Published by:

Friedrich Ebert Foundation
Office Bulgaria
P.O. Box 958
97, Knjaz Boris I Street
1000 Sofia, Bulgaria

Authors: Marija Stambolieva, Reima Ana Maglajlić, Ešref Kenan Rašidagić, Sören Keil, Predrag Bejaković, Davorka Vidović, Davor Pauković, Vančo Uzunov, Suzana Bornarova, Drenka Vuković, Natalija Perišić, Jelena Dzankić, Slaviša Orlović, Zinka Kolarič, Anja Kopač Mrak, Tatjana Rakar, Igor Guardiancich

Responsible: Stefan Dehnert, FES Berlin / Marc Meinardus, FES Sofia

Editors: Marija Stambolieva and Stefan Dehnert

Language Editing: Claire Poole

Final Editing: Michaela Mahler, Margarita Kurochkina

Cover Design: Maria Tasseva

Layout: Vladimir Vatkov

Printed by: Grafimax 02 LTD

ISBN 978-954-92601-8-2

Sofia, Bulgaria, 2011

Welfare States in Transition

20 Years after the Yugoslav Welfare Model

Table of Contents

Stefan Dehnert
Foreword 5

Marija Stambolieva
Introduction 7

Reima Ana Maglajlić, Ešref Kenan Rašidagić
Socio-Economic Transformation in Bosnia and Herzegovina 16

Sören Keil
Social Policy in Bosnia and Herzegovina between State-Building, Democratization and Europeanization 41

Predrag Bejaković
The National Model of the Welfare State Tradition and Changes: 1991-2010. The Case of the Republic of Croatia 58

Davorka Vidović, Davor Pauković
Welfare State in Transition: Political Transformations. The Case of Croatia 92

Vančo Uzunov
Socio-Economic Transformation and the Welfare System of the Republic of Macedonia in the Period of Transition 115

Suzana Bornarova
Development of the Social Protection System in Post-Communist Macedonia: Social Policy-Making and Political Processes 135

Drenka Vuković, Natalija Perišić
Opportunities and Challenges of Social Security Transition in Montenegro 165

Jelena Dzankić
Political Transformations: Welfare States in Transition Montenegro: A Long Drive Down a Tough Road 202

Drenka Vuković, Natalija Perišić
Social Security in Serbia – Twenty Years Later 228

Slaviša Orlović
Political Transformation and Socio-Economic Changes in Serbia 262

Zinka Kolarič, Anja Kopač Mrak, Tatjana Rakar
Welfare States in Transition: the Development of the Welfare System in Slovenia 288

Igor Guardiancich
Slovenian Social Policy in a Consensual Political System: the Dilemmas of a Delayed Transition 310

Marija Stambolieva
Conclusion: The Post-Yugoslav Welfare States – from Legacies to Actor Shaped Transformations 345

About the Authors 364

Foreword

Stefan Dehnert

When the Friedrich-Ebert-Stiftung started its regional project in South-Eastern Europe in the year 2000, one issue was at the top of the agenda – the social dimension of the post-Yugoslav and post-war transition process. Neglected by many, the social consequences of war as well as the weaknesses inherited from the past represented a serious threat not only to the citizens of the region but also to all ambitions of the International Community to appease and stabilize South-Eastern Europe – it constituted a veritable threat to peace. The Friedrich-Ebert-Stiftung, which draws its foundations from the traditions and values of social democracy, chose to highlight the need that economic and political transition has to go hand in hand with social protection. Thus, we promoted the view that policy makers should keep an eye on the pillars of the welfare state, which came under high pressure due to increasing unemployment, economic collapse, regional disintegration and rising numbers of people depending on social remittances.

The first "product" as an offspring of a regional debate of academics was the publication "Addressing Emergency: Welfare State Reform in South Eastern Europe" which was published in December 2001. It was supposed to give an overview of the situation, the perspectives of the social dimension of the transition process and debate the importance social security and employment have for the development strategies in the countries of the region. The main proposals from this debate were to establish a robust essential-bottom-line system of social protection, to introduce an effective system of taxation and finally yet importantly, "the political determination to drastically reduce public expenditure for purposes that for the time being should no longer have priority".

The European Model of the welfare state, which at the time comprised of the affluent member states to the European Union, was too ambitious to serve as a prototype for the region. On the other hand, the inherited welfare state model proved to be unsustainable in the new environment of increasing number of risks and welfare dependent people. Recommendations for welfare state reform therefore aimed at the most crucial threats to people'slives and living conditions.

A package of effective policies that took into account the economic constraints prevailing throughout the region was developed. Concentrating on a few policy fields in which, under the given circumstances, most value added in terms of social inclusion can be obtained, a selection of priorities emerged. Defined as "essentials", education and health-care have been identified as the main policy areas on which inclusion policy in South Eastern Europe should concentrate The improvement of the capacity of the labour market to provide jobs has been proposed as a third pillar of social inclusion in SEE.

A series of country studies followed which referred to the main findings and "essentials" as described above. The whole process of this regional debate was then wrapped up in a conference and publication, entitled "Social Inclusion in South-East Europe – National and Regional Policy Priorities for a Social Europe".

What was still lacking was a stocktaking of the welfare states in the Western Balkans that could give an overview and allow a comparison including the development path the post-Yugoslav countries have been taking since the dissolution of the socialist federation.The consultations in the previous period have shown that there is a lack of deeper analyses that could help understand the state of affairs over a longer period of time. Especially relevant and comparable data was missing, which is another confirmation that social policies were of lesser priority compared

to other areas during transition. Considering the fact that even after twenty years of transitional period, social problems, such as unemployment, poverty, exclusion, still remain a significant proportion. The need for a comprehensive overview of the social security systems became obvious. We consider this publication basic background reading facilitating better understanding of the developments and political decisions affecting the welfare of societies, as well as complementary to other completed or planned analyses and policy recommendation documents. We also hope that it will wake the interest in the region and give its necessary attention among the wider academic community, policy makers and the public.

Introduction:
Welfare States in Transition – 20 Years after the Yugoslav Welfare Model

Marija Stambolieva

Introduction

The 20-year anniversary of the disintegration of the Socialist Federal Republic of Yugoslavia (SFRY) and its secession into independent states is a good opportunity to reflect on what happened during this so-called transitional period from socialism into market-economy, from communism into democracy. In the transformation literature, there are numerous authors who study the post-communist transformations[1] of the economies, political systems and societies in the former communist countries. What we are particularly interested in is what happened to the strong social states[2], which in the closed economies guaranteed basic standards of income, healthcare, social protection, education and housing to the population, and which under the new conditions of opening the economy to the market principles were bound to undergo changes.

Our attention in this publication is turned to the former Yugoslavia, for several reasons. Firstly, not all the former communist states were the same, and thus there was no single communist welfare model. Unlike the rest of the Soviet bloc, Yugoslavia practiced a semi-open economic and political system, built upon the self-management principle so, accordingly, a specific Yugoslav welfare model was created. Consequently, there is the question how this model coped with the new circumstances, which parts of it survived and how it developed in the separate seceding states. Secondly, the states of the former Yugoslavia during the first decade of the so called transition from one system to another faced war and a series of mutual conflicts, whose devastating effects left serious consequences on the development of previously some of the most developed and most advanced communist states. Thirdly, out of the European states, the countries of the former Yugoslavia are least integrated in academic research. Scholars are primarily interested in the developments of the countries in Central and Eastern Europe (see for example Baum-Ceisig, Busch, Hacker, & Nospickel, 2008; Cerami, 2006; Cerami & Vanhuysse, 2009; Inglot, 2008). This could partly be a result of the lagging behind in the European integration processes and partly because of the lack of reliable and comparable data. Except for Slovenia, for the rest of the states only sporadic and incomplete data exists, which aggravates the process of getting the whole picture of the region and its comparison to the rest of Europe and eventually the European Social Model. Finally, certain contemporary processes like globalization and internationalization, demographic changes, complemented by the current global financial crisis, challenge even

[1] Both the terms 'post-communism' and 'post-socialism' are used to describe the same notion, although the term 'post-communism' is more common. An attempt to define „post-communism" is found in Sakwa (1999,p.3): Open University Press, where the author writes that *"Postcommunism can refer either specifically to the 27 countries in Eurasia that at some point were part of the post-war communist order, together with Mongolia and the Asian and Caribbean states that are in various stages of abandoning communism (China, Vietnam, Laos, North Korea and Cuba) or more broadly to the global post-socialist epoch inaugurated by the fall of the state socialist regimes in 1989-91. (…) Thus post-communism has both a universal and a specific meaning"*. Generally the concepts used to describe the changes after 1989 in Eastern Europe are summarized under the framework of the 'transformation theories', however, there is also an attempt to develop a separate concept of 'post-socialist research' which critically assesses the transition theories (Segert, 2007).

[2] In this volume the terms 'social' and 'welfare' are both used as synonyms.

the most stable social systems. Welfare state reform has therefore reached the top of political agendas in the developed countries[3]. In such cases, the weaker states are more vulnerable and their existence in the given form will naturally be brought into question.

Having all the above-mentioned in mind, we consider that it is necessary to see and understand the processes of construction and change of the social policies and systems, in order to be able to predict future developments or give recommendations.

Objectives

The main goal of this publication is to show the developments of the welfare states in the former Yugoslavia[4], after its disintegration up to the present date, especially on the examples of the pension- and health-care systems, the labour market and social inclusion policies. It does not have the ambition to develop an analytical or theoretical framework for the study of these welfare states. However, it does attempt to provide an extensive overview of the different welfare systems' developments, all-encompassing and comparative statistical data and a comprehensive portrayal of the most relevant actors who influenced the shaping of the welfare policies. The idea is to provide sufficient and yet succinctly presented material in one place, which could be used by researchers and policy-makers for future analyses.

Methodology

This publication is the final product of a project that was supported by the Friedrich Ebert Foundation and was carried out in 2010. The project's activities included commissioning country case studies, the organization of a consultation workshop and finally the publication of results in 2011.

As the main goal of the project was to demonstrate the developments of the welfare states in the post-Yugoslav states and to contribute to better understanding of the welfare models that evolved during the twenty years of post-socialist transition, two types of studies per country were commissioned:

- a study describing the transformations of the welfare system (pension-, health-care system, labour market and social inclusion policies);
- a study describing the political processes that shaped the welfare system.

The authors who wrote the country case studies were selected under an open call. The chosen authors are researchers with a deep knowledge of the country in question and expertise in the topic. In order to assure comparability of the case studies, a consistent set of thematic guidelines was developed and distributed to the authors. The first type of studies shows the development of the welfare system, identifying where changes occurred over time and in which way. For that purpose, wide-ranging and comparative information on the pension-, health-care policies, the labour market and social welfare is depicted.

Furthermore, each study is supplemented by a table of statistical data containing a selected set of socio-economic indicators. One of the bigger challenges in the preparation of

[3] *"In many industrialized countries, the welfare state has come under pressure since the 1990s as a result of demographic change, high public debt and low employment rates, triggering a host of reforms"* (Busch, 2010, p. 9).

