the Commission. European Commission, Assessment of BiH’s 2017–2019 ERP, p. 15.

²⁶¹ E.g. EC Assessment of Albania’s 2017–2019 ERP; Assessment of Kosovo’s 2017–2019 ERP; European Commission, Economic Reform Programme of Montenegro (2017–2019): Commission Assessment, SWD(2017) 145 final, Brussels, 21 April 2017; European Commission, Assessment of BiH’s 2017–2019 ERP.

persistently been focused on economic growth and anti-corruption efforts in the last decades of Western Balkan enlargement, yet greater consideration should have been given to social issues. In his analysis of EU institutions' documents geared towards the Balkans, Kapidžić stresses that the EU's communication on enlargement generally lacks strong normative foundations. When values were expressed, "rule of law" and a "liberal market economy" are stressed most often while "equality" and "solidarity" are least often mentioned.²⁶² While recent strategic documents place a greater focus on social issues, such ideas have yet to truly materialise in practice.

A lack of a more ambitious EU social reform agenda towards the region to date may also be a reflection of what appears to be the absence of political agreement on the depth of Europe's own social integration, and by extension, that of aspiring Member States. The EU's response to the 2008 economic crisis illustrates the reluctance to enact a more substantial social agenda at a time when it was most needed. According to Leschke et al., "the pursuit of fiscal austerity as dictated in the context of the European Semester runs counter to the pursuit of inclusive growth through reducing poverty, which is one of the priorities of the Europe 2020 Strategy." As a result, the opportunity was missed post-crisis to curb rising inequality, the product of the previous growth model, with the EU's policy responses to the crisis negatively affecting distribution, poverty and exclusion that arose from the crisis.²⁶³

Ideas inherent to a neoliberal policy paradigm, especially the imperative for further means-testing and targeting of social assistance, reining in pension spending, or flexibilising labour legislation, can also be attributed to a strong presence in the region of other international actors, notably the World Bank and the International Monetary Fund (IMF), which continue to exert a dominant influence on social policy-making and the reform agendas in the Western Balkans, also influencing EU institutions. Post-crisis, EU institutions effectively took on the language of fiscal consolidation of the IMF, with whom governments of the region entered into borrowing arrangements. In the case of BiH, for instance, the country's 2015–2018 Reform Agenda was drafted with the sup-

port of the EU Delegation and was marked by a push to flexibilise labour legislation (these and other social and labour market reforms were to be agreed upon with the IMF and World Bank²⁶⁴). Weber reflected upon the adoption of new labour legislation supported by the EU in BiH in the following manner: "In the case that the current engagement of the EU in BiH does not succeed, in case that the adoption of the Labor Law remains the only implemented structural measure of the Reform Agenda, and other key steps, such as public administration or judicial reform do not take place, the impact of the new law would be a negative one – both in terms of spreading the already existing working and social legal chaos and the real further dramatic disenfranchisement of workers."²⁶⁵ The dominance of blueprint programmes grounded in a neoliberal paradigm thus poses an additional obstacle for transformative, progressive social change.

Maybe the EU's currently most important "flagship" project in the region – the ERP process – can be commended for the responsibility it places on national governments to monitor challenges in the social realm and propose and implement relevant policies on a continuous basis, as well as the close attention that European institutions pay to it. As such, it also contributes to sustaining the credibility of the enlargement process. By strengthening their policy-making capacities, it allows countries to prepare for participation in the European Semester once they join the EU.

However, it too has its shortcomings. In all policy areas covered by the document, countries are expected to reflect upon each reform measure's impact on competitiveness, except for in the area of social protection and inclusion, where they are to include expected impacts on social outcomes, such as equality and poverty reduction.²⁶⁶ Countries are not expected, however, to provide a more nuanced assessment of social impacts, which would relate more closely to the Social Scoreboard Indicators, for instance. Impact assessments, but also the reporting on progress with regards to the implementation of measures in areas such as childcare, health care and others would uncover the serious underperformance of WB countries in the terms of the implementation of the Pillar's principles and would highlight the need for reforms. Given its focus on growth

262 Kapidžić, Damir, "International Role of the European Union in the Western Balkans? Measuring Consistency and Coherence of Value Expression in the EU's External Relations," *Croatian International Relations Review* January/June 2011, pp. 10–14.

