Despite serious social challenges that the countries of the Western Balkans (WB) are facing, not limited to high levels of inequality and poverty, social rights as fundamental rights have not been a priority of the WB enlargement policy. This is reflected in reform processes in the realms of education, employment, social policy and healthcare.

Inclusive, quality education is side-lined in education reform commitments articulated by WB governments as part of dialogue on social and economic reforms with the EU. Activation approaches are at the core of labour market reforms in the WB region, while little attention is being paid to the quality of work. Improving social outcomes through systems of social protection and healthcare appears secondary to the aims of containing social spending.

EU integration should not only be about institutional and economic transformation, but also about social convergence. The substance of government commitments in the social realm needs to be enhanced to deliver a broader set of social rights in line with the European Pillar of Social Rights (EPSR). The EU enlargement ‘toolbox’ needs to be reconfigured to encourage strategic social reform in the region.
The populations of the Western Balkans six (WB6) - Albania, Bosnia and Herzegovina (BiH), Kosovo, Montenegro, North Macedonia and Serbia – are affected by significant social inequalities, high levels of poverty, widespread joblessness and precarious work, and poor accessibility and quality of crucial social and health services.¹ Comprehensive social reforms are, however, not at the fore of government agendas. Recognising the severity of social challenges in the region, the European Commission’s (EC) 2018 Western Balkans Strategy announced “a new reinforced social dimension” of enlargement.² A 2019 study by the Friedrich-Ebert-Stiftung (FES)³ nevertheless finds that the social dimension of enlargement, as conceptualised and realised in the WB, remains narrow, geared towards the promotion of market-oriented, supply-side skill acquisition strategies and the maintenance of residual social safety nets. WB governments have not been able to transform ineffective social protection, healthcare, education and employment systems to deliver a broader set of social rights.

This brief lays out the key findings from the study, focusing on the interaction between EU institutions and WB governments in processes of strategic social reform, mechanisms deployed by the EU in the social policy realm in the region and reforms pursued by WB governments to improve the social outcomes. Recommendations are offered on how to deepen the social dimension of accession.

¹ Mirna Jusić, Unequal Chances and Unjust Outcomes: Confronting Inequality in Southeast Europe (Sarajevo: FES, 2018).
³ Mirna Jusić and Nikolina Obradović, Enlargement Policy and Social Change in the Western Balkans (Sarajevo: FES, 2019).
1 SOCIAL RIGHTS ARE NOT A PRIORITY OF WB ENLARGEMENT POLICY

Countries of the WB have undergone a protracted process of accession to the EU in the 16 years after the 2003 EU-WB Summit of Thessaloniki, where the prospect of their EU membership was reiterated and new European Partnerships offered by the EU. In this time, the Copenhagen criteria – important yardsticks during previous accessions – remained the main point of reference. The EU chose, however, to redefine the process after what was perceived to be a disappointing track record of Bulgaria and Romania with respect to fighting corruption. A novelty of the EC’s 2011–2012 Enlargement Strategy was the frontloading of difficult negotiating chapters – Chapter 23 on judiciary and fundamental rights; and Chapter 24 on justice, freedom and security – to secure enough time to comply with accession criteria and adequate adherence post-accession. With the 2013–2014 Enlargement Strategy, the EC announced the pursuit of “fundamentals first,” pertaining to reforms relating to the rule of law, fundamental rights, democratic institutions and public administration, economic development and competitiveness. The 2013–2014 document included a stronger emphasis on economic governance, as WB countries began drafting annual Economic Reform Programmes (ERPs), containing medium-term strategic priorities, objectives, and structural reforms. During this time, EU citizens’ general ‘enlargement fatigue’ influenced the position of some Member States that the Union first needs to consolidate before expanding, further adjusting what is expected of countries. The European Council’s role became more prominent in the process, additionally politicising it with new bilateral conditions.

The EU’s accession ‘toolbox’ for the region incorporates social rights in various ways. They are subject to negotiations on chapters incorporating the EU acquis communautaire, which Montenegro and Serbia are currently a part of. The social acquis consists of a number of relevant chapters, not limited to Chapter 19 on social policy and employment; Chapter 2 on the freedom of movement for workers; Chapter 26 on education and culture, and Chapter 28 on consumer and health protection. Chapter 23 also provides a basis for a social dimension as social rights are a part of the EU’s Charter of Fundamental Rights; the EU’s screening reports and countries’ action plans for this chapter generally do not treat social or employment-related matters, as these are reserved for Chapter 19.

The EU has also engaged with WB governments in dialogue on social and economic reforms. The Commission announced in its 2013–2014 Enlargement Strategy the start of a new dialogue on employment and social reform programmes (ESRPs) with Serbia, with North Macedonia and Montenegro to follow (all three had adopted ESRPs by 2017). For the other countries, “extra support will be needed to build administrative capacity to facilitate participation” in this dialogue. The same was reiterated in the 2014–2015 Enlargement Strategy. However, with a new Commission mandate, the 2015 EU Enlargement Strategy no longer mentioned ESRPs, stating that “from next year, ERPs will be presented as a single integrated document with a stronger focus on employment and social challenges.”