[4] The states of former Yugoslavia are the six republics: Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia. Within Yugoslavia, Kosovo, like Vojvodina, was an autonomous region, part of the state of Serbia. After the break-up of Yugoslavia, in particular from 1999 until 2008, Kosovo was a UN administered territory according to the UN Security Council Resolution 1244. In 2008 it proclaimed independence. For the purpose of this research, we decided to leave out Kosovo, due to its specificity and indirectly the specificity of its welfare system. Instead, we decided to include Slovenia, which is often excluded from comparative research with the other Balkan states. We considered that it is important to show the data and developments in the Slovenian social policies in comparison to the other states that are part of this research, because of the Yugoslav welfare model as their common starting point.

the studies was firstly finding and collecting data from the entire period of transition after the collapse of Yugoslavia, and secondly their display according to a unified methodology for the sake of mutual and international comparability. Nevertheless, that is exactly one of the main goals of this publication: through relevant and comprehensive data to merge the sporadic and partial pieces into a complete picture of the successor states of Yugoslavia.

The second type of studies establishes the relationship between certain actors and processes and the building of the national welfare system. As the studies show, there are many actors, who individually or through certain mutual interconnectedness, play a certain role in the shaping of the welfare system or its parts. In this, some actors have more, others have less influence and some promote changes, while others oppose them. These studies aim at identifying the most relevant actors and their role in sustaining, reforming, creating and/or (not) implementing welfare policies. Such are primarily the political parties, but also other domestic actors, for example, the trade unions, the business community, civil society, interest groups, the public administration, religious communities etc. Moreover, the international factors, like the international financial institutions and the European Union, appear as particularly influential. Apart from the actors, the studies have the intention of identifying the circumstances that influenced the national welfare systems, such as the wars, conflicts, inherited or generated social values etc. Hence, the studies contribute to the provision of a comprehensive picture of the political and social developments in the past twenty years of transition and the place of the social policies among them.

In order to help the reader untangle the complex web of actors and circumstances, the authors have complemented the papers with tables, where the main domestic actors and their position in the political system are presented in chronological order, along with a reference to the main welfare policies undertaken during the given period. The tables are prepared according to a unified pattern and provide a concise overview of the issues dealt with in the papers. The only exception in this sense is the paper from this category covering Bosnia and Herzegovina.

All the researchers came together at a workshop held in Skopje in October 2010, where all the papers were presented and discussed. The given feedback and the mutual consultations were later incorporated in the final versions of the papers. The set of guidelines were revisited and all the papers were adjusted in connection to the type of information that they should supply. A ‘thank you’ note is in order for Prof. Dr. Dieter Segert from the University of Vienna, who provided the concluding remarks, by examining the potential place of these contributions within the study on post-socialist transformations. Last, but not least, our gratitude goes to Prof. Dr. Wolfgang Schroeder from the University of Kassel, who recognized that there is a gap in information and knowledge about the region and its welfare states and unreservedly supported this project from the initial phase, which modestly aims to reduce this gap and to contribute to the integration of the region in the European academic thinking.

Content

As already elaborated before, the papers follow the same pattern and try to depict the situation in the separate states, starting from the common Yugoslav background, its legacies and the new and specific circumstances that marked the transitional period.

The first decade after the break-up of Yugoslavia is most difficult to unfold, primarily

because of missing information and internal and regional instability. The difficulty of collecting reliable data is most evident in the case of Bosnia and Herzegovina. Maglajlić and Rašidagić underline this problem and do not insist upon asserting the veracity of the figures assembled from various sources for this purpose. They nevertheless go on producing a comprehensive picture of the entire Bosnian welfare system that is actually a "myriad of social, health and pension systems in Bosnia and Herzegovina". Their contribution in this volume demonstrates a system that is residual from previous socialist times, financially and organizationally weak, deeply troubled by the consequences of war and fragmented along ethnic lines. It is therefore that the welfare policy does not live up to its purpose in Bosnia and Herzegovina, leaving many people either outside of the system or barely touching the safety net. Only the payments to war veterans are highest and most stable. In the other contribution on Bosnia and Herzegovina in this volume, Keil identifies the war veteran groups, together with the invalid associations and groups of those affected by the war as "important pressure groups in the Bosnian political system". Except for certain concessions being made based on ethnic bias and clientelism, social policy was not a priority for the Bosnian decision-makers and remained incoherent. Keil identifies the ethnic divisions, the high decentralization and the neglecting role of the international community as key factors in this.

The following[5] case of Croatia is quite the opposite of Bosnia and Herzegovina. There is neither a lack of statistics nor was the country's population as seriously affected by the dissolution of the Yugoslav welfare state. Bejaković writes, "Over the last 15 years Croatia has achieved impressive economic and social progress". All the parts of the welfare system have had a wide coverage base that even expanded to include new categories that emerged as a result of the civil war. The high levels of public spending have on the other hand put high pressure on the welfare state. The fiscal deficits were the biggest reason for the initiation of reforms, according to Vidović and Pauković. Major reform was carried out only in the pension system, by the adoption of a model previously developed by the World Bank, introducing a mandatory fully funded private pillar. This was enabled also thanks to the "practically non-existent opposition", unlike, for example the health-care sector, where "strong opposition to mandatory supplementary health insurance for covering participation for service provided in primary health care" appeared. Generally, the Croatian public has demonstrated intense concern regarding the reform of the welfare system and kept a strong feeling of social solidarity, while the parties, especially after 2007, have started to "push for a transformation of the welfare state according to the needs and challenges brought by modern economy".

Macedonia is described as a "hybrid model" which seems to borrow different elements from almost all other models: the Yugoslav, the Nordic, the liberal and the Southern-European[6]. Bornarova further describes that "in the beginning, social welfare was used as an instrument to preserve social peace in the country" and "as benefits and subsidies have been scaled down by a market and cost dominated system, and as pressures from the international community to downsize social

[5] The country cases are presented in this volume in alphabetical order.

[6] Gřsta Esping-Andersen became most renowned for his book "The Three Worlds of Welfare Capitalism" (1990) where he distinguishes three major types of welfare state: liberal, conservative and social-democratic, connecting these with variations in the historical development of different Western countries. The Southern-European Model was later added to this classification (Ferrera, 1996; Leibfried, 1993; Rhodes, 1997). For a more detailed elaboration on the typologies of welfare state regimes in the post-communist states see the conclusion by Stambolieva in this volume.

expenditures have intensified, many entitlements, services and institutions have been threatened". Unemployment has been one of the biggest problems of Macedonian transition (around 30% and more) and one of the most important factors for poverty and social exclusion.However, none of the governments has been able to curb this problem, despite the fact that employment policies have been on the top of priorities on their social policy platforms. In reality, as we can see from Uzunov's contribution, since 1997 rights to unemployment insurance have been reduced, while active labour market policies have been only recent as well as symbolic. The labour market reforms are considered as one of the least effective reforms in Macedonia. The pension system, as in Croatia, was reformed according to the World Bank model. The developments in the health-care sector would be most difficult to define, due to the contradictory nature of various measures. Some of the keywords used both by Uzunov and Bornarova are: statutory health insurance, privatization, promises, politicization, and poor quality. Overall, the Macedonian welfare system is characterized by "hasty, ill-informed and unsustainable solutions" (Bornarova, this volume), and therefore, looking back twenty years, it could hardly be summarized as a success story. The authors identify also the factors which have contributed to this, among which: "the sluggish economic growth, abridged financial capability, increased influence of international financial institutions and lack of consensus about preferred social model" (Uzunov, this volume). Despite the general dissatisfaction with the social protection policy, the public was unable to mobilize, as trade unions and civil society are weak. The social policies were primarily a matter of ad hoc, rarely aforethought, international and national political geometry.

Serbia and Montenegro were the only two former states that stayed together after the dissolution of the SFRY. The joint union lasted until 2006, when both countries declared independence. Although Serbia and Montenegro shared the same destiny, the cohabitation was far from ideal, as there were common disagreements between the governments of the two countries, which culminated after the war in Kosovo in 1999. Each country then took its own responsibility for transformation and reform. In general, the transition of Montenegro and Serbia commenced later than the rest of the Yugoslav republics, because of the political and economic crisis under the Milošević regime during the nineties.

As Dzankić puts it, Montenegro has generated a "hybrid model that seeks to integrate the legacies of the socialist system into the new model of welfare capitalism". The socialist legacy in Montenegro is mostly pronounced in the health-care sector, where "the only discontinuity with the socialist period is the introduction of voluntary health insurance in 2004" (Vuković & Perišić, this volume) and even that is not fully functional and depends on the completion of a second phase of the project of voluntary health insurance introduction. Otherwise, the organizational structure and the public ownership have remained unchanged. In the pension system reform, the Montenegrin government opted for the introduction of the third pillar (voluntary fully funded) before the second one (mandatory fully funded private pillar), which is not yet in place, thus not entirely copying the World Bank model. The relatively slow and gradual transformation of the welfare system was made possible because of the political continuity and lack of major power shifts. Major disruptions to the existing welfare system could have resulted in a loss of voters and therefore the parties in power have been reluctant to make substantial reforms and have focused primarily on short-term measures. Especially

in recent years, there has been growing public dissatisfaction with the state of affairs in the country, however, the continuous support for the government in view of social welfare policies, according to Dzankić was the prevalence of statehood and identity over social issues, the generous social safety nets inherited from before and the electoral promises.

The pace of reforms has been unhurried in Serbia as well. As a consequence of the Milošević regime, there was economic and political isolation of the country, and accordingly socio-economic collapse, which contributed to massive pauperization of the population. The pressure from the socio-economic collapse further contributed to a crisis of the social security system, whose functionality was brought into question. After the bringing down of the Milošević regime, it was the task of the future governments to not only transform, but firstly rebuild the social security system. Orlović writes that in this "the reformative governments after 2000 (…) took care about social programs and habits of citizens formed in the time of communism". He further cites Mijatović[7], who explains Serbian transition as "a combination of prevailingly liberal economic reforms and social-democratic social policy, which certainly is not the worst combination that can be imagined". Such an argumentation may be over-exaggerated. Nevertheless, it is a fact that essentially all the parts of the Serbian welfare system (the pension and health-care system, (un) employment and social protection policies) have been relatively inclusive, although at a rather low level (see the description provided by Vuković and Perišić in this volume). Radical steps have been avoided and the welfare system has so far sustained the status of a public good. However, the benefits provided are fairly modest. For example, almost half of the pension beneficiaries receive minimal pensions; social assistance expenditure is very low and cannot help its recipients escape the poverty zone. It would therefore be incorrect to conclude that the system provides enough security to make up for the stratification of the egalitarian Serbian society during the transition.

Slovenia is the last case that is dealt with in the framework of this project and publication. Slovenia is generally perceived as the most successful post-socialist country from South-Eastern Europe, if not wider. Its welfare system is thus no exception. As the authors of the two contributions in this volume clearly demonstrate, "contrary to some other post-socialist countries, Slovenia did not experience the so called 'welfare gap', since the transition from socialism to capitalism in socio-economic terms was rather smooth" (Kolarič, Kopač and Rakar, this volume), and the "country's affluence, social peace and consensualism prevented shock therapy from being applied to any policy but monetary stabilization" (Guardiancich, this volume). The Slovenian social system is predominantly characterized by path-dependency and gradualism in reform.The only paradigmatic shift was in the field of the housing policy. Smaller reforms were in the field of the pension and health-care policies, where supplementary insurance was introduced. In the labour market policies, in time activation measures prevailed over passive ones. Generally public policies in all spheres of the social system are inclusive and generous. The same goes for the social protection policies, since the social assistance schemes are not merely symbolic as in the rest of the post-Yugoslav countries. Such a welfare model can be attributed to the corporatist political culture and strong social partnerships, which were inclined to keep the social service provision predominantly public and based on the principles of solidarity and equality. The

[7] Mijatović(2005,p. 23).

influence of the international financial organizations, unlike in other cases here, was negligent and never materialized in concrete policy changes, although it may have served as an inspiration for some political actors. Only the European Union managed to leave a mark onto the Slovenian welfare system, through the adoption of the acquis communautaire but also the following of the Lisbon agenda. Not only the membership to the EU, but also the overall economic and social progress, make Slovenia the most successful example of the former Yugoslavia. Yet, Guardiancich is more cautious here, concluding that the reasoning behind the Slovenian model may prove to be "blessings in disguise", thus making Slovenia a "mixed success story".