263 Janine Leschke, Sotiria Theodoropoulou and Andrew Watt, "Towards 'Europe 2020'? Austerity and new economic governance in the EU." *Divisive integration. The triumph of failed ideas in Europe – revisited*, Ed. Steffen Lehndorff (Brussels: European Trade Union Institute, 2015), p. 324.

264 Council of Ministers of BiH, 2015–2018 Reform Agenda, p. 5.

265 Bodo Weber, Novi ZOR u BiH – Reformska agenda EU i međunarodne finansijske institucije Zakašnjale strukturalne reforme ili neoliberalno umanjenje prava radnika? (Sarajevo: Friedrich-Ebert-Stiftung BiH, 2016), p. 18.

266 See, for instance, European Commission, Guidance for the Economic Reform Programmes, April 2019.

and competitiveness, the process of ERP formulation wasn't designed to address social matters in a comprehensive way. The ERP is also marked by the often rather limited nature of policies that are proposed, with small shares of national budgets dedicated to social reforms. Moreover, the outcomes of such reforms are uncertain. According to Šunderić, there are no awards for countries that do well and no sanctions for those that do not,²⁶⁷ e.g. by having IPA funding in the social realm more explicitly tied to reform progress. Thus, it remains questionable to what extent countries are indeed motivated to ameliorate their social indicators through this process.

In addition to annual ERPs, three countries of the region – Montenegro, Serbia and North Macedonia – adopted the Employment and Social Reform Programmes (ESRPs) in 2015, 2016 and 2017, respectively. Given that these programmes specifically pertain to education and skills, employment and social protection systems, they are more comprehensive and detailed in terms of the reforms they propose. Moreover, they have been prepared in a process of coordination of various institutions and external stakeholders. However, the follow-up to the ESRPs appears to be largely absent. The programmes appear to receive much less attention by the Commission – and indeed, by important national stakeholders – than the annual ERPs. While the ESRPs were to be the “cornerstone of the bilateral strategic and gradual policy dialogue,” and the Commission’s “key approach to strengthening the employment and social dimension of the enlargement process,”²⁶⁸ such an ambitious role does not seem to have materialised. North Macedonia and Serbia have published progress reports on the first year of ESRP implementation, but only recently. According to Šunderić, there is “no process around the ESRPs anymore,”²⁶⁹ as the focus has been shifted towards the ERPs to deliver on the social dimension.

This may be a missed opportunity, as the ESRP should have acted as a sort of a substitute to the Joint Inclusion Memorandum (JIM) and the employment-related Joint Assessment Paper (JAP) drafting process, implemented in Croatia and other countries that had joined the EU earlier. The JIM in Croatia and other countries²⁷⁰ was a dynamic process that

meant close inspection by the European Commission; as part of it, countries implemented National Implementation Plans (NIPs) on social inclusion and Annual Employment Promotion Plans. Progress made was subsequently evaluated by DG Employment, Social Affairs and Inclusion, with recommendations for follow-up issued on a regular basis. This exercise of planning and coordination included, beyond the Commission, a wide range of local stakeholders, not limited to policymakers, social partners, social service providers and NGOs.

Stubbs notes that, in the case of Croatia, the JIM process resulted in a “number of positive changes in social inclusion policy in Croatia, among which were: improved and more meaningful stakeholder communication and increased transparency, as well as a degree of improved communication between respective line Ministries.”²⁷¹ Beyond the inclusive nature of the process, its substantial focus on social inclusion mattered. According to Stubbs, the JIM process fostered norm diffusion and helped place a number of important issues on the agenda, not limited to reducing regional inequalities in accessing social services, tackling discrimination, fostering the employment of persons with disabilities and national minorities, aiding the integration of children with disabilities in schooling, deinstitutionalisation efforts and the development of non-institutional services, paying closer attention to the needs of the elderly, accommodating flexible working arrangements for parents, and so on. This is a similar experience to that of Slovenia: Slovenia’s JIM process invoked extensive consultations and made social inclusion “an overall national policy,” also reflected in the country’s National Action Plan against poverty and social exclusion (NAP), which was adopted after it became a Member State.²⁷²

Given the shortcomings of the ERP and the ESRP processes, it still remains to be seen whether or not a more comprehensive dialogue focused on reforms in the social realm will materialise as countries of the WB advance further in their membership negotiations. While opening negotiations on Chapter 19 especially places a country on a different reform track in comparison to others due to the substantial amount of national legislation that needs to

267 Žarko Šunderić, “Analysis of EI Instruments for welfare state reforms in the Western Balkans,” PowerPoint presentation, Centre for Social Policy, Belgrade, December 2018.