To finance social reforms, the EU has made available funds through the Instrument of Pre-Accession Assistance (IPA), as part of which WB governments have developed sector planning documents in the area of employment, skills and social policy, and which has also supported reforms articulated in ERPs/

4 Candidate countries Montenegro and Serbia are negotiating on chapters of the acquis communautaire; Albania are North Macedonia have not started negotiations yet; and BIH and Kosovo are potential candidates.
8 The most substantial chapter relating to social rights, Chapter 19, includes minimum standards relating to labour rights, equal treatment in employment, social security and health and safety at work, as well as non-discrimination.
9 To date, only Montenegro is negotiating on Chapters 19, 2 and 28. Montenegro and Serbia have opened and provisionally closed Chapter 26; both have opened Chapter 23.
ESRPs. Other relevant frameworks available to WB countries include the EU Programme for Employment and Social Innovation, the EU Health Programme and the Erasmus+ programme.

The EU has also set out to promulgate standards and best practices in the region through processes of regional cooperation and policy exchange, but also policy learning at EU level. The Europe 2020 strategy, the European Employment Strategy, the strategic framework for European cooperation in education and training 2020 (ET 2020) or the EC’s European Disability Strategy 2010–2020 remain important guideposts during pre-accession. In 2012, the EU launched the Western Balkans Platform on Education and Training, with an annual Ministerial Meeting organized as a venue to identify priorities, discuss recent policy and reform measures, and set topics for regional cooperation to be supported by EU. All candidate countries have appointed representatives to participate in ET 2020 thematic working groups as part of the Open Method of Coordination (OMC), an opportunity for policy exchange and learning. Candidate countries have joined the European Alliance for Apprenticeships.

In 2018, the Commission’s Western Balkans Strategy announced “more focus on employment and social policies, with increased financial assistance to support the social sector, in particular education and health.”

Countries’ ERPs would be aligned more closely with the European Semester, the EU’s main economic policy coordination framework, ERP measures tackling social challenges and structural unemployment would be prioritised and relevant policies monitored.

The document announced an annual EU-WB Ministerial meeting on social and employment issues, the first held in June 2019. A novelty in the ERP process in 2019 is the inclusion of the EU’s European Pillar of Social Rights (EPSR) and its 20 key principles in countries’ annual economic coordination with the EU. Member States’ performance in implementing the EPSR is monitored within the European Semester by relying on key indicators from the Social Scoreboard; as of 2019, the Social Scoreboard is also featured in EC’s assessments of enlargement countries’ ERPs.

Despite such developments, the EU’s enlargement ‘toolbox’ has not been able to effect transformative social change in the WB region. Social issues have generally been side-lined in the accession process. Potential reasons for this are further outlined below.

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12 EC, A credible enlargement perspective, p. 18.
13 Ibid, p. 5.
2 (E)QUALITY IS SIDE-LINED IN EDUCATION REFORM COMMITMENTS

Access to education in the WB region remains a serious challenge with respect to higher and pre-primary education, with enrolment lower than in the EU (Graph 1). WB countries lag considerably behind the EU with respect to tertiary education completion rates, ranging from 23.5% in Albania to 33.3% in North Macedonia, compared with the 2018 EU28 average of 40.7%. Participation levels of adults in formal and non-formal education and training are low in comparison with the EU28 average in 2018 (11.1%), at only 2.4% in North Macedonia, 3.2% in Montenegro and 4.1% in Serbia that year.

Unequal access to education remains a serious concern. Pupils and students from poorer households are much less likely to attend pre-primary education or to complete tertiary education. Early school leaving as an indicator of educational equity is not a widespread phenomenon (with the exception of Albania and Kosovo), but students from underprivileged backgrounds are disproportionally affected.

Education quality is another challenge: According to the OECD’s Programme for International Student Assessment (PISA) results, a significant share of 15-year-old students from the region perform below Level 2, which denotes basic aptitude (Graph 2). Another indicator of poor-quality education are prevalent skills mismatches, complicating school-to-work transitions.

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15 Eurostat, “Population aged 30–34 with tertiary educational attainment level by sex” [yth_educ_020].
16 See, for instance, World inequality Database on Education, available at: www.education-inequalities.org
17 E.g. see Eurostat, “Early leavers from education and training,” Enlargement countries – education statistics.
19 UNESCO Institute for Statistics (uis.unesco.org) and UN Data (data.un.org). 2017 for all except BiH (2014) and North Macedonia (2015). Data not available for Kosovo. Inclusion of students older/younger than considered age group leads to values over 100%.
Education assumes an important role in enlargement policy. Beyond the *acquis*, it is regularly highlighted in EU’s strategic documents for the region. 2018 IPA indicative strategy papers for WB6 promise support for education and training that is better adapted to labour market needs, but also for inclusive and quality education. Education reforms are articulated in countries’ ERPs; the annual policy guidance agreed upon by EU institutions and WB governments as part of the ERP process each year \(^{21}\) (see Table 1 for the 2019 Guidance) also provides recommendations in this realm. The predominant focus of such recommendations is on skills mismatches, referring to the need for education to be aligned with labour markets. Some countries (but not all) are advised to increase participation rates in preschool education, while others are encouraged to strengthen education quality through curricular reform, teacher qualifications and training. Considerations of equality in access to education are almost entirely absent, as is the need to curb corruption in education.