Summary

The contributions in this volume undoubtedly demonstrate that the development of the successor states of the former Yugoslavia in the last 20 years has been diverse. Now that the mutual state was gone, the internal differences among the former republics sharpened. The economic, political and eventually cultural dissimilarity came to the fore and facilitated divergence among the welfare policies.

However, it would be away from the truth to conclude that the states that coexisted together for almost half a century, or longer, if the period before socialism is considered, have had very little in common during the transition. It is a fact that the different countries experienced similar problems connected to the socio-economic and political transformations as well as the mutual conflicts. The existing welfare model that was built in Yugoslavia presumed a prosperous economic ground, political consensus and strong institutions in order to survive.Under the new circumstances, where all or some of these postulates were shaken, the existing welfare model was put under serious pressure. Consequently, several effects can be observed, such as retrenchment, cease of functioning of certain parts of the welfare system, initiation of change and/or undertaking of minor or major reforms. One thing that seems to come across as recurrent in all the cases is that reform was generally encouraged and put into operation as a result of the involvement of international organizations[8]. Only in Slovenia has there been absence of the international organizations' entailment, but even there, the reform solutions lacked particular innovation and joined the dominant trends like reduction of the role of the state in welfare matters in favour of the increased responsibility of the individual and the family, complemented by privatization of services. The problems of fiscal sustainability and the demographic challenge, which are common for the states at issue in this publication, are prominent also in affluent democracies. It is often stated that the welfare state was in crisis long before the global economic crisis from two years ago, and there have already been ongoing discussions and quests for orientation. During the last few decades, developed welfare states have been pressured by the economic slow-down and the challenges linked with globalization, such as liberalization and deregulation. In such a constellation, the strong welfare policies were often targets of criticism as a potential obstacle for future development. The welfare states previously protected under communism, were after its collapse not only affected by the trends in the rest of the democratic world, but were additionally hit by their own specific transformations and the not always successful transition. In that sense, the current global financial and economic crisis will surely prove to have

[8] Regarding the conclusion about the international influence in the shaping of social policy in South-Eastern Europe also see Deacon and Stubbs (2007), and its messages regarding the extent to which, and the means by which, international interventions in the region have shaped its social policies.

greater adverse effects for these countries.

The papers in this volume do not intend on supplying exit strategies and solutions for the future, however, at the same time, they do not represent a random collection. They do intend to offer a comprehensive insight into the state of affairs in the welfare sector in this part of South Eastern Europe, as determined by the given economic possibilities and the political milieu in a certain period of time. It is our conviction that seeing a whole picture is already one part of the solution. To be able to "forge a new social contract for the twenty first century (…) we need to be fully informed about the welfare web in which we are already enmeshed" (Castles, Leibfried, Lewis, Obinger, & Pierson, 2010, p. 15). By putting together the pieces of the puzzle, identifying both the fragile and strong sections, this publication could guide the debate on the prerequisites that need to be built and the potential that could be employed for restoration, renovation or reformulation of a much needed social security in the region.

List of references

Baum-Ceisig, A., Busch, K., Hacker, B., & Nospickel, C. (2008). Wohlfahrtsstaaten in Mittel- und Osteuropa-Entwicklungen, Reformen und Perspektiven im Kontext der europäischen Integration.Baden-Baden: Nomos Verlagsgesellschaft.

Busch, K. (2010). World Economic Crisis and the Welfare State-Possible solutions to reduce the economic and social imbalances in the world economy, Europe and Germany.Berlin: Friedrich Ebert Stiftung, International Policy Analysis.

Castles, F. G., Leibfried, S., Lewis, J., Obinger, H., & Pierson, C. (2010). Introduction. In F. G. Castles, S. Liebfried, J. Lewis, H. Obinger, & C. Pierson (eds.), The Oxford Handbook of the Welfare State (S. 1-15). New York: Oxford University Press.

Cerami, A. (2006). Social Policy in Central and Eastern Europe-The Emergence of a New European Welfare Regime. Münster: LIT Verlag.

Cerami, A., & Vanhuysse, P. (eds.) (2009). Post-communist Welfare Pathways-Theorizing Social Policy Transformations in Central and Eastern Europe. Basingstoke: Palgrave Macmillan.

Deacon, B., & Stubbs, P. (eds.) (2007). Social Policy and International Interventions in South East Europe.Cheltenham, UK, Northampton, MA, USA: Edward Elgar.

Esping-Andersen, G. (1990). The Three Worlds of Welfare Capitalism. Cambridge: Polity Press.

Ferrera, M. (1996). Southern Model of Welfare in Social Europe. Journal of European Social Policy, 6/1 , 17-37.

Inglot, T. (2008). Welfare States in East Central Europe 1919-2004 . New York: Cambridge University Press.

Leibfried, S. (1993). Towards a European Welfare State? On Integrating Poverty Regimes into the European Community. In C. Jones (ed.), New Perspectives on the Welfare State in Europe (S. 120-143). London, New York: Routledge.

Rhodes, M. (1997). Southern European Welfare States, Identity, Problems and Prospects for Reform. In M. Rhodes (ed.), Southern European Welfare States, between Crisis and Reform (S. 1-22). London: Frank Cass.

Sakwa, R. (1999). Postcommunism-Concepts in the Social Sciences.Philadelphia: Buckingham.

Segert, D. (ed.) (2007). Postsozialismus-Hinterlassenschaften des Staatssozialismus und neue Kapitalismen in Europa.Wien: Braumüller.

Socio-Economic Transformation in Bosnia and Herzegovina

Reima Ana Maglajlić, Ešref Kenan Rašidagić

Introduction

Eighteen years after the independence of Bosnia and Herzegovina, (BiH) was proclaimed and recognised by the UN in 1992, it is still difficult to produce a critical analysis of recent BiH history in the context of its effect on life today. This is due both to the effects of the 1992-1996 war, as well as its consequences that continue to unfold and affect the society in a variety of ways. The figures available on direct war and post-war damages and their indirect effects are varied, hard to reference properly, and often tailored to specific political purposes. Many of these figures were produced by local political actors for direct propaganda purposes. However, several key international actors also produced data skewed to fit their particular agendas. Much of the published data is also unreferenced or based solely on ad-hoc and partial surveys, the reliability of which is often disputed. Dubious quality of available studies stems not only from their sometimes questionable agendas, but also from small survey samples and inadequate pooling techniques.

What is undoubtedly true is that the citizens of Bosnia and Herzegovina were deeply affected by the war through mass killing; mass destruction of property; torture inflicted in concentration camps on civilians and combatants; systematic sexual assaults on women; and ethnic cleansing resulting in massive population displacement. Estimates on the numbers killed range from a conservative figure of 100,000 to as high as 300,000.More than 10,000 people were killed in the capital Sarajevo alone, including 1,500 children. One sixth of the city's population was injured during the 3-year siege from 1992 to 1995. At least 16,000 children were killed and some 35,000 children were injured in total during the war (Bassiouni, 1994).

Quite possibly, the deepest and longest lasting impact on society was felt as a result of population changes due to forced war and post-war migrations. The pre-war population of BiH was approximately 4.4 million. No precise data were ever produced on direct consequences of ethnic cleansing and other contributing factors to mass displacement of people, but by some estimates, more than one million people fled the country during the war, some 650,000 of whom were children. An additional million were internally displaced, fleeing the ethnic cleansing by moving to the areas where members of their ethnic group formed a majority. Since the signing of the General Framework Agreement for Peace in Bosnia and Herzegovina (GFAP, popularly known as the Dayton Agreement) which ended the war in December 1995, approximately one million civilians returned, mainly to areas where they are now ethnic minorities (Wilkinson, 2005). Such a situation is the product of political realities on the ground, especially in the context of the creation of two or, de facto three, ethnically based "entities" (Republika Srpska, and Bosniak-Croat Federation of BiH). According to the Internal Displacement Monitoring Centre (2010), 114,000 people remain internally displaced out of the wartime figure of 1 million displaced people across BiH. No accurate figures on the current population of BiH, or reliable data on the effects of forced mass migrations are available, as the country, for political reasons, has not conducted a general census since the end of the war. For the same reason, even the fate of the next

census, due in 2011, remains in balance at the time of writing this text (summer 2010).

In addition to effects on population, Bosnian economic, urban, social and other infrastructural capacities were to a large extent destroyed. These included businesses, industry, schools, hospitals, and social care institutions, but the main physical capacity affected was housing. In the Federation of BiH alone, over 70 per cent of the housing stock was heavily damaged or destroyed (Kljajić, 1999). Taken all together, direct war-induced damage made Bosnia and Herzegovina physically the most severely destroyed former YugoslavRepublic. The scope of physical damage, combined with the even more severe sociological and psychological impact on the population, made post-war recovery a long and arduous task as no ready-made solutions existed that could be applied by those in charge of reconstruction and development after the war.

Political developments related to conflict resolution further compounded the host of problems aggravating post-war reconstruction and development of the country. The Dayton Peace Agreement outlined a new map of Bosnia and Herzegovina in terms of constituent peoples and entities. As already mentioned, the country is both 'divided and joined' into the Federation of BiH (of Bosniaks/Bosnian Muslims and Croats) and Republika Srpska (the SerbianRepublic or RS). Given the fact that these entities are semi-autonomous regions where elites rule with little regard to the central authorities, many feel that this division of the country legitimises ethnic cleansing, since it reinforces the 'ethnic supremacy' of certain ethnic groups in certain parts of the country.

All of these issues affect both the levels of needs for the four chosen themes in this regional review (pensions, unemployment, health care and social welfare/assistance) and the manner in which these are legislated and administered. BiH has multiple layers of government. Since its main purpose was to secure a permanent ceasefire in Bosnia and Herzegovina, it comes as no surprise that the General Framework Agreement for Peace (GFAP, "Dayton Agreement") paid little attention to social policy (Stubbs, 2001), or anything else of substance, not directly related to immediate political and security issues. According to the BiH Constitution (which is part of the Dayton Peace Agreement), none of the social policy (but also health, pensions, employment, etc.) responsibilities were afforded to the country-level institutions (ibid.). For example, Article III/3 of the Constitution states that 'all governmental functions and responsibilities that are not explicitly afforded to the BiH institutions are considered to be the functions and the responsibilities of the entity-level governments'. The outcome of such decision, when related to the post-war governance structure is a myriad of social, health, and pension systems in BiH.