268 European Commission, *The Employment and Social Affairs Platform*, IPA II Annual Multi-country Action Programme 2015, 2014, p. 3.

269 Šunderić, “Analysis of EI Instruments for welfare state reforms in the Western Balkans.”

270 Albeit it should be noted that the JIM process was initiated temporally relatively close to Croatia’s accession to the EU (2013), with the first NIP adopted for the 2007–2008 period.

271 Paul Stubbs, “Building Capacity to Promote Social Integration and Social Inclusion in the Western Balkans,” paper presented at Expert Group Meeting on Practical Strategies to Promote Social Integration: Lessons learned from existing policies and practices,” Accra, Ghana, 17–19 November 2009, p. 9.

272 European Commission, *Report on Social Inclusion 2004: An Analysis of the National Action Plans on Social Inclusion (2004–2006)* submitted by the 10 new Member States, SEC(2004) 256, Brussels, 14 February 2005, pp. 160–161.

be harmonised with the EU *acquis* in this realm, the case of Croatia, Slovenia, and other countries that have recently joined the EU shows that something akin to the JIM/JAP process would be more than welcome for a deeper commitment to social reform.

The European Pillar of Social Rights should certainly be an important point of reference when considering how such commitment may be increased, especially as the monitoring of its principles, using the Social Scoreboard indicators, now feeds into the European Semester policy coordination process. The importance of the Pillar has also recently been recognised in the Western Balkans Ministers' "Declaration on improving social policy in the Western Balkans" in 2018,²⁷³ which confirmed EPSR as a guidepost for aligning the region's labour markets and welfare systems with the EU. If taken on board, it would enable much-needed consolidation of countries' social protection systems, ensuring better social outcomes. In combination with potentially greater support for social reforms in the region as part of the next round of IPA financing (2021–2027)²⁷⁴ and with the 2030 Agenda for Sustainable Development serving as another point of reference for reform, an impetus for more substantial social change may be created in the upcoming period.

However, even a stronger process and higher levels of funding may not be enough to generate the needed momentum to respond to the broader set of challenges which are shaping poor social outcomes in the Western Balkans, and which may only be exacerbated by trends of migration of the working-age population, population ageing or falling fertility rates. One cannot expect accession-driven social reform to be the silver bullet, not only because of WB countries' own challenges, but also because of the EU's own internal rows over the depth of social integration, and the reluctance of some Member

States to accept new countries into the EU family. For a gradual social transformation of the Western Balkans, a continuous exchange of ideas within each society, regionally and with the EU is needed, which analyzes how best to enact the principles of social justice. Such exchanges need to be positioned within broader discussions on visions of countries' social, economic and democratic development. Otherwise, in interaction with each other, the adverse existing conditions discussed will continue to provide barren ground for deeper social integration of the region with the rest of Europe.

273 The declaration was signed at the ministerial conference "Social Dimension Initiative for WB: Leaving no one behind in the process of EU integration," organized by the German NGO Arbeiter-Samariter-Bund Deutschland together with some members of the European Parliament and hosted by Serbia's Ministry of Labour, Employment, Veterans and Social Affairs on 6 November 2018 in Belgrade. For more, see: Arbeiter-Samariter-Bund, Western Balkans Ministers' Regional Initiative: Declaration on Improving Social Policy in the Western Balkans, Social Dimension Initiative, 6 November 2018, Belgrade.

274 According to the EC's 2018 Proposal for a Regulation of the European Parliament and of the Council establishing the Instrument for Pre-accession Assistance (IPA III), the next round of IPA financing should entail 14.5 billion euros (in current prices). The allocation for 2014–2020 was 11.7 billion euros. Funding shares for individual sectors are yet to be determined. For more, see: European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing the Instrument for Pre-Accession Assistance (IPA III), COM (2018) 465 final, 2018/0247 (COD), Brussels, 14 June 2018.

8

Conclusion

While a new impetus for a 'deeper integration' in the social realm may have been provided by the recently proclaimed European Pillar of Social Rights in the EU, the language of a 'reinforced social dimension' has not yet been reflected in the reform programmes of the Western Balkan six seeking to join the Union.