Vocational education and training (VET) appears to be at the core of structural reforms in annual ERPs (and ESRPs for countries that have adopted them), but countries are on different tracks in that regard. With the exception of a few countries (e.g. Montenegro and Serbia having introduced dual education in recent years), the importance of a wider institutional framework and the involvement of employers in VET to secure practical training for students is generally neglected with regards to VET reform. Measures to substantially strengthen the role and involvement of social partners in education are generally missing, as are measures to strengthen institutions in charge of VET policy and oversight. Some countries report progress in overhauling VET curricula or increasing participation rates, but major obstacles remain, such as persistently poor quality of VET and a lack of access in rural areas.

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21 The policy guidance is agreed upon at an annual multilateral dialogue meeting between the EU and WB governments.
22 Council of the EU, Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, 9474/19, Brussels, 17 May 2019.
<table>
<thead>
<tr>
<th>Countries</th>
<th>Education</th>
<th>Employment</th>
<th>Social Protection and Healthcare</th>
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<tr>
<td>Albania</td>
<td>“Increase investment in early childhood education and care, especially for increasing enrolment of children from vulnerable families.”</td>
<td>“Improve the targeting of active labour market policies and implement the prepared Vocational Education and Training reform package.”</td>
<td>“Under the steer and with financial support from the central government, establish capacities at the level of all local government units for assessing social care needs and preparing social care plans.”</td>
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<td>BiH</td>
<td>“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.”</td>
<td>“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.”</td>
<td>“Improve the targeting of social transfers, based on needs.”</td>
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<td>Kosovo</td>
<td>“Increase the provision of vocational education and training for professions in demand. Increase investments in education with particular focus on expanding early childhood education.”</td>
<td>“Develop active measures for increasing female labour market participation and employment.”</td>
<td>“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.”</td>
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<td>Montenegro</td>
<td>“Establish a solid monitoring and evaluating mechanism on the implementation and results of practical learning at vocational and higher education.”</td>
<td>“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.”</td>
<td>None</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>“Strengthen the governance in the education sector in order to accelerate the modernisation of the education systems at all levels through improving infrastructure, curricula and teachers’ qualifications.”</td>
<td>“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.”</td>
<td>“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.”</td>
</tr>
<tr>
<td>Serbia</td>
<td>None</td>
<td>“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.”</td>
<td>“Contain overall spending on wages and pensions as a percentage of GDP.”</td>
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</table>

Source: Council of the EU Joint Conclusions of the Economic and Financial Dialogue between the EU and WB and Turkey
Less attention is afforded to improving basic and higher education. Curricular reform in primary and secondary education is pursued in some countries, while others completed such a task in earlier years. Actual implementation is considered to be poor due to inadequate investment, most notably in Albania and BiH. Tertiary education is rarely mentioned in ERPs, usually in relation to the development of quality assurance mechanisms, an enhanced practical orientation or new funding modalities. Persistently low tertiary education completion rates suggest that reforms in the region are progressing slowly. Despite low levels of cooperation between higher education institutions and employers in curriculum design and recruitment of graduates, this is generally not addressed by reforms, and neither is the problem of corruption in higher education.

Access to quality preschool education is a core pillar of a state’s social investment orientation. A lack of access to quality and affordable preschool education hampers children’s development and impedes women’s labour market participation. Preschool education is generally not a priority structural reform in countries’ ERPs, albeit some countries do envisage the expansion of preschool capacities, the development of learning standards or greater access to preschool education in rural areas. Similarly, the affordability of such education is not addressed. Incremental reform and poor performance are frequently noted in EC’s assessments and progress reports for the region.

Adult education and life-long learning are side-lined, and when mentioned, a matter of incremental reform. Problems persist with a lack of training facilities, especially in remote areas, in several countries; others have not developed their qualifications systems enough to allow for upskilling.

WB governments are seeking to establish quality assurance systems, especially in relation to VET and higher education, but the pace of reforms is generally evaluated as slow. Teacher training is usually foreseen in relation to curricular reform, with less of a focus on initial teacher education, certification or performance assessment. The EC’s annual ERP assessments highlight the need of improving initial training and provide teachers with support in implementing curricula.

All countries are affording substantial attention to formulating and implementing qualification frameworks and bringing them in line with the European Qualifications Framework, with considerable support by the EU through IPA to that end. 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.

Innovation in education is side-lined. Some ERPs include measures relating to digital competences in curricula or novel teaching methods. In terms of progress, Serbia appears to stand out, having improved “the innovation infrastructure to link business with academia through science and technology parks in Serbia’s three main economic hubs.”

Inclusive education is the focus of some ERPs and ESRPs. Countries propose various measures to that end, such as free textbooks, free transportation, accommodation, scholarships for ethnic minorities, greater accessibility of education in rural areas, free-of-charge VET or higher education for disadvantaged students, and the assistance or the removal of physical barriers for students with disabilities. While some countries show progress in terms of greater enrolment of traditionally excluded students, increased financial support, introduction of assistants and meditators, and strategic frameworks for inclusion, obstacles persist and, depending on the country, include the inaccessibility of preschool education; exclusion of children with disabilities from general education; student segregation along ethnic lines; lack of trained teaching staff or assistants to work with children with disabilities; high

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24 Only a few countries have recently been commended for their efforts, such as Albania’s implementation of teacher training following new childhood education curricula; and North Macedonia’s efforts to invest in preschool infrastructure and quality teacher training. EC, Albania 2019 Report, SWD(2019) 215 final, Brussels, 29 May 2019, p. 87; EC, North Macedonia 2019 Report, SWD(2019) 218 final, Brussels, 29 May 2019, p. 85.