At the national level, weak central government is composed of representatives of all three major ethnic groups (Bosniaks, Serbs, and Croats). Virtually all welfare functions of the state are split into two politically denominated para-state systems. On one side, the Republika Srpska is a centralized state within a state, possessing only two layers of government: central and municipal. Given also the largely ethnically homogeneous population (as a result of ethnic cleansing during the war), articulation and aggregation of interests, as well as decision making is much easier to accomplish in this Entity. On the other hand, the Federation of Bosnia and Herzegovina was created as a composite Entity, composed of ten Cantons, five with Bosniak and three with Croat majority, as well as two ethnically mixed cantons with 'special regimes'. Each entity also has an elected Prime minister and entity-level legislatures that have important responsibilities with respect to social

policy, education and health care. Again, for political reasons, responsibility for most areas of governance was devolved to the Cantonal level. Ministries at the Federal level mostly serve as coordination or overseeing bodies. The Federal parliament legislates for the so-called 'umbrella' laws, which outline general principles and frameworks within which the Cantonal assemblies are supposed to pass their own specific laws and regulations. As funds for most social activities, from education to health and welfare come from Cantonal budgets, realization of related policies mostly depends on the economic strength of individual Cantons. In practice, this means that the Federal bodies lack effective means for coordination and supervision of most areas of governance. In addition to an already complex political structure, there is also the District of Brčko, a small town about which agreement could not be reached at Dayton and which, along the comparative US model has its own governmental bodies. Hence, any country-level reform in areas of governance related to social and health issues requires voluntary engagement of at least thirteen Ministries responsible for decision-making and legislation in their respective jurisdictions.

The power and the influence of the international community remained high throughout the post-war period, a situation that was made necessary by the inherent instability of the Dayton structure. Most importantly, guarantees against domination by any of the ethnic groups led to misuse of the veto mechanism, which tends to be used indiscriminately, resulting in virtually political stalemate, particularly at the state level, and necessitating continuing existence of arbitrary international authority. The latter is most visibly embodied by the Office of the High Representative (OHR), which has the powers to impose decisions that facilitate the implementation of the Dayton Peace Agreement. These powers include the ability to dismiss any elected or appointed officials deemed to be working against the provisions of the GFAP, restructure major institutions, and pass laws and regulations by decree, so that Bosnia still resembles an 'international protectorate' (ICG, 1998, p. 7). However, influence of the OHR has been on the wane for the past five or so year, i.e. since the ending of the mandate of Paddy Ashdown, British-appointed High Representative, whom critics accuse of ruling Bosnia in the manner of Viceroys of British Raj of yesteryears.[9]

Hopefully, it is clear from this brief expose of recent historical and political framework which shaped the present governance of Bosnia and Herzegovina, that governing this country remains a particular challenge, bearing in mind the impact the war has had on the country and population. Poverty in BiH remains pervasive with more than half of the population lacking the resources to secure even basic necessities. The 'Living in BiH Wave 4' report (FOS, BHAS and RSIS, 2005) established that 35.7 per cent of households in BiH were in poverty, defined as 2/3 of median income or a poverty threshold of KM 250 per month (approximately EUR 125). Age, employment status, marital status, number of children and level of education were all found to be associated with levels of poverty over the four years. At the time of the survey, 30 per cent of working age households in BiH had no one in paid employment. Households in FBiH continue to be generally better off in terms of mean household income from all sources, mainly due to higher levels of employment-based income in FBiH compared to RS.

[9] In an entertaining coincidence, Ashdown was indeed born in New Delhi, India at the time of the British Raj.

Table 1: Socio-economic indicators, Bosnia and Herzegovina[10]

INDICATORS	91	92	93	94	95	96	97	98	99	0	1	2	3	4	5	6	7	8	9	
GDP	10870	WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	5517	5749	6655	8367	10020	10889	12346	15222	18480	17047	mio USD
GDP (per capita)	2490	WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	1459	1514	1738	2184	2608	2834	3213	3962	4810	4436	USD
GDP growth rate		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	5.5	4.5	5.5	3.0	6.0	5.5	6,1	6,2	5,7	-2,91	%
General government debt (% of GDP)		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A								17,8	16,7	21,0	%
Consumer price index		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A							6,1	1,5	7,4	-0,4	%
Employment rate		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A							29,7	31,2	33,6	33,1	%
Unemployment rate		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A							31,1	29	23,4	24,1	%
Average wage		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					505	534	575	645	752	790	KM[11]
Labour productivity		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A								-0,2	-0,6		GDP per person engaged
(At risk of) Poverty rate		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A		19,6			17,9			18,6			
Inequality of income distribution (Gini)		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A		0,26			0,27			0,34			
Social expenditure (% of GDP)		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A				13.02	13.39	14.01	13.5				%
Old age & survivorship		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					6.8						
Health & disability		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					5.7						
Unemployment benefit		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					0.4						
Social assistance (benefit)		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					0.9						
Structure of the economy																				
Industry		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	29.60	28.42	37.2	32.06	31.88		30,8	32,6	32,5	31,5	%
Agriculture		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	13.70	13.32	17.93	14.94	14.78		20,5	19,8	20,6	21,2	%
Services		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	56.70	58,26	44.87	53	53.34		48,7	47,6	47	47,3	%

[10] Authors wish to personally thank Mr Fahrudin Memić, currently of UNICEF BiH, for his invaluable help regarding the painstaking job he did collecting various statistics and generally helping us with advice in navigating this treacherous area of our research.

[11] 1 EUR = 1.95 KM

N.B. Availability, reliability, and consistence of statistical data is a major problem in Bosnia and Herzegovina. The country has been through a war that completely changed the character of society and its organization, public infrastructure and institutions, making compilation of reliable data all but impossible for about a decade of its existence as an independent state. In addition, political issues made it impossible to compile statistics in a systemic fashion until the Law imposed by the High Representative regulated the status of the BiH Agency for Statistics. The Law on Statistics at state level was finally passed by the BiH Parliament in 2004 but, according to this Law, the Agency does not collect statistics; it simply compiles data supplied to it by the Entity Statistical Institutes. This, of course, makes up for unreliable statistical data, especially when we take into account that collaboration between the State Agency and the Entity Institutes (especially the RS one) remains patchy. The country has not conducted general a census since 1991, which means that in the absence of a statistical baseline the quality of statistical data remains highly dubious. It is sufficient to say thatno one knows with any degree of certainty such basic data such as the current total population of BiH, with estimates ranging from 3.8 – 4.6 million people. Unsurprisingly, other, more detailed, data are either missing, or figures given by the e.g. Agency for Statistics, World Bank, UNDP, ILO, etc. vary widely. The authors have done their best to compile and correlate the existing data using multiple sources, but refrain from asserting the veracity of figures.

Unemployment, pensions, health and social welfare in Bosnia and Herzegovina

Pensions

In respect to the pension system, as with the other selected themes of socio-economic transformation in Bosnia and Herzegovina, there are two entity Pension and Disability Funds (PIO/MIO Funds). The Brčko District does not have its own Pension Fund, but the pensioners receive pensions from either of the two Entity Funds. Pension funds in former Yugoslavia were organized in Federal Republics; hence the division of the country did not affect the funds as such. Instead, in BiH the pension fund was affected by wartime division into three (later two) funds, and the general destruction of the economy, which translated into a weak contributors' base. The pension system in both Entities is largely the same as the one that operated in the former Yugoslavia, based on the pay-as-you-go scheme. Contributions are mandatory for all employees, regardless of the status of the company or institution they work for. Family dependants (children, unemployed spouses) are insured through the principal insurer. The Self-employed are insured on the basis of their voluntary contributions (e.g. farmers, artists) or mandatory contributions in the case of owners of small workshops, shops, taxi drivers, etc. Pension entitlements are set at entity, rather than state, level, on the grounds of age, disability, and family relations (Art. 2 Law on Pension and Disability Insurance in FbiH, 1998; Law on Pension and Disability Insurance in RS, 2000).

The pension system remained relatively stable throughout the socialist period, even during the severe economic crisis of the '80s. This was primarily due to a relatively strong economic base that provided almost universal employment and therefore a large funding base for the pension system. The ratio of working people against the recipients of pension and disability benefits also remained favorable until well into the 1980s. The inherent instability of financing pay-as-you-go scheme was offset in

the former Republic Funds through large-scale investment into real estate, notably hotels and old people's homes, which provided both additional income for the Funds and a savings opportunity through the placement of old people without family care into long stay institutions owned by the Fund in exchange for their pension monies. Apart from the division of the pension system into two entity-based ones, the Funds continue to function in the same fashion.[12] However, dwindling numbers of contributors (as a result of fragmentation of Funds and low employment), a weak economic base, high unemployment rates, and the prevalence of grey economy meant that the financing of the Pension Funds shrank to unprecedented levels. In addition, early retirement – used since mid-eighties as favourite political tool for resolving large number of social crises – escalated in the post-war period. Every type of social crisis was resolved in this manner, from caring for elderly workers in unproductive companies to resolving the problem of large numbers of fairly young professional soldiers that had to be laid off in accordance with modern standards. Generous granting of pensions to sizeable numbers of fairly young people had a perverse psychological effect on them, giving them illusion of enjoying something of social status and preventing them from entering labour market, while still very much in productive age.

All of these factors combined to put both Pension Funds under ever-increasing strain, lowering pension checks to sometimes almost symbolic levels. Another favourite tool of politicians – printing money to pay for pension and other social contributions – became unavailable following the introduction of the currency board system in state finances and Convertible Mark, which was pegged to the then-Deutsche Mark in 1998. Additional sources of income for the Pension Funds in the form of previously mentioned real estate holdings also became unavailable due to their physical destruction and the manner in which the remaining establishments were privatised in the post-war period. The collapse of the economy, ever increasing number of dependants and shrinking base of contributors to the Funds meant that the Entity-level Pension Funds had to operate throughout the post-war period with empty budgets. Their current performance is dependent almost exclusively on the monthly realization of benefits through mandatory deductions from taxpayers' salaries. All attempts at reforming the pension system by introducing, for example, a three-tier system as in neighbouring Croatia have failed, due to political blockages and worries that the introduction of even partly voluntary schemes would lead to shrinking contributions to the Pension Funds and result in the collapse of the PIO/MIO budgets. The latest reform was attempted in 2007, under the patronage of the Social Insurance Technical Assistance Project (SITAP) funded by the World Bank (ILO, 2009).

Partially due to concerns related to ever-increasing number of pensioners who were placing Pension Funds close to breaking point in terms of financing, the age of retirement for both men and women was increased in 2000 by the decree of the High Representative. Still, however, the results of the Living Standard Measurement Survey indicate that 36.4% of the male pensioners and 57.6% of the female pensioners fall below 65 years of age (ILO, 2009).In parallel, the same results indicate that only around 30% of the population aged 65 years or more receive the old-age pension.

The main difficulties regarding the current pension system include limited coverage and low compliance, particularly among workers employed in the informal economy, inadequate level of pension benefits, concern

[12] Initially there were three ethnic-denominated Pension Funds, but pressure from international community led to merging of Bosniak and Croat Funds in 2002.

for the financial sustainability of the pension system and problems with the limited administrative capacity and governance of the social security organisations (UNDP, 2007; World Bank, 2007; ILO, 2009). The Labour Force Survey (Agency for Statistics of BiH, 2008) indicates that the number of employees represents only 24.4% of the working age population. The responsibility for the collection of the social security contributions rests with the entity-level tax authorities that have a limited power to enforce contribution collections, as well as having a lack of co-ordination with the social insurance institutions (the pension and retirement funds). The two Entity Funds remain similar in terms of organization and are governed by almost identical laws (the main difference being the method of calculation and rates of insurance contributions from the gross salary, in FBiH, and net salary in the Republika Srpska). However, partly due to a different level of economic performance and perhaps stricter compliance with the laws, the Federation Fund operates independently from the government, having achieved economic viability, while in case of Republika Srpska, the Fund continues to depend on net transfers from the Entity Budget. The RS Fund has lately been forced to resort to short-term borrowing from commercial banks to finance regular pension transfers (Oslobođenje, 2010).