The cornerstone of the dialogue on economic and social issues between the Union and the WB6 governments, the process of annual Economic Reform Programme formulation and implementation, lacks a stronger focus on social matters. Countries' commitments do reflect an aspiration towards greater social investment, but in a narrow sense. Structural reforms are primarily focused on investment in human capital, mainly through the advancement of skills as to ensure a more productive, active, and ultimately, competitive workforce, which can be applauded (and for which substantial funds have been disbursed by the EU). They are less focused on the social investment perspective as relating to enhanced social citizenship,²⁷⁵ where protection against social exclusion and poverty would take on a more substantial role. The underlying assumption of countries' approach seems to be that better-performing, efficient labour markets and economic growth will automatically contribute to poverty reduction and social inclusion. But, as Esping-Andersen writes, perceiving activation as a substitute for income maintenance guarantees "... may be regarded as naïve optimism, but, worse, it may also be counterproductive," as reducing poverty and income security is "a precondition for an effective so-

cial investment strategy."²⁷⁶ As such, countries' approaches resemble workfare policies implemented in some EU countries during the nineties and have little in common with the inclusive growth paradigm that underpins the Europe 2020 strategy.

Moreover, ERP documents tend to identify priorities based on their relevance for the state of public finances rather than on the actual needs for ameliorating the position of the most vulnerable, stemming from high inequality and poverty rates, insufficiently developed and accessible social services, as well as problems of unemployment and labour market inactivity. ERPs neglect many of the prevailing social issues that stem not only from an underperforming labour market but also underperforming and old-fashioned social protection systems that in some cases generate and perpetuate social inequalities. The commitments of governments in the region do focus on improving competitiveness, on supporting businesses, and on attracting foreign direct investment in order to contribute to job creation. However, a stronger recognition that the pervasive joblessness in the region is not only the result of a lack of skills and/or a lack of incentives, but also a matter of insufficient creation of new jobs, is not discernible in ERPs. Although the analysis of labour demand was outside of the scope of our research, one may assume that if not enough is done with respect to job creation, even superior activation policies aimed at re- and up-skilling of jobseekers will prove futile, as the population of working age will continue to emigrate from the region in a search

²⁷⁵ Leoni, "The social investment perspective."

²⁷⁶ Gösta Esping-Andersen, "Towards the Good Society, Once Again?" in *Why We Need a New Welfare State*, eds. Gösta Esping-Andersen, Duncan Gallie, Anton Hemerijck, and John Myles (Oxford: Oxford University Press, 2002), p. 5.

for quality employment and better living conditions elsewhere.

While the EPSR is referenced in the most recent ERP formulation process, and the European Commission has begun assessing WB6 countries' progress in accordance with the Social Scoreboard of Indicators, many of the rights and principles inherent to the Pillar have yet to be embraced in countries' reform measures. Some, such as access to training or active labour market policies are clearly at the forefront of reform efforts, but many others are neglected. Gender equality, especially in relation to the right to equal pay, is completely side-lined in ERPs. Equal opportunities in terms of employment, social protection, education and access to goods and services for different groups are insufficiently tackled. Others that should be afforded greater attention include secure and adaptable employment, the right to fair wages, stronger social dialogue, the right to more flexible working arrangements and other work-life balance measures, healthy and safe working environments, access to childcare, adequate unemployment benefits, minimum income benefits, old-age income and pensions, affordable, good-quality healthcare, long-term care, and housing support. In the annual policy guidance to individual countries, EU institutions are yet to actively promote these rights and principles in a more comprehensive way.

The process of ERP formulation, which has currently taken centre stage as the mechanism through which the social dimension of EU enlargement in the region is being ideationally promoted, faces other weaknesses beyond the substance of reform. The level of commitment that most countries afford to it is questionable, as the measures they formulate frequently lack ambition or are too vague. One reason may be that authorities lack policy-making capacity for well-prioritised, well-designed, implementable and assessable measures. Such an issue may, to a certain extent, be tackled through robust technical assistance. Another may be that governments are not motivated enough to truly pursue social reforms, a deeper issue that may only to an extent be addressed through a system of incentives and sanctions.