Roma drop-out rates; or lacking funds for measures envisaged by legislation. Widespread exclusion casts doubts on WB countries’ respect for education as a fundamental right.

Countries’ commitments appear to lack an ambitious vision. The preoccupation with skills mismatches is appropriate in view of the region’s weak labour market performance, but less attention is being paid to the role of education in personal empowerment and active political and civic participation. Much greater efforts ought to be afforded to inclusive education. The EC, in its annual assessments of countries’ ERPs, uses the language of competitiveness and labour market demand in relation to education, rather than explicitly attaching importance to other aims as well. Yet the absence of more comprehensive reforms in terms of modern curricula, teacher training and more practically oriented education will continue to yield challenges of joblessness, precarious work or in-work poverty, affecting especially those from underprivileged backgrounds. Beyond material aspects, civic and political engagement, and ultimately, countries’ democratic development, is also at stake.
3 ACTIVATION IS PROPOSED AS A CURE-ALL FOR THE AILS OF WB LABOUR MARKETS

Weak labour market performance is a paramount challenge for the region. Employment is significantly lower than in the EU; the gender employment gap is pronounced in Kosovo and BiH (Graph 3).

WB unemployment rates are high. Youth unemployment was staggering in Kosovo (52.6%), North Macedonia (46.7%) and BiH (45.8%) in 2017, compared with the 2017 EU28 average (16.8%). Long-term unemployment shares ranged from 60.5% in Serbia to 82.1% in BiH, compared with the 2017 EU28 average of 35.7%. Women’s activity rates are lower than men’s, especially in Kosovo and BiH. Roma and persons with disabilities face significant labour market exclusion.

Precarious work, usually marked by uncertain employment duration, low or no social security, low pay or weak career prospects, is widespread. The share of employed persons working informally was 36.2% in Albania, 20.7% in Serbia and 18.1% in North Macedonia in 2017. Levels of in-work poverty are high in WB. Labour markets are segmented, with cleavages between ‘insiders’, usually employed in the public sector and on permanent contracts, and ‘outsiders,’ working in temp jobs and in precarious conditions. Workers are affected by “a low-wage, high-tax trap” due to low progressivity of personal income taxation (PIT) and high social security contributions, leading to lower employment, inactivity, informal work and high income and wage inequality. The tax wedge on low-wage earners is assessed as very high in BiH, Montenegro and Serbia, a potential disincentive for formal work.

Source: SEE Jobs Gateway for WB6, Eurostat for EU28

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26 World Bank and wiiw, “Jobs Gateway in SEE” database; Eurostat, “Youth unemployment rate by sex” [tesem140]; Eurostat, “Long-term unemployment rate by sex”[sdg_08_40].
27 World Bank and wiiw, “Jobs Gateway in SEE” database.
31 World Bank and wiiw, “Jobs Gateway in SEE” database; Eurostat, “Employment rates by sex, age and citizenship” [lfsa_ergan].
High unemployment and poor-quality employment are not just due to skills mismatches, but also due to a lack of jobs in the weak WB economies, as “the upsurge in economic growth continues to fall short of the level that would substantially spur formal private sector job creation.” At the same time, the WB6 emigration potential remains strong and may lead to major shortages of skilled labour.

Labour markets are a core area of reform. Negotiating countries are to harmonize their legislation with the acquis, contained especially in Chapters 19 and 2. Employment constitutes the core of the SEE 2020 Strategy “inclusive growth” pillar, and is a central area of IPA II support. The Regional Cooperation Council’s and International Labour Organisation’s IPA-funded regional Employment and Social Affairs Platform (ESAP) provides support to institutions engaged in employment policy and social dialogue, inter alia. As employment constitutes an important part of countries’ ERPs, relevant recommendations are included in the annual policy guidance (See Table 1). These generally pertain to improving the design and delivery of active labour market policies (ALMP) and involving vulnerable groups; increasing public employment services’ (PES) capacity to implement ALMPs; and reducing high tax wedges on salaries. Generally absent are references to EPSR principles pertaining to fair working conditions; fair wages providing a decent living standard; work-life balance for parents or carers; healthy, safe, and well-adapted working environments; improved social dialogue and collective bargaining; and greater unemployment support.

The ALMP acronym is the lowest common denominator of ERP documents. Countries have, at least discursively, espoused an activation turn, but ALMP measures remain modest in scope and underfunded, constituting a small share of GDP. Programme coverage remains low, albeit increasing in some countries (North Macedonia, Montenegro). North Macedonia stands out with introduction of a Youth Guarantee in 2018. While programs have been diversified to target various hard-to-employ groups, inadequate design brings into question effectiveness of measures. A lack of evaluation of measures’ effectiveness and its application in creating new ones constitutes a serious issue in BiH and Montenegro. Skill acquisition and retention measures to enhance employability and career prospects are underrepresented in ALMP portfolios, while direct job creation measures prevail in most countries. With the focus on activation, an overhaul of unemployment support is almost entirely absent, despite its low coverage, short spans and low replacement rates.