The entity regulation determines the pension base used for the calculation of the pension. It is defined as the average of the revaluated wages over the best 15 consecutive years of insurance. The pension accrual rate is 45% for the first 20 years of insurance, increased by 2.0% for each year of insurance in excess of 20 years (ILO, 2009). The entity-level regulation and administration of pensions, coupled with the related other socio-economic differences, also led also to the initially different pension entitlements in the two entities (Ademovic, 2005). Differences narrowed down recently to approximately EUR 126, which is 31.6% of the average gross wage (ILO, 2009), although pensions remain approximately 10% higher in the Federation of BiH.Increase in salaries is not accompanied by an increase in pensions, despite the growing cost of living (Ademovic, 2005).Pension Funds also pay for the pensioners' health insurance: 3.75% of the net pension in the RS and 1.2% of the net pension in FBiH is deducted automatically by the Funds and paid as a contribution to the respective Health Insurance Funds.

Faced with economic hardship and undeterred by Funds' insufficient enforcement capacities, employers are often in arrears with pension and disability contributions for their employees.As a result, despite having met the retirement criteria, some workers cannot achieve the right to pension or health insurance, as payments were not made to the pension funds on their behalf (ibid.). In April 2005, the Constitutional court of BiH ruled that individuals could sue their employers for unpaid contributions. Prior to this ruling, only the Pension and Disability Fund could take legal action against the employers (ILO, 2009).

Overall, challenges to the BiH pension system include long-term concerns related to the inherent instability of the pay-as-you-go scheme: an ever-shrinking contributors' base and an ever-expanding number of pensioners, coupled with an increase in life expectancy and a longer retirement period. In addition, the RS Fund especially has to find the way and means to overcome its continuing dependence on net budget transfers and short-term borrowing, which increase public debt and make necessary reforms harder to achieve by the day. Any future reform would also need to include the creation of a financial projection model and local expertise that would enable decision makers to assess the sustainability of the current system and to evaluate the implications of the various reform options. Both are currently lacking (ILO, 2009).

Table 2: A review of the pensions system in Bosnia and Herzegovina

Information Required	Description
Structure of the pension scheme	No pillars Pay-as-you-go system of finance Managed through Pension and Disability Funds (as in the former Yugoslavia)
Population covered	People of retirement age (65)[13] The disabled "Survivors' pensions" Those not covered and how this population compares to pensioners or to the whole population: pension benefits available only to the formal employment sector, resulting in only approximately 30% of population over 65 years of age receiving old-age pensions.[14]
Old age dependency ratio	Number of pensioners and number of insured 24% of people above 65 compared to 15-64 years (25.3% in the FBiH and 23.6% in the RS). System dependency rate – 77.7%[15]
Financing of the system	System replacement rate – 31.6%[16] Social Security contribution rates[17]: FBiH – 43.5% (24% for pension insurance, 17% for health insurance, 2.5% for unemployment insurance) RS – 42% (24% for pension, 15% for health, 1% unemployment insurance and 2% for child allowances). % of the state budget: 0% in FBiH; almost 10% of the Entity budget in RS (160 mil KM in 2009)[18] Ratio between insurance and state budget financing: the system is supposed to be based on a pay-as-you-go scheme, mandated by the OHR to avoid undue political interference and stabilize the budgets. This means that pension funds only distribute as much money as they collect, calculated on a monthly basis. However, the RS pension fund has never managed to achieve sustainability, depending for one-third of the total expenditure on net transfers from the Entity budget. Pension expenditure – 7% of the GDP; largest component of the social protection expenditure (ILO, 2009)[19].

[13] Although, in the FBiH, women can still retire at the age of 55 with 30 years of insurance and men can retire at the age of 60 with 35 years of insurance. In the RS, men can retire at any age if they have 40 years of insurance, while women can do the same with 35 years of insurance (ILO, 2009).
[14] LSMS (2001)
[15] ILO (2009, p.13)
[16] ILO (2009, p.13)
[17] ILO (2009); note: in the FBiH, contribution rate is levied on gross wages, while in the RS the contribution rate is levied on net wages.
[18] RS Government (2009, p. 9)
[19] ILO (2009, p. 2) reports – *'The estimate of pension expenditures as percentage of GDP differs widely between sources. According to the World Bank, it is 5.5% in FBiH and only 2.4% in RS. The estimates provided in the UNDP report are higher: in 2006 these values were 8.69% in FBiH and 10.41% in RS'.*

Benefit	Average monthly gross wage (in KM) 246.6KM (807.8KM in the FBiH, 735.4KM in the RS) Average monthly pension (in KM): 246.6 (246.7 in the FBiH; 246.3 in the RS). Minimum pension – not less than 50% (RS) or 60% of the average pension (not universal, but for people who have at least 20 years of pension insurance). Persons with 40 years of insurance – guaranteed pension of 80% (FBiH) or 100% (RS) of the average pension. Number of people receiving min pension – 10% (RS) -42.5% (FBiH) of all pensioners. Number of people with privileged pension rights: no exact number exist, but numbers are huge, given that numerous categories of the working-age population continue to be allowed to retire under favourable terms, for political and social reasons. Among them are war veterans, workers made redundant by former socialist 'giants' (state-owned combinates, or conglomerates), professional soldiers, etc.

Health care

Health care organisation and regulation in Bosnia and Herzegovina is complex, reflecting the political and territorial divisions of the country. Two separate health care systems exist in two Entities, plus the Brčko District. However, the Federation health care system is further subdivided into cantonal systems, with the full complement of ministries, health insurance funds and public health institutes. Therefore, a total of 13 Ministries of Health, 13 Health Insurance Funds and 12 Public Health Institutes exist in BiH (Ademovic, 2004). Prima facie, the situation in this regard is much more favourable in the Republika Srpska that is organized as a highly centralized state, with one Ministry and Fund responsible for organization and financing of health care. In the Federation, extreme decentralization does not reflect modern standards of proximity or subsidiarity, but rather ethnically mandated consideration whereby each ethnic group could be in control of 'their' funds and institutions. Federal level institutions and authorities were by the law accorded some measure of 'coordination' capacity, but are in no way hierarchically superior to the Cantonal level. A fragmented health care system in the Federation increases administrative costs of operations and significantly affects efficiency due to unavoidable overlapping, duplication of facilities (secondary level health care institutions existing sometimes literally few hundred meters apart). Richer cantons also can afford better care for their population, while poorer cantons struggle to maintain operations of their minuscule health insurance funds.

The relevant legislation provides for three types of insurance (Article 70, Law on Health Care FBiH 1997, Article 76, Law on Health Care RS 1999; Article 20, Law on Health Care DB, 2001), but only the compulsory insurance has been made operational. Additional legislation covers the rights of the war veterans and the civil war victims. The basic entitlements are not set by either of entities (Ademovic, 2004).

Health policy across BiH is funded on the solidarity principle through the health insurance funds and on the principle of mandatory contributions. These vary across the country (13% in FBiH and 15% in the RS), while employers in both entities contribute an additional 5% to the health insurance of employees. The total contribution for health insurance is estimated at 7.6% of the GDP from public spending. Thirty-seven percent is allocated for primary, 35% for secondary and 18% for tertiary health care. Health spending per capita varies in the two entities. In the FBiH it is 218 Convertible Marks (approx. EUR 106), but in the RS it is 100 Convertible Marks (EUR 50) (Ademovic, 2005).

This data indicates a number of inequalities that exist across the country, depending on where a citizen resides. There are also related 'cross-border' health care entitlement issues, which particularly affect persons who are still displaced. There are also problems with the manner in which the system is funded, as the ratio between those who pay health care contributions and others is 1:7, due to a number of employed for whom neither they themselves nor their employees are paying health insurance (e.g. due to temporary and seasonal nature of their official work status) (Ademovic, 2005; UNHCR, 2001). It is estimated that 26% of the population is not covered by health insurance (Ademovic, 2005). Although there is only anecdotal evidence available, it was widely assumed that for much of the post-war period there was substantial practice of underreporting wages for health insurance contributions (the situation in this regard has stabilized with fiscal and tax reforms in the recent years). Informal payments for health care provision and outright corruption remain a matter of significant concern, although no firm data exist to support widespread perception of corrupt practices in the health sector (Cain et al., 2002).

Despite several reforms undertaken or still ongoing, some authoritative studies conclude that the quality of the overall health care provision has been characterised as devastated since before the war and lacking minimum standards of care across the whole country (UNHCR, 2001). Some authors describe such puzzling processes as follows *'Reform [of health care] in Bosnia and Herzegovina has been a contradictory pairing of the best with the sub-optimal; it has combined innovative approaches with political resistance and enthusiasm with obstruction. If anything, the case of Bosnia and Herzegovina shows, in particular, how an excess of easy financing can also have negative influences on the reform'* (Cain et al., 2002, p. 101). The reforms were particularly focused on primary and secondary care, through, for example, the introduction of family medicine or the introduction of Centres for Mental Health within primary care Health Care Centres, as the main pillars for community-based mental health provision. The Federal Ministry of Health and the Ministry of Health and Social Protection of Republika Srpska in 2008 prepared and published several Health Strategy Documents[20] (for primary, secondary and tertiary health care) in which health care reform is defined together with its objectives, foundation and principles, and service provision.

The Primary Health Care Strategy documents (officially adopted in both FBiH and RS) emphasize the significance of health in relation to sustainable economic development and social cohesion. Health is viewed as economic potential and an ingredient of human resources, as well as a tool for increasing productivity and decreasing public expenditure related to treatment. Furthermore, better

[20] The Primary Health Care Strategy, Ministry of Health and Social Welfare RS (2008); Strategy for Primary Health Care Development FBiH, Federal Ministry of Health (2008); Strategic Plan for Development of Health in FBiH 2008-2018, Federal Ministry of Health(2008).

health significantly contributes to the reduction of poverty and as such is seen as a tool for ensuring conditions for long-term and sustainable economic development.

Key health care issues, as identified by strategy documents, to be addressed by the primary health care reform are as follows:

- unequal access to health care,
- inefficient delivery of health care services,
- inadequate health care financing,
- inadequate structure of human resources,
- an ageing population.

The core strategic goal of the reform is the development of primary health care focused on family medicine, which will be based upon delivery of accessible, efficient, quality and cost effective services, interventions and programs. Development of primary health care, which will be based on the family medicine model, is seen as a key factor of the health reform. The health care reform aims to: introduce the family medicine model, establish an efficient entry point into the health system, rehabilitate the PHC infrastructure, allow free choice of a doctor, establish new mechanisms for health care resource allocation and introduce new provider payment mechanisms, enhance the organization, planning and management of health institutions, develop and implement national health policies strategies and programs.