Social reforms in the region are generally not being planned holistically or in a forward-looking manner.²⁷⁷ All countries in the region, except Kosovo, have outdated systems of social protection that in most cases cannot satisfy normative EU standards regarding gender equality, non-discrimination

and inclusion. None of these systems can respond to the challenges arising from unregistered work, widespread poverty and high income inequality, and new social risks, as evident from their propensity to score substantially below the EU average on almost all important social indicators. While it was out of the scope of this study to analyse individual policy-making processes in each country, it appears that policy-makers are generally not capable of looking beyond current models, developed in a Bismarckian tradition, which were suited to the policies of full employment during socialism, and at the time provided benefits for employees of state owned-enterprises and public institutions. An illustrative example of this is the current plan in Kosovo to introduce a social insurance financed system of health protection, as in former Yugoslavia, at a time when all health systems in the region financed from contributions struggle with insufficient funds and have failed to provide universal coverage and accessibility. As argued by Gerovska Mitev, an inclination towards more anticipatory, transparent and integrated social policy governance in the Western Balkan region is still difficult to trace and probably even harder to implement.²⁷⁸ Countries should look towards the EU for successful policies and innovative solutions to problems, while aiming to satisfy fundamental rights. This way, the policies they formulate may carry a transformational potential, instead of attempting to fix those parts that are directly linked to the labour market and neglecting others.

Ultimately, the process of accession of the Western Balkan countries also needs to receive the support of residents of the region. According to the RCC's 2019 Balkan Public Barometer, some 56% of respondents from the WB6 believe that EU membership would be a good thing for their economies, which is not a very high share.²⁷⁹ Social agendas are required to make accession worthwhile for the people living in the Western Balkans, many of whom are already "voting with their feet." For these processes to succeed, Western Balkan societies will have to see tangible evidence of the effectiveness of EU accession and its benefits for the region's residents.

²⁷⁷ Maja Gerovska Mitev, "Social Policy Challenges and Strategic Priorities in the EU Candidate Countries," *European Perspectives – Journal of European Perspectives of the Western Balkans* 8, no. 1 (April 2016), p. 84.

²⁷⁸ Ibid.

²⁷⁹ Albania stands out with 86% of respondents perceiving a positive benefit of accession for the economy of their country. Regional Cooperation Council, *Balkan Barometer 2019: Public Opinion Analytical Report* (Sarajevo: RCC, 2019), p. 37.

9

Expanding the Social Dimension of Enlargement: Framework Recommendations

As part of the EU accession process, the Western Balkans region requires effective social reforms. Governments' reform courses need to closely respond to the core rights and principles underpinning the European Social Model and reflected in the European Pillar of Social Rights. While individual countries in the Western Balkans are by no means facing the same challenges nor addressing them in the same ways, and are also on different tracks in the process of EU accession, the subsequent framework recommendations offer general guidance on how their policy responses in the social realm may be improved. Recommendations are also provided for EU institutions on how to bring social issues to the forefront of the enlargement agenda.

Recommendations to the Governments of the Western Balkan Region

Education

- Countries should continue to dedicate attention to reforming VET, higher education and life-long learning programmes to curb skill mismatches and foster social inclusion. Strengthening the quality of programmes (for instance, through certification and accreditation processes, the involvement of employers, and teacher training) as well as access to education should be prioritised.
- Beyond VET reform, the quality of basic education needs to be improved, especially by investing in curriculum reforms, initial and continuous teacher training, and better governance of education institutions.

- Investments are needed in monitoring systems to prevent early school leaving, as well as measures that would allow for the reintegration in education and training for students who have dropped out. Students from disadvantaged backgrounds need to be provided with equal access to education. Focus needs to be placed on the inclusion of pupils and students with disabilities in mainstream education, through the provision of physical access to facilities, tailored learning materials and teaching assistants.
- In order to foster human development, reduce inequality, and increase women's participation in the labour market, quality pre-school education needs to be offered throughout the region. Poor households should have access to free-of-charge pre-school education.

Employment Policy and Labour Markets

- The labour force participation of women in the region needs to be enhanced by ensuring equal treatment in terms of employment conditions (including equal pay) and career opportunities, but also the opportunity to become active in the labour market in the first place through the provision of education and training programmes, as well as social services to unburden women from care responsibilities.
- Equal treatment and opportunities to access quality employment need to be promoted for other groups that are currently under-repre-

sented in labour markets of the region, such as national minorities and persons with disabilities.