Reform programmes have a strong focus on restructuring institutions under the PES umbrella, but PES generally continue to lack capacity to effectively implement employment measures. Some countries also seek to better integrate social and employment services for better targeting of ALMPs towards social assistance recipients or activate recipients able to work, but the modalities are not always clear. While offering social assistance recipients the possibility to partake in programmes to enhance their skills, countries should be aware of ethical issues surrounding workfarist elements to activation, where social assistance or unemployment benefits are made conditional upon accepting jobs. Such policies, common to Central and Eastern Europe, have been contested for impeding human rights.

Most WB countries are seeking to make work conditions more ‘flexible’ by changing labour legislation as to increase employment; this has been the case in BiH and Serbia in recent years, and is currently underway in Montenegro as part of Chapter 19 negotiations. While some aspects of such reforms are seen to improve labour standards (e.g. with regards to non-discrimination or the obligation of informing employees regarding contract conditions), reforms have been criticised because of the possibility of greater labour market duality due to the extended duration of temp contracts. Evidence that such

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34 For more, see: www.esap.online
35 For instance, spending on LMP measures as a percentage of GDP was only 0.21 % in BiH and 0.18 % in Montenegro in 2017, as opposed to 0.44 % in the EU28 in 2011 (last year for which aggregate data is available). Eurostat, “LMP expenditure by type of action – summary tables [LMP_EXPSUMM],” Centre of Public Employment Services of Southeast European Countries, Statistical bulletin no. 8 (Belgrade: National Employment Service of the Republic of Serbia, 2019).
measures are a precondition for greater employment remains inconclusive in international literature in this realm. After BiH changed its labour legislation in line with its 2015–2018 Reform Agenda, the EC wrote in the country's ERP assessment that “it is difficult to establish whether any gains in employment are attributable to increased labour market flexibility.”

Quality of work is generally not prioritised in countries' commitments as part of ERPs or ESRPs. Measures such as reducing the tax burden on low-wage earners, regulating temporary work agencies, adopting new occupational safety standards, and raising the minimum wage only partially address the complex reasons for poor job quality in the region. Informal work is usually discussed in ERPs through the prism of curbing unfair business competition rather than workers’ rights. While there have been efforts to involve social partners in decision-making (with capacity-building efforts supported through IPA), measures to substantially strengthen social dialogue or collective bargaining are not foreseen.

In line with the EPSR, greater possibility to align family and work life, including greater flexibility of working arrangements (in terms of hours or place or work) or parental leave use and distribution between parents, and the introduction of a carer’s leave, in line with the EU Directive on work-life balance for parents and carers, are not foreseen. Linkages between employment and other means of activation, such as through improved access to care services, are not addressed in a meaningful way.

The wanting quality of employment in the region is a product of a complex set of conditions, including low levels of skills and competencies, high tax wedges on salaries, poor labour market standards and their enforcement, deteriorating collective bargaining mechanisms, weak social dialogue – and ultimately, a lack of jobs due to poorly-performing economies. That WB governments should pursue reforms beyond activation, given severity of challenges at hand is also recognised by the Commission, which calls for more ambitious and comprehensive measures in its annual assessments of countries' ERPs.

4 COST CONTAINMENT IS PRIORITISED IN RELATION TO SOCIAL PROTECTION AND HEALTHCARE REFORMS

The countries of the WB region face high levels of income inequality and poverty (Graph 4 and 5). However, their systems of social protection have not been apt at offsetting such dire social outcomes.

Social protection and healthcare spending in the region has not been sufficient to respond to complex and multifaceted problems that are rooted in the region’s weak economies and inefficient systems of governance. For instance, the EU28 average regarding total social protection expenditure (% GDP) was 27.9% in 2017, while 14.5% in North Macedonia, 18.8% in BiH and 19.5% in Serbia.40

The region’s welfare states are predominantly based on social insurance.41 A relatively small share of overall social spending pertains to social assistance, which is low in generosity and weak in coverage due to restrictive rules in accessing benefits.42 Social assistance is generally well-targeted towards those in need, except in BiH, where status-based benefits for war veterans and war related categories consume most of social assistance expenditure.43 Low coverage also affects social insurance schemes due to low registered employment and strict conditions for receiving benefits. A small share of unemployed persons receives unemployment support (from 2% in BiH to 12% in North Macedonia).44 WB pension systems have distinct financing mechanisms, yet most face challenges of sustainability, low pension adequacy and poor coverage (except Kosovo, with a guaranteed government-financed old-age pension, and North Macedonia, with a guaranteed minimum income scheme).