In practice, family medicine should perform the following tasks: health promotion and disease prevention, pre-symptomatic detection of diseases, early diagnostics, final diagnosis, disease management, disease complication management, recovery of patients, palliative care, and consulting of families in extraordinary circumstances. In order to prioritize family medicine in the overall health system in BiH, it is intended to structure PHC centres in such a way that they will be able to handle a minimum of 80% of all health-related problems. PHC centresare seen as the foundation of the health system and a starting basis of integrated health care - health institutions that will plan, organize, and deliver accessible, efficient, cost-effective and high quality health care based on the family medicine model to the population of the given area.

Comparable to Family Medicine, Mental Health care suffers from the same set of issues as other areas of the health care system in Bosnia and Herzegovina since the war. Primary health care is, however, organized in dedicated mental health centres that are products of an earlier reform. They currently enjoy various degree of integration in primary health care system in both entities. Beside organizational and technical issues related to the functioning of mental health centres in relation to the community health care centres, their work suffered from conceptual and policy-related deficiencies. Being a novelty brought in by external intervention, the concept of community mental health centres took a long time to gain acceptance in the mainstream health system. Only recently have the entity governments strategically approached the need for the development of the mental health sector in general by adopting a set of relevant policy documents.

Mental Health Policy documents[21] for Bosnia and Herzegovina, both FBiH and RS, were developed as part of the Stability Pact Initiative – Mental Health Project for southeastern Europe (2002-2008). The Mental Health Policy document was adopted in RS in 2006, while in FBiH it was planned to be adopted by the end of 2009, but has not been so far. Albeit different – due primarily to differences in institutional and policy framework – these documents contain the same overall set of objectives. Allowing for entity specifics, these

[21] Mental Health Policy, Ministry of Health and Social Welfare RS (2006), Mental Health Policy, Federal Ministry of Health, draft version.

overall objectives can be summarized to read as follows:

- improve psycho-social status of the population and establish a health system that will enable complete and efficient mental health services to all persons suffering from mental health disorders;
- alleviate all factors that contribute to the increase of mental health disorders such as: unemployment, migration, social tensions, substance abuse and other risk factors;
- define the program for mental health improvement and care for vulnerable groups of the society (children, adolescents, elderly, etc.);
- further development of the network of mental health centres in the community;
- further development of human resources in the field of mental health;
- increase promotional activities in raising public awareness.

An integral part of both policy documents is the Action Plan, which in both entities identifies the following set of priorities:

- provision of treatment in primary health care;
- availability of psychotropic medications;
- provision of services in the community;
- education of the public;
- developing policies and adoption of laws;
- human resources development;
- establishment of links with other sectors;
- development of information system;
- improvement of research capacities among medical workers.

In another positive reform development, compared to the situation before the war, health care is possibly the only major public sector that systemically moved towards an accreditation system of its professionals. Applicable laws stipulate that all health practitioners (physicians, technicians, nurses) have to be members of respective medical chambers. Again, in reflection of political realities, these chambers are organized on the Entity (in the RS) and Cantonal level (in the Federation of BiH). An important role of these chambers is supervising and monitoring professional standards and education of their members and issuing and revoking licenses accordingly. In practice, it is too soon to tell how this system will function. Early evidence indicates that in the case of physicians, their chambers are quite active, while in the case of nurses the experience is somewhat varied.

Table 3: A review of the health care system in Bosnia and Herzegovina

Information required	Description
Structure	Primary health institutions (health centres, health stations) are organized at municipal level. All other secondary and tertiary level institutions are organized at Entity (in RS) and Cantonal (in FBiH) level. They consist of hospitals (in smaller centres) and clinical centres (most developed), strategically spaced to cover most population geographically, although due to political developments this is somewhat skewed, leading to doubling of facilities in e.g. Sarajevo/ EastSarajevo,Mostar (East/West). The health system is publicly owned and managed, funded by wage contributions for health, as well as budget contributions for capital expenditure (building works, repair of facilities, purchasing of equipment). Health funds are organized at Entity (in RS) and Cantonal (in FBiH) level. -private health-care has long augmented health services provided by the public sector by providing more specialized services (e.g. involving expensive machinery that cash-strapped public institutions cannot afford), or by allowing the patients to reduce waiting periods (dental services, also specialist examinations where waiting period sometimes extends up to six months)
Population covered	- in theory health services coverage should be universal. All employees are insured by registering and paying their wage contributions (deducted by employers). However, the prevalence of grey and informal economy put some categories of employees at risk (e.g. construction where seasonal work prevails or retail trade where workers are easily replaced and thus not registered). Unemployed are eligible for free health services upon registration, but again many people remain in the 'grey' sector; - the estimated number of people not covered by any form of health care coverage at 13% of total population (2004 figure)[22]
Health-status of the population	- life expectancy rates: 70 (male), 77 (female). (1991 figure, the last available)[23] - infant mortality rate: 9.1/1000 live births[24]

[22] UNDP (2007, p.13)
[23] WHO (2008, p. 24)
[24] WHO (2008, p. 30)

Financing	- contribution rates as percentage of earnings: 17% of gross wage (FBiH), 15% of net wage (RS) - health-care expenditures (8.3% of GDP)[25]
Cost-containment measures[26]	In the absence of effective insurance coverage, people are obliged to pay the full cost of medical fees (average medical costs for birth delivery range from EUR160-270 in RS to EUR 127-360 in FBiH) - considerable anecdotal evidence for 'informal payments' across the board. Out of pocket payments *FBiH* This is determined at Cantonal level that depends on the user's social status and with no control over private sector out-of-pocket payments. Half of the payment to the Health Insurance Fund and half to the provider (in practice – payments made only to the provider). *RS* – set at entity level Medication – in FBiH – medication provided free of charge is set by the so-called 'Essential list of medication'. All non-essential medication has to be paid by the users. Particular problems exist for, for example, psychiatric medication, many of which are not included on the list.
Benefit	- FBiH guarantees benefits under compulsory insurance – primary health care, specialist consultative care and hospital care, salary compensation in cases of illness, refund of travel expenses incurred while seeking medical care. RS – pregnant women, children aged 0-15 and people over the age of 65 are entitled to free health care.

Unemployment protection

The Dayton Peace Accords neither defined Bosnia and Herzegovina as a welfare state, nor provided the right to work as a separate constitutional right (Ademovic, 2005). This right is indirectly accepted through the International Covenant on Social, Cultural and Economic Rights and through the two entity level Constitutions (Article 2(1)(1), Constitution of the Federation of Bosnia and Herzegovina; Article 39, Constitution of Republika Srpska). Unemployment is primarily regulated through the relevant employment legislation (Article 2, Law on Employment and Social Security of Unemployed Persons FBiH 2000; Article 3, Law on Employment RS 2000; Article 5, Law on Employment BDBIH 2004). The economic and health entitlements of unemployed individuals are administered through the Employment Agencies. These are organised differently in the two Entities. In the Federation of BiH, these are decentralised to the cantonal level, while

[25] WHO (2008, p. 131)
[26] Cain et al.(2002)

the Employment Agency is a centralised service within Republika Srpska. The Employment Agency makes payments to the unemployed.

Lack of appropriate unemployment support is particularly concerning considering the high unemployment levels. Despite the absence of a Census since 1991, the Labour Force Survey indicates a 43.9% labour force participation rate (the ratio of labour force to working age population; 42.4% in the FBiH, 47.0% for the RS, 36.8% for the Brčko District) (Agency for Statistics of BiH, 2008). In 2008, the unemployment rate was 23.4% (21.4% for men and 26.8% for women), a decrease from 29.0% in 2007 (ibid.). Due to the absence of the Labour Force Survey time series, it is difficult to highlight any unemployment trends. As in most countries in South-Eastern Europe (ILO and CoE, 2009), unemployment rates are significantly higher for women as compared to men (Ademovic, 2005), while youth unemployment rates are higher than adults (62.3% compared to 31.8% in 2007) (ILO and CoE, 2009). Most worryingly, the long-term unemployed present 85.9% of all unemployed (ibid.).

Overall, the participation rate in formal employment is low; it is estimated that informal economy employment presents between 33-50% of the formal sector employment (ILO, 2009). In parallel, the ethnic cleansing and the subsequent displacement and re-settling of the BiH population also resulted in the loss of employment and employment rights for a number of displaced and refugee workers (Ademovic, 2005).

Following the war, there was an expectation both within BiH and from the relevant international organizations (e.g. the EU, World Bank) that the transition from the post-socialist system of governance, marked by state-owned businesses, would include the transition to a market economy through rapid privatisation and a large injection of reconstruction aid (ESI, 2004). However, such plans overlooked the impact of outdated and war-affected technology, full employment targets from the previous system, as well as those by misplaced and corruption affected privatisation/investments. The most affected were a particular group of workers whose companies were undergoing such a transition. Namely, while a number of people remained in official employment, they were, de facto, owed salaries for their work conducted during and after the war period. While the new company owners were to settle such debts on behalf of the previous employers, these settlements were either never or only partially settled (FBiH Ombudsman Report, 2004).

In parallel, the lack of a coherent employment policy framework makes for a reactive labour administration, paralleled by a lack of an efficient and co-ordinated system of labour inspection (ILO and CoE, 2009). The Public Employment Service in BiH comprises of a state-level institution, two Entity Agencies and one District Employment Agencies. In parallel, there are cantonal level Agencies in the FBiH and seventy-four municipal Employment Bureaus. In the RS, the entity-level Agency has six Regional Offices and sixty-three municipal Employment Bureaus. As the State-level Agency primarily has mandates for international representation, there are difficulties in implementing any kind of reform processes within the devolved structure. In parallel, the manner in which the Agencies and Bureaus are regulated and structured makes their main activity the registration of the unemployed, rather than screening of the applicants, counselling, guidance or job brokering (ibid).

Registration with employment services gives access to health insurance. Unemployment benefits vary in the two entities. In the FBiH, based on the Employment Law 2005, the benefit given is three months wages for

the insurance period between 8 months to 5 years or 24 months for an insurance period longer than 35 years. In the RS, the difference is in the higher insurance periods, where the benefit is equal to 12 months (rather than 24 as in the FBiH) for the unemployed with more than 25 years of insurance. The benefit is between 35 (RS) and 40% (FBiH) of the individual's average salary over the preceding 3 months for those with ten or more years of insurance. However, unemployment benefit coverage is only 1.9% of the registered unemployed (ILO and CoE, 2009).

In terms of employment support efforts, there have been significant international resources allocated to the creation of loans and grant programmes aimed at Active Labour Market Programmes.These mainly included loans to companies for job creation programmes in the Federation of BiH, employment subsidies in both entities (targeted at unemployedyouth, disabled employees and the long-term unemployed in the FBiH and unemployedyouth in the RS) and training programmes for the long-term unemployed (financed by the World Bank). However, none of these initiatives has yet proved to be efficient or effective (ILO and CoE, 2009). In real terms, income support is set at the poverty level, particularly as the actual coverage is at approximately 2% and, therefore, one of the lowest in Europe.