- Employment support needs to be increased, both through well-designed and well-targeted active labour market policies and personalised counselling and job mediation services, but also through adequate income support during bouts of unemployment. Following the example of North Macedonia, countries should invest in youth guarantee schemes, offering youth the opportunity to engage in continued education, apprenticeships/traineeships or employment shortly after leaving education and training or becoming unemployed.
- Progressive taxation should be introduced in countries that have flat-rate personal income taxation to enhance workers' take-home pay and incentivise formal work, especially at the lower end of the wage spectrum.
- Labour legislation and relevant by-laws should be amended to ensure fair and equal treatment of workers, the right to information, the right to protection against dismissals and access to dispute resolution mechanisms, the right to organise, the right to quality and safe working conditions, the right to fair wages (including adequate minimum wages) and the right to open-ended employment. Non-discriminatory and universal application of general labour legislation would contribute to reducing informal work and the current gap between the public and private employment sectors.
- Greater attention needs to be paid to work-life balance, through mechanisms such as flexible working arrangements and flexible usage of parental leave, devoting special consideration to equality between women and men in distributing care responsibilities.
- Social dialogue needs to be fostered in the region by involving social partners in a timely and substantive way in all relevant policy processes in the social realm, including the ERP process. Governments need to invest in the capacities of social partners to effectively engage in social dialogue.
- The autonomy of trade unions and employers' associations as well as the processes of collective bargaining should be advanced. Extending

the reach of unions and employers beyond the public sector or large companies to cover more broadly the private sector and encouraging the unionisation of workers in low-quality jobs would be vital to improving representation and reducing the segmentation of labour markets.

Social Protection and Healthcare

- Countries should consider modalities for introducing more universal social benefits as to decrease poverty and income inequality. Beyond greater coverage, the adequacy of social benefits needs to be improved.
- Countries need to invest in universal and widely accessible social services, not limited to health-care, housing, childcare, but also community-based long-term care and other social services. The development of community-based social services should be coupled with a stronger impetus towards deinstitutionalisation. Investment in the provision of social services that would mobilise local governments and civil society could have a transformative potential, benefiting different social groups, contributing to the creation of jobs and general welfare of the community.
- Out-of-pocket health expenditure needs to be reduced by broadening health insurance coverage and investing in quality health care services, which citizens should have equal access to.
- Countries should look towards direct taxes and other sources beyond social security contributions in order to implement new modalities of sustainable social protection financing.

Recommendations to EU Institutions

- Within the enlargement process, the EU should establish the European Pillar of Social Rights as a crucial frame of reference to ensure countries' compliance with key social rights, and monitor the countries' performance in line with the Social Scoreboard on a continuous basis.
- Old-fashioned systems of social protection in the region are generally inapt at addressing widespread social risks stemming from poverty, joblessness or low-quality work, the need to reconcile work and family responsibilities, or illness and disability. In some cases, these

systems even perpetuate inequality. As part of the accession process, countries in the region should benefit from continuous policy advice and guidance of EU institutions in reforming their systems of social protection to ensure observance of social rights.

- As part of negotiations on Chapter 23, greater attention should be paid to fundamental social rights pertaining to employment, social protection, education and health, also in relation to ensuring gender equality and non-discrimination in these areas. In this way, social rights could be addressed in a more comprehensive manner.
- The EC should widen its avenue of communication with the Western Balkan countries, and apart from governments include different actors, such as trade unions, businesses, non-governmental organizations and academia to facilitate and encourage dialogue and knowledge-sharing on education, employment, social and health policies. Social service providers and service users need to be a part of these processes in order to warrant sustainable reforms. Sub-national levels of government should be included in dialogue on social issues.
- Going beyond matters of growth and competitiveness, the ERP process needs to more comprehensively deal with social issues. Greater levels of investment should be foreseen for structural reforms in the realms of social protection and healthcare, employment and education as part of the ERP, as well as greater commitment to implement reform. Alternatively, new modalities of dialogue focusing primarily on social issues (akin to the JiM/JAP process) may need to be implemented in the WB region to place the social dimension at the top of political agendas and to ensure that governments' commitments and reform efforts correspond to the principles articulated in the EPSR.
- The next round of IPA financing (2021–2027) should be dedicated to deepening the social dimension of enlargement, in line with the EPSR as an important frame of reference. To that end, higher levels of funding should be allocated in the areas of education, healthcare, social protection and employment.
- Broadening the access of candidate and potential candidate countries to various funding schemes under the future European Social Fund

Plus (ESF+) should also be considered, given that the ESF+ is foreseen as the key instrument to finance the implementation of the EPSR.²⁸⁰

- Besides investing in statistical systems of the region, there is a great need to build capacities for evidence-based policymaking and effective governance in the social realm. Mechanisms of policy transfer and learning, through the exchange of ideas and practices, could facilitate a deeper social dimension within the enlargement process. At the same time, the administrative capacities of different levels of government in the region²⁸¹ need to be strengthened in order to be able to take advantage of increased financial support.