Graph 4: Gini coefficient of equivalised disposable income, 2017 (2015 for BiH)

Source: Eurostat; Institute of Statistics of Albania; Jusić45

40 Eurostat, “Expenditure: main results” [spr_exp_sum];
41 Kosovo is an exception with only a pension scheme, with the government financing a major part of pension transfers.
42 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).
Social services in the WB region are generally considered to be underdeveloped and underinvested in. This is partly due to decentralised systems and competences for social services, as local governments tend to have low levels of capacity and funding. However, there are differences between the countries in terms of the extent to which they have regulated service provision or made the transition from institutional towards community-based service models. Available research points to problems in the accessibility and quality of childcare and long-term care services.46

Access to quality healthcare remains a serious concern due to low public system coverage and the limited provision of services. A major share of financing comes from payroll contributions (a public health insurance scheme has still not been set up in Kosovo), stemming from poorly performing labour markets. Those without employment, unemployment or social assistance beneficiary status generally remain uninsured. Due to inadequate insurance coverage and imposed patient participation rates, households’ out-of-pocket payments on health services are high, from 29 % of current health expenditure in BiH to 58% in Albania in 2016, compared with 15.7 % in the EU.47 WB healthcare systems are not effective enough in preventing diseases and reducing morbidity and mortality rates. For instance, non-communicable diseases “are rising dramatically in all Western Balkan countries except Kosovo.”48

In the annual policy guidance (Table 1), the common theme is cost containment and better targeting of social protection spending. The policy guidance generally does not reflect principles enshrined in EPSR’s Chapter III on social protection and inclusion. Similarly, in countries’ ERPs, structural reforms pertaining to social inclusion, poverty reduction and equal opportunities focus on reducing government expenditure on social transfers, while aiming to improve the transparency and the effectiveness of social benefits in terms of poverty reduction. Most countries have or seek to introduce computerised systems for processing, approving, monitoring and auditing social benefits and transfers (social cards or regis-

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46 See, for instance, UN Women and UNDP, Investing in social care for gender equality and inclusive growth in Europe and Central Asia, Policy brief 2017/1.

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tries). Many aim to improve social benefit targeting, despite the poor track-record of such approaches in helping those most in need. North Macedonia’s ERP includes measures aimed at better targeting of benefits, but also the extension of social protection coverage to tackle poverty; the country eliminated means-testing for disability benefits in its recently-adopted Law on Social Protection.

Most countries seek to reform their pension systems, primarily aiming to reduce expenditure on pension benefits by making conditions to qualify for an old-age pension more stringent or gradually phasing out early retirement options. North Macedonia stands out by introducing in 2019 a minimum income for persons aged 65+ not receiving a pension or other types of assistance.

Social services are generally side-lined by countries or, where mentioned, addressed in broad terms. Health system reforms are almost entirely absent from ERPs (Kosovo is an exception, as it is about to establish a public health system to be financed from social insurance contributions). The absence of substantial healthcare reform is surprising in light of countries’ activation turn, given that “good health is a keystone of employability and therefore a precondition of any activation strategy.”

Available indicators suggest that WB welfare states require serious investments in order to be able to adequately respond to all the challenges that the region faces, not limited to a declining working-age and a growing elderly population. However, governments of the region – with their focus on cost containment, activation and modernisation of the social administration – have not taken on a strategic approach to reforms on the basis of EPSR principles.

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52 Thomas Leoni, The social investment perspective as guiding principle for welfare state adjustment, WIFO, 2015, p. 17.
5 EU-WB DIALOGUE ON SOCIAL AND ECONOMIC ISSUES LACKS A STRONG SOCIAL DIMENSION

The weak social dimension of WB enlargement is challenged by various conditions that shape the region’s unenthusiastic social reform portfolio and poor social outcomes. Weakly performing WB economies leave humble resources for ambitious social reforms. A large informal sector means that taxes and social security contributions are not channelled into the state cashbox. Pervasive clientelism in the state sector and beyond directs resources away from social reforms. According to the Commission, there are “clear elements of state capture” in the WB region. Governments are marked by a lack of capacity for evidence-based policy making, but also by inertia, unable to tip the balance away from particularistic benefits in favour of more universalistic payments and reluctant to abandon current systems of social security provision and financing that yield poor coverage, insufficient support and are fiscally unsustainable. All of these conditions provide dire prospects for the people living in the region, feeding distrust in institutions and dissatisfaction with democracy, and fuelling emigration.

In the last decades of WB enlargement, EU institutions have persistently stressed the need for economic growth and anti-corruption. Weak focus on social matters in the region is a reflection of a lack of political agreement on the depth of Europe’s own social integration, and by extension, that of aspiring Member States. Fiscal austerity policies, also pursued in the region following the 2008 crisis, illustrate the EU’s reluctance to enact a substantial social agenda at a time when it was most needed. Ideas inherent to a neoliberal policy paradigm, especially the imperative of further means-testing and targeting of social assistance, reining in pension spending, or deregulating labour legislation, can also be attributed to a strong presence in the region of other international actors, notably the World Bank and International Monetary Fund (IMF). Post-crisis, the EU effectively took on the language of fiscal consolidation of the IMF, with whom WB governments entered into borrowing arrangements.

The current policy dialogue on social and economic issues between the EU and WB governments allows for continuous cooperation, places responsibility on national governments to track social outcomes and propose relevant policies, and the EU’s closer scrutiny of countries’ reform progress. By strengthening capacities, it helps countries prepare for the European Semester. The EPSR, an important reference point for increased commitment to social rights, is also monitored as part of ERPs.