Table 4: A review of the unemployment protection in Bosnia and Herzegovina[27]

Information required	Description
Coverage	Eligibility criteria: FBiH – 2.5% of gross wage + paid unemployment contributions for an uninterrupted period of at least 8 months in the preceding 12 months or for an accumulated total period of at least 8 months in the past 18 months RS and DB – 1% (RS) or 1.5% (DB) gross salary + minimum of 8 months of continuous qualifying period in preceding 12 months or 12 months with breaks in preceding 18 months. Only about 2% of the unemployed are covered.
Financing N/A	-contribution rates as percentage of earnings: 2.5% of gross wage (FBiH), 1% of net wage (RS) -% of state budget: N/A -ratio between insurance and state budget financing: N/A -expenditures on unemployment benefit (% of GDP): N/A -revenues (% of GDP): N/A

[27] ILO and CoE(2009)

Benefit	Free health insurance Unemployment benefit: - FBiH – 40% of the average net wage earned in the FBiH in the 3 months before the termination of employment (can be disbursed in a lump sum for the establishment of an independent or a joint company) - RS – for people with a 10-year qualifying period – 35% of average wage earned in the previous three months of work; for people with more than 10 years – 40% of the average wage earned in the previous three months. The cash benefit may not be less than 20% of disbursed average wage in the RS nor may it exceed the amount of an average net wage in the RS in the month preceding decision-making. - DB – up to a 10 year qualifying period – 35% of the average salary earned in the previous three months of work; over a ten-year qualifying period – 40% of average salary. AS in RS, the benefit cannot be lower than 20% of disbursed average salary. -number of people receiving unemployment benefit: 11,935, or 2.31% of the total number of unemployed[28] Maximum duration of benefit FBiH - 3 months for a working period from 8 months to 5 years - 6 months for a wp 5-10 years - 9 months for a wp 10-15 years - 12 months for a wp 15-25 years - 15 months for a wp 25-30 years - 18 months for a wp 30-35 years - 24 months for a wp of more than 35 years RS and DB - 3 month for a qualifying period of up to 5 years - 6 months – qp 10 years - 9 months – qp 15 years - 12 months – qp 25 years
Active labour market policies	Provisional plans set in the Mid-Term Development Strategy 2004-2007, but not implemented - changes in labour laws and regulations - labour market measures -what kind of policies are there; -financing (% of state budget); -coverage.
Other measures against undeclared work	Occasional campaigns, e.g. huge campaign by the Federal government in 2008, promising tax breaks for employers who register undeclared workers. Labour inspectors conduct checks on employers, but these checks vary in frequency and stringency, depending on the area/political climate, political connections of businessmen, etc.

[28] ARZ (2010)

Social welfare/assistance

As other former Yugoslav Republics, Bosnia and Herzegovina retained a social welfare system based on the principles of universal coverage and mutual solidarity. The collapse of Yugoslavia made construction of such a system an unfinished business. In addition, war and immediate post-war developments deconstructed the social welfare system in BiH even further, bringing it to the brink of existence. The situation has since stabilized, even though some of the problems that were caused in the previous period continue to affect the performance of the system and significantly impair its ability to function.

Formal social welfare provision is still primarily implemented through local Centres for Social Work (CSWs) and traditional long-stay institutions for children and adults, following in the former Yugoslav tradition. CSWs cover large geographical areas, sometimes up to 50,000 people, and specialize in diverse practices - from social security provision to counselling services. Traditionally, distribution of cash-based assistance was viewed as the main purpose of the CSW existence. Favourable economic conditions and socialist ideology translated into a solidarity principle, which served as the foremost concern behind codification of legal provisions regulating social welfare. Vulnerable groups (beneficiaries of welfare assistance) were broadly defined and entitlement-based. Large numbers of people thus qualified for at least one of numerous and relatively generous benefits. In combination with free education and health, it made life in socialist times bearable even for the poorest categories of population.

The availability of cash and other forms of material assistance pushed other forms of social assistance – notably professional counselling and community work – into the background. Some professional services continued to be provided during the eighties and nineties, notably marriage counselling, but were overall rather neglected in the light of pressing demands for cash payments due to the sharp decrease in living standards. The post-war period meant further deterioration in all aspects of welfare provision, from cash benefits to service provision. Needs were huge, but budgets for social welfare almost non-existent. Social workers themselves would sometimes go for months without pay.

The Post-Dayton period also saw a fragmentation the of social welfare system along ethnic lines. Two separate social welfare systems exist today, one for each entity, in addition to a separate regime in the Brčko District. Both systems suffer from the same range of problems, the most important being under funding. In addition, a weak material base, a proliferation of alternative welfare providers, and the failure to educate staff and attract younger personnel affected the ability of the welfare system to grapple with the changing times. Data for 2005 indicates that social and child welfare in BiH is implemented through 101 municipal CSWs, 40 Social and Child Welfare Offices, two Cantonal CSWs and a Sub-Department for Social Welfare of the Brčko District (Save the Children UK, 2005). The Thematic Bulletin 'Social Welfare' (Agency for Statistics of BiH, 2008a) states that in 2007 these services employed 561 professional and 622 administrative and other staff (a total of 1183 employed). Over half of the CSWs (62%) do not employ the number of staff proposed in the legislative framework for their operation (Hadžibegić, 1999). It is relevant to note that, in FBiH, an additional 74 staff was employed over the period of two years (2002 – 2004). However, these were mainly administrative, rather than professional staff.

In the Republika Srpska, part of social welfare services is covered by the Child Protection Fund. The public fund was es-

tablished in 1996, basically taking over some of the professional services and benefit payments that were traditionally handled by the Centres for Social Welfare. The Fund did not establish new institutions at the local level, instead linking the central office in Bijeljina with dedicated staff co-located in CSWs, but with separate missions and on the Fund's payroll. According to the Fund's website, its primary mission is linked with the realization of child protection rights, namely dispensing financial assistance and 'caring for development needs of children'. According to the Fund's web site, there are few professional services being provided by the Fund, if we do not count the organization of summer holidays for several hundred underprivileged children annually. The dispensation of cash assistance remains the chief responsibility of the Fund's staff. The primary goal of having a separate Fund to handle child protection appears to be an attempt to guarantee equal child protection benefits across the Entity, in a situation when local communities (responsible for social welfare payments) sometimes struggle to commit sufficient budgets to this purpose.

The social welfare systems in both Entities remain broadly comparable in terms of their functions and legal framework (principal differences being the existence of the Child Protection Fund in the RS and Cantonal organization of welfare in the Federation). As such, they experienced similar problems in the post-war period. Besides already mentioned, and an obvious weak economic base, the welfare regimes suffer from range of systemic inadequacies which are mostly related to the failure to adopt to changing times and reform in accordance with the changed nature or needs and available resources. The BiH Council of Ministers identified various difficulties in the implementation of the reform of social welfare (The BiH Council of Ministers, 2004, pp.145-146). Primarily, there is an increase in the needs of the population, paralleled with the creation of new service user categories (due to the post-war socio-economic problems). There is also a lack of up-to-date and complete databases on service users. Secondly, there is a lack of resources (from trained staff to adequate workspace) and monitoring instruments for social welfare implementation. Thirdly, resource constraints are further exacerbated by normative and accountability difficulties.

It is illustrative of the welfare systems' inability to reform that none of these deficiencies has ever been systemically identified, or addressed by the system itself. Instead, this task was taken over by a range of international donors and nongovernmental organizations, which at different times attempted to map the capacity gaps and resolve some of the outstanding issues. These donor-driven reforms fall into two broad categories: earlier more numerous, NGO-implemented partial reforms, and later, more mature and fewer in number, attempts at systemic reform of social welfare regimes. The partial, NGO-implemented reforms, which abounded in the immediate aftermath of the war, typically worked to resolve issues centred on one aspect of the welfare system (say children with special needs, or institutional care) often working in a small part of BiH (e.g. in one Canton, or even municipality).

Most of these efforts were ultimately unsuccessful, for reasons that are well documented by some of the recent studies (see Rašidagić, 2006; Maglajlic, Holicek &Rašidagić, 2007, 2008). These include the finite nature of project-based intervention, limited mandates of NGOs operating in the country and the failure to adequately engage relevant stakeholders, etc. In the early

'Naughties', a gradual withdrawal of donors, coupled with their desire to attempt to resolve some of the issues by (finally) working in a systemic manner, led to the conception of a few large-scale reform projects, most notably those funded by the Finnish Government (Support to Social Sector Project) and DFID. Both projects, similar in outlook (having been conceived by the same consultant, after all) were implemented by the local organization, the International Bureau for Humanitarian Issues (IBHI). Being realistic about the prospects of comprehensive reform of social welfare in the country, both projects sought to incorporate lessons learned from the implementation of local projects into policies and ultimately legal regulations at the central level. The particular approach went by the name 'bottom-up approach'. It failed in the short-term, but eventually significantly influenced the blueprint for reform contained in the country's first-ever Mid-Term Development Strategy 2004-2007 (MTDS, initially conceived as World Bank's Poverty Reduction Strategy Paper, PRSP) (DEP, 2004).

For reasons which are directly related to the worsening political prospects in the country in the period following the 2004 local elections, the MTDS was never actually implemented, nor was the Strategy amended or replaced by a new one after the original expired. The welfare regimes thus remain largely unreformed, with progress being limited to incremental steps based on partial incentives occasionally implemented by individual NGOs, or, in fewer cases, certain public institutions. Thus we can say, two decades into independence, social welfare systems in BiH remain largely modelled upon the socialist model that has clearly long outlived its purposefulness. Social work education remains almost exactly the same as when it was conceived in the mid-70s, producing social workers that are not adept to becoming true community worker. The majority of staff employed in the CSWs still focus on the provision of paltry and poorly targeted material assistance, rather than offering professional services. This was somewhat remedied in relation to particular aspects of practice, for example, transformation of care for children without parental care, but only in some of the Cantons/regions, and based on the efforts by the staff or dedicated work of certain international agencies within their limited scope of intervention.

Table 5: A review of the social welfare system in Bosnia and Herzegovina

Information required	Description
Structure	- a total of 103 municipal and cantonal-based Centres for Social Work (CSWs), plus 40 municipal departments. Uneven population coverage; varied level of technical and funding capacities - a total of 1183 staff employed in these institutions; unfavourable professional and age structure - relatively even territorial distribution, with most municipalities covered, save for the smallest ones (institutions, human capacities) and territorial distribution; - mostly professionals employed as managers of CSWs, however, appointments open to political influence

Coverage	- population coverage uneven, in theory one social worker is employed per 50,000 people, but standards are not well defined and rarely respected; - entitlement-,rather than needs-based eligibility means that numbers of eligible beneficiaries are huge and unsustainable; - vulnerable categories broadly defined and numerous, basically copied from the pre-war system with the inclusion of additional categories (war veterans, war victims, etc.)
Financing	- no expenditure at the state level; - Financing systems differ in Entities, with staff-related and benefits-related costs split between municipal, cantonal and entity governments. In addition there are 'solidarity' instruments to help with financing in weaker municipalities and cantons - expenditure on social welfare benefits is relatively high compared to comparable countries in the region. However, when payments for war veterans are deductedreal expenditure for social welfare drops to between 0.8 and 1.1 % of GDP);
Benefit	- mostly cash-based, meaning that very few CSWs actually pay any benefits beyond symbolic. CSWs in richer areas (Sarajevo, Banja Luka) pay benefits as stipulated by the law. In poorer areas, benefits actually consist of rare handouts or symbolic payments of e.g. EUR 20-30. Larger CSWs employing specialized staff also provide other forms of assistance, mostly specialized counselling (marriage, youth, addiction...). Some CSWs benefited from different donor-funded projects that introduced different forms of non-cash based assistance, although sustainability of these measures is somewhat questionable. - value of benefits dispensed, although regulated by the applicable laws is entirely depending on the available financing and therefore hugely variable across the municipalities/cantons/entities
Measures against poverty and social exclusion	- there are few systemic efforts to combat poverty and social exclusion. Certain measures were included in the country-level Mid-term Development Strategy 2003-2007 and yet-to-be-implemented Social Inclusion Strategy, but without dedicated funds and agencies at the state level.