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²⁸⁰ For more, see: European Commission, "A new, stronger European Social Fund Plus," European Social Fund, 2018. For recommendations on opening up the European Social Fund to the WB countries, see: Ivan Sekulović, *Evropski socijalni fond za Zapadni Balkan*, Fondacija Centar za demokratiju, 2018.

²⁸¹ See also: Maja Bobić, Vladimir Medak and Ivan Knežević, *Western Balkan Local Communities in the Process of EU Integration*, Policy Brief 01/19, Civil Society Forum of the Western Balkans (European Fund for the Balkans and European Movement in Serbia: Belgrade, 2019)

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Databases

- ILO Stat:** www.ilo.org/ilostat
- UN Data:** data.un.org
- UNESCO Institute of Statistics:** uis.unesco.org
- World Bank Atlas of Social Protection Indicators of Resilience and Equity Database (ASPIRE):** <http://datatopics.worldbank.org/aspire/>
- World Bank and Vienna Institute for International Economic Studies (wiiw) "Jobs Gateway in South Eastern Europe" Database:** <https://www.seejobsgateway.net/>
- World Health Organization Global Health Expenditure Database:** <http://apps.who.int/nha/database>
- World Inequality Database on Education:** www.education-inequalities.org

List of Abbreviations

ALMP	Active labour market policy
ASPIRE	The Atlas of Social Protection Indicators of Resilience and Equity
BiH	Bosnia and Herzegovina
CEE	Central and Eastern Europe
DHS	Demographic and Health Survey
EASI	EU Programme for Employment and Social Innovation
EEC	European Economic Community
EC	European Commission
ELA	European Labour Authority
EPSR	European Pillar of Social Rights
EMU	European Monetary Union
EQF	European Qualifications Framework
EQLS	European Quality of Life Survey
ERP	Economic Reform Programme
ESF+	European Social Fund Plus
ESPN	European Social Policy Network
ESRP	Employment and Social Reform Programme
ESSPROS	European System of Integrated Social Protection Statistics
ET 2020	European framework for cooperation in education and training 2020
ETF	European Training Foundation
EU	European Union
EU-SILC	European Union Statistics on Income and Living Conditions
FES	Friedrich Ebert Stiftung
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
HBS	Household Budget Survey
ILO	International Labour Organisation
IMF	International Monetary Fund
IPA	Instrument of Pre-Accession Assistance
JAP	Joint Assessment Paper
JIM	Joint Inclusion Memorandum
LMP	Labour Market Policies
LSMS	Living Standards Measurement Survey
MICS	Multiple Indicator Cluster Survey
NEET	Not in employment, education or training
NGO	Non-governmental organisation
NAP	National Action Plan against poverty and social exclusion
NIP	National Implementation Plan
NRP	National Reform Programme
OECD	Organisation for Economic Cooperation and Development
OMC	Open Method of Coordination
PAYG	Pay-as-you-go
PES	Public employment services
PISA	Programme for International Student Assessment
PPP	Purchasing Power Parity
QF	Qualifications framework
RCC	Regional Cooperation Council
RS	Republika Srpska
SEE	Southeast Europe
VET	Vocational education and training
WB6	Western Balkans six countries

The Friedrich-Ebert-Stiftung in Southeast Europe

After more than two decades of engagement in southeastern Europe, the FES appreciates that the challenges and problems still facing this region can best be resolved through a shared regional framework. Our commitment to advancing our core interests in democratic consolidation, social and economic justice and peace through regional cooperation, has since 2015 been strengthened by establishing an infrastructure to coordinate the FES' regional work out of Sarajevo, Bosnia and Herzegovina: the Regional Dialogue Southeast Europe (Dialogue SOE).

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- Social Democratic Politics and Values
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- Progressive Peace Policy

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