However, it faces a number of shortcomings. Given the ERPs’ focus on growth and competitiveness, structural reforms do not address social rights in a comprehensive way. The underlying assumption seems to be that better-performing, efficient labour markets and economic growth will automatically contribute to poverty reduction and social inclusion. ERP documents also tend to identify priorities based on the state of public finances, rather than social rights. Countries are not expected to provide a more nuanced assessment of measures’ social impacts in relation to key Social Scoreboard indicators. Governments’ commitment to the process is also doubtful, as the measures formulated frequently lack ambition in terms of funding allocated to them or are too vague, and with uncertain outcomes. Last but not least, governments generally display little willingness to open up the process of ERP formulation to a wider set of stakeholders, as consultation processes remain narrow.

One reason for such outcomes may be that authorities lack policy-making capacity for well-prioritised and designed, implementable and assessable measures. Some countries fail to provide basic diagnostics for a given field and formulate measures broadly, without indicators, funding modalities or fiscal impacts. The lack of social statistics seriously hampers policy making. However, another reason may be that WB governments are not motivated to pursue social reforms, a deeper issue that may only to an extent be addressed through a system of incentives and sanctions.

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53 EC, A credible enlargement perspective, p. 3.
54 For instance, by having IPA funding more explicitly tied to reform progress. See, for instance, Žarko Šunderić, “Analysis of EI Instruments for welfare state reforms in the Western Balkans,” PowerPoint presentation, Centre for Social Policy, Belgrade, December 2018.
The decision of the EC not to continue dialogues surrounding Employment and Social Reform Programmes (ESRPs) may be a missed opportunity. ESRPs pertain to education and skills, employment and social protection systems, and are thus more comprehensive in terms reforms proposed. They were prepared through coordination of various institutions and stakeholders. While they 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,” such an ambitious role did not materialise, as “there is no process around ESRPs anymore.” The ESRPs should have acted as a substitute to the Joint Inclusion Memorandum (JIM) and employment-related Joint Assessment Paper (JAP) drafting process, implemented in Croatia and other countries that had joined the EU earlier. This process entailed significant stakeholder participation, and resulted in countries’ implementation of National Implementation Plans (NIPs) on social inclusion and Annual Employment Promotion Plans. Progress was evaluated by the Commission, with regular recommendations for follow-up. In Croatia’s case, JIM induced an “improved and more meaningful stakeholder communication and increased transparency, as well as a degree of improved communication between respective line Ministries.” It fostered norm diffusion and helped place important social issues on the agenda. In Slovenia’s case, JIM invoked extensive consultations and made social inclusion “an overall national policy.” While candidates that start Chapter 19 negotiations will benefit from the harmonization of national legislation with the EU acquis, the experience of previous accessions shows that something akin to the JIM/JAP process could induce a deeper commitment to social reform.

However, even a stronger process may not generate the momentum needed to respond to the challenges shaping poor social outcomes in the region, which may only be exacerbated by emigration, population ageing or falling fertility rates. For a gradual social transformation of the region, a continuous exchange of ideas in each society, regionally and with the EU is needed on how best to enact principles of social justice. Such exchanges should be positioned within broader discussions on visions of countries’ social, economic and democratic development. Otherwise, adverse existing conditions will continue to obstruct a deeper social convergence of the region with the rest of Europe.

56 North Macedonia and Serbia have published progress reports on the first year of ESRP implementation.
57 Šunderić, “Analysis of Ei Instruments for welfare state reforms in the Western Balkans.”
CONCLUSION AND RECOMMENDATIONS

As part of the EU accession process, governments’ reforms need to respond to the core rights and principles underpinning the European Social Model and reflected in the EPSR. In order to effect social change, a paradigmatic shift is needed in enlargement policy, whereby the people of the Western Balkans would be placed at the heart of the process. EU integration should not only be about institutional and economic transformation, but also about social convergence. While individual countries in the WB are by no means facing the exactly same challenges or addressing them in the same way, and are on different tracks of EU accession, framework recommendations on how to bring the substance of government commitments more closely in line with the EPSR, as well as on how the social dimension of the EU enlargement process could be improved are provided below:

Enhancing the Substance of Government Commitments

Education

› Countries should continue to dedicate attention to reforming VET, higher education and life-long learning programmes to curb skills mismatches and foster social inclusion. Improved accessibility and quality of programmes should be prioritised. Basic education should be improved by investing in curriculum reforms, teacher training and better governance of education institutions.

› Investments are needed in monitoring systems to prevent early school leaving, and measures that would allow for the reintegration of students who have dropped out in schooling. Students from disadvantaged backgrounds should be provided with equal access to education. Focus should be placed on including students with disabilities in mainstream education by improving physical access to facilities and providing tailored learning materials and assistants.

› In order to foster children’s development and learning, reduce inequality, and increase women’s labour market participation, quality preschool education should be offered throughout the region. Such education should be free-of-charge for poor households.

Employment Policy and Labour Markets

› The labour force participation of women needs to be enhanced by guaranteeing equal treatment in terms of employment conditions and career opportunities and by offering education and training programmes and social services to unburden women from care duties.

› Equal treatment and opportunity for quality employment need to be provided to other groups under-represented in labour markets, such as ethnic minorities and persons with disabilities.

› Employment support needs to increase, both through well-designed and well-targeted ALMPs, personalised counselling and job mediation services, and adequate unemployment support. Countries should invest in youth guarantee schemes, with opportunities for continued education, training or employment shortly after leaving schooling or becoming unemployed.

› Countries with flat-rate PIT should introduce progressive taxation to increase workers’ take-home pay and incentivise formal work, especially for low-wage earners.

› Labour legislation and relevant by-laws should be amended to ensure fair and equal treatment of workers and following rights: to information, to protection against dismissals, to access dispute resolution mechanisms, to organise, to quality and safe working conditions, to fair wages, and to open-ended employment.
Work-life balance should be realised through flexible working arrangements and use of parental leave, with due consideration of equality in distributing care duties between women and men.

Social dialogue should be enhanced by substantively including social partners in policy processes, including ERPs. Their capacities to effectively engage in social dialogue should be strengthened.

The autonomy of trade unions and employers’ associations and processes of collective bargaining should be advanced. Extending unions’ and employers’ reach beyond the public sector or large companies to cover the private sector more broadly and encouraging the unionisation of workers in low-quality jobs is vital to improving representation and reducing labour market segmentation.

Social Protection and Healthcare

Countries should consider modalities for introducing more universal social benefits to decrease poverty and inequality. Beyond coverage, the adequacy of social benefits should be improved.

Countries need to invest in universal and widely accessible social services, not limited to healthcare, housing, childcare, community-based long-term care and other social services. The development of community-based social services should be coupled with deinstitutionalisation.

Out-of-pocket health expenditure needs to be reduced by broadening health insurance coverage and investing in quality health services, which residents of countries should have equal access to.

Countries should look towards direct taxes and other sources beyond social security contributions to implement new modalities of sustainable social protection financing.

Restructuring the EU ‘Toolbox’ For A Deeper Social Dimension

Given that social rights are fundamental rights, enlargement policy and its ‘fundamentals first’ approach should feature social rights and the governance of the social sector more prominently. In the course of acquis negotiations, the ‘social fundamentals’, such as the rights to social security and social assistance, to health care, fair and just working conditions, to collective bargaining and action as well as to environmental protection should be front-loaded together with Chapters 23 and 24.

More substantial funds should be allocated towards strategic social reform in all WB countries. IPA III (2021–2027) funds should be designated for strategic and comprehensive social reform projects. The EU could also extend countries’ access to various funding facilities under the future European Social Fund Plus.

Commission assessments and bilateral consultations on reform priorities should encourage governments to tackle strategic social reforms in their annual ERPs, in line with national and regional strategies and targets.

Analogous to the increased commitment to social rights within the European Semester, the ERP process should include monitoring of countries’ compliance with social rights in line with the EPSR, utilising the Social Scoreboard and, to the extent possible, applying the methodology used to identify trends and compare the performance of Member States. It should also include sound reporting by governments on the progress of social reforms. Countries’ adherence to social rights should feature more prominently in the yearly enlargement package.

Sectoral dialogues between EU institutions and WB governments should be broadened to include a wide variety of actors (different levels of government, service providers and users, social partners, non-governmental organisations, academia, and the wider public) to facilitate participation and knowledge-sharing and safeguard the sustainability of reforms.
Given countries’ challenges of evidence-based policy-making, investing in social statistics and building administrative capacity should be a top priority for the next round of IPA financing. Increased strategic planning support and sectoral know-how tailored to the specific situation in each country should reinforce ongoing alignment of national legislation with the acquis in all WB countries. WB countries’ participation in various EU-level processes that foster policy learning should be secured. Representatives of governments from candidate countries are already participating in some of them, such as the ET 2020 working groups, but this could be extended to all WB countries and to other areas, such as employment affairs and social protection, and could include other stakeholders, such as social partners. Representatives of social partners from WB should be invited to observe EU-level tripartite social dialogue processes.

Policy learning should also be fostered on the regional level, building upon mechanisms such as the EU-WB Ministerial meeting on employment and social affairs, the WB Platform on Education and Training or the Education Reform Initiative of South Eastern Europe. Projects such as ESAP, which focuses on employment, working conditions, and social dialogue, could inform initiatives in other realms, including education, healthcare, and social policy. Regional cooperation should also include setting common targets in the realms of social protection, employment, healthcare and education, emulating a regional Open Method of Coordination (OMC) and complementing the ERP process. Regional coordination should also prioritise the portability of social benefits and services. Jointly agreed-upon social targets should be included in a prospective, post-2020 strategy for the region and regularly monitored.

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).

Dialogue SOE provides analysis of shared challenges in the region and develops suitable regional programs and activities in close cooperation with the twelve FES country offices across Southeast Europe. Furthermore, we integrate our regional work into joint initiatives with our colleagues in Berlin and Brussels. We aim to inform and be informed by the efforts of both local and international organizations in order to further our work in southeastern Europe as effectively as possible.

Our regional initiatives are advanced through three broad working lines:

- Social Democratic Politics and Values
- Social and Economic Justice
- Progressive Peace Policy

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Friedrich-Ebert-Stiftung
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This publication has been produced in cooperation with:

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