Conclusion

Bosnia and Herzegovina's welfare system has suffered from the combined effects of: restructuring processes typical of other comparable former socialist countries; physical and sociological damage caused by the war; politically induced fragmentation of the welfare system; effects of uncoordinated, short-term, and sometimes outright disastrous aid polices by the international community. In our previous publications (Maglajlic, Holicek &Rašidagić, 2007, 2008), we analysed the same issues chronologically, with an emphasis on the role international organisations played in the transformation process, which was logical, given the lack of capacity and willingness of local players to champion the necessary reforms. For the benefit of clarity, we have divided the phases in the development of the welfare system in BiH into the following phases: the war period (1992 – 1996), characterized by the dispensation of emergency forms of aid; the immediate post war period (the late 1990s), characterized by the domination of welfare agendas promulgated by large INGOs and donor community; the so-called capacity building phase that was marked by the exit strategies of a number of international organisations (early 2000s); and, finally, the transformation phase that was marked by the poverty reduction strategies in Bosnia and Herzegovina and other countries in the region, as well as the Paris Declaration on Aid Effectiveness, resulting in the so-called 'country-led' initiatives (the mid-2000s).

In the opinion of most authors who have studied developments in transformation of the BiH welfare system, despite the huge volumes of money and effort that were invested in Bosnia and Herzegovina prior to the international community's disengagement from the country in the early 2000s, this period chiefly represents the period of wasted opportunities (Deacon & Stubbs, 2007; Papić, 2001). This was chiefly due to the failure of the international (donor) community to cobble together a cohesive and strategic approach to reform of different sectors in BiH, including welfare.

International assistance came in the form of numerous short-term aid projects, suffering from a blinkered vision of the overall needs of society. These projects, funded as they were by the myriad INGOs and foreign donors, were also characterized by overlapping and sometimes outright conflicting agendas. New projects as a rule failed to take into account and build upon the experiences of the previous ones. In addition, there was much hesitation – for political reasons – to involve the governments directly into reform processes. Instead, individual government officials were involved to create the semblance of official sanction for the reforms promoted by individual projects. Even though many reform policies received official sanction in such form, they invariably failed in their ambition to govern the official agenda of responsible governments. Instead, faced with mounting needs and demands for change, new donors would come forward, championing entirely new agendas, often by involving identical set of stakeholders in the process.

The period since the mid-2000s – when large donors and INGOs have largely left in pursuit of greener pastures elsewhere – has been characterized by stalled reforms in social and economic fields, as well as frequent outbreaks of social discontent in the country (although nothing on the scale of upheavals that would challenge the prevailing political order in society). It is indicative that in 2010, fifteen years after the end of the war, the reform agenda remains basically the same, as it was when the current welfare system was created. Despite all reform attempts and efforts invested, mostly by the international

community in different forms, the system suffers from basically the same basic structural flaws, insufficient funding, inefficient institutions, and political meddling as in 1995. This paper attempted to partially illustrate the consequences of incomplete reform attempts and to identify the underlying causes of the resulting crisis. This is of particular importance for our discussion of the transition of the welfare state in the post-war period, since the unwieldy and ineffective political structure imposed by the Dayton Peace Agreement of 1995 effectively makes any moves towards genuine reform of the social sector dependent on the consensus between the three ethnic groups on wider political agenda.

That sad part of the whole story is that after fifteen years of post-war development (or 'development') Bosnia and Herzegovina finds itself – again – at decisive stage in the transformation of its socio-political and economic structure. Findings of relevant recent studies, such as the UNDP's National Human Development Report - The Ties That Bind: Social Capital in Bosnia and Herzegovina (2009), indicate that ethnic considerations – which ultimately governed all previous reform processes – are decreasing in relevance, supporting our view that the time is ripe for supporting appropriate grassroots initiatives, as well as more coherent and country-wide bottom-up policy building and general strengthening of the local community systems, building on the best of the tradition of community based intervention and administration.

List of references

Agency for Statistics of BiH. (2008). *Labour Force Survey.*

Agency for Statistics of BiH. (2008).*Thematic Bulletin 'Social Welfare'.*

Agency for Labour and Employment Services of BiH (ARZ). (2010).*Labour Market Statistics.*Retrieved September 20, 2010, from: http://www.arz.gov.ba/bosanski/statistike.html

Ademovic, N. (2005). Economic and Social Rights.In Dizdarevic, S. et al. *Democracy Assessment in Bosnia and Herzegovina.* Retrieved June 20, 2010, fromhttp://www.soros.org.ba/images_vijesti/Istrazivanje%20demokratije/Democracy%20Assessment%20in%20Bosnia%20and%20Herzegovina.pdf

Agreement on Health Insurance. *Official Gazette BiH No. 30/01.*

Bassiouni, C. (1994). *Final report of the United Nations Commission of Experts established pursuant to Security Council resolution 780.* RetrievedNovember 20, 2010, from http://www.ess.uwe.ac.uk/comexpert/ANX/VI-01.htm#I.D

Cain, J., Duran, A., Fortis, A., & Jakubovski, E. (2002). Bosnia and Herzegovina. In Cain, J. &Jakubovski, E. (eds.).*Health Care Systems in Transition.* Retrieved September 20, 2010, from: http://www.euro.who.int/__data/assets/pdf_file/0018/75132/E78673.pdf

Deacon, B. &Stubbs, P. (eds.) (2007).*Social Policy and International Interventions in South East Europe.* Edgar Elgar.

FBiH Labour Law. *Official Gazette FBiH No. 43/99*

FOS, BHAS and RSIS. (2005). *Living in BiH Panel Study Final Report: Wave 4.* BHAS: Sarajevo.

IDMC (2010).*Fact file: Bosnia and Herzegovina.* Retrieved June 10, 2010, from http://www.internal-displacement.org/8025708F004BE3B1/(httpInfoFiles)/8128608F1DBBA278C12577250069BF66/$file/GO2009_Bosnia_Herzegovina.pdf

ICG (1998).*Whither Bosnia? ICG Balkans Report No 43, 09.* Retrieved November10, 2010, from www.intl-crisis.group.org

ILO (2009).*Report on the Pension Reform in Bosnia and Herzegovina: First assessment.* Budapest: ILO.

ILO and CoE (2009).*Employment Policy Review: Bosnia and Herzegovina.* Strasbourg: Council of Europe.

Kljajić, V. (1999). Društveni trendovi i osiromašenje - izazovi politike socijalne zaštite u BiH.In Socijalni *rad na pragu 21. Stoljeća: Zbornik radova.* Sarajevo: Univerzitet u Sarajevu, Fakultet političkih nauka, Centar za socijalna istraživanja, Odsjek za socijalni rad, pp. 34 – 54.

Labour Law of the Brčko District BiH. *Official Gazette of the Brčko District BiH* No.43/04

Law on Contributions in FBiH. *Official Gazette FBiH* No. 35/98,54/00, 16/01, 37/01 and 1/02

Law on Contributions in RS. *Official Gazette RS* No.51/01

Law on Employment and Rights during Unemployment. *Official Gazette of the Brčko District BiH* No.33/04

Law on Health Care. *Official Gazette FBiH* No. 29/97

Law on Health Care. *Official Gazette RS* No. 18/99

Law on Health Care. *Official Gazette of the Brčko District BiH* No.2/01

Law on Health Insurance. *Official Gazette FBiH* No. 30/97

Law on Health Insurance. *Official Gazette RS* No.18/99

Law on Health Insurance. *Official Gazette of the Brčko District BiH* No.1/02

Law on Work and Employment Agency of BiH. *Official Gazette BiH* No. 21/03

Law on Pension and Disability Insurance in FBiH. *Official Gazette FBiH* No.29/98

Law on Pension and Disability Insurance in RS. *Official Gazette RS* No. 32/00

Law on Social Protection. *Official Gazette RS* No.5/93

Law on Social Protection. *Official Gazette of the Brčko District BiH* No. 1/03

Living Standard Measurement Survey – LSMS. (2001).Retrieved September 20, 2010, from http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTLSMS/0,,contentMDK:21588599~isCURL:Y~menuPK:4196952~pagePK:64168445~piPK:64168309~theSitePK:3358997~isCURL:Y~isCURL:Y,00.html

DEP. (2004). Mid-Term Development Strategy of BiH 2004-2007.

Oslobođenje.(2010). Da li je Fond PIO RS-a pred kolapsom? Do proljeća nekako, od proljeća nikako. Retrieved November20, 2010, from http://www.oslobodjenje.ba/index.php?id=10065

Rašidagić. (2006).*Children and Youth in Human Rights Context in BiH*, IBHI/Rabic

Republika Srpska Public Child Protection Fund: www.jfdz.org

RS Government. (2009) *Republika Srpska Budget for 2009.* Retrieved September 20, 2010, from http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/Budzet/Budzet%20Republike%20Srpske%20za%202009.%20godinu%20-%20latinica.pdf

RS Law on Employment. *Official Gazette RS* No. 38/00

RS Law on the Rights of Veterans of War. *Official Gazette RS* No.35/99

RS Labour Law. *Official Gazette RS* No.38/00

Stubbs, P. (2001). "Socijalni sektor" ili devalviranje značaja socijalne politike?Regulatorni režim socijalnog blagostanja u Bosni i Hercegovini danas. In Papić, Ž. (ed.) *Međunarodne politike podrške zemljama jugoistočne Evrope: Lekcije (ne)naučene u BiH*.Sarajevo: Müller, pp. 125-139.

UNDP. (2007).*Pension Reform and Social Protection Systems in Bosnia and Herzegovina.*

UNHCR. (2001).*Health Care in Bosnia and Herzegovina in the Context of the Return of Refugees and Displaced Persons*.Retrieved June 10, 2010, from www.unhcr.ch/uploads/media189.pdf

WHO. (2008).*Atlas of Health in Europe 2008.* 2nd edn. Retrieved September 20, 2010, from www.euro.who.int/__data/assets/pdf_file/0011/97598/E91713.pdf

Wilkinson, R. (2005). After the war was over.*Refugees*, 3(140), pp. 6-18.

World Bank (2007, June 15).*Bosnia and Herzegovina Pension System Note.*

Social Policy in Bosnia and Herzegovina between State-Building, Democratization and Europeanization

Sören Keil

Introduction

Bosnia and Herzegovina[29] can be considered as one of the most impressive international projects for state-building, post-war reconstruction and democratization. The international involvement in the country included military and civilian personnel and influenced massively Bosnia's post-war development. In some policy areas, international players became the main drivers for change and even implemented it.

In this paper, we will discuss the development of social policy in Bosnia and Herzegovina since the end of communism in 1990, but in particular since the implementation of the General Framework Agreement for Peace in Bosnia and Herzegovina (GFAP)[30] in 1995. Social policy will therefore be treated as a case study to discuss state building and democratization as well as post-war development in Bosnia. Indeed, as a report by the Department for International Development of the United Kingdom outlined in 2003, 'BiH is experiencing rapid change, following recovery from the war, and in accelerating transition to market economy' (DFID, 2003, p. 1). It will be highlighted that the main obstacles for the establishment of a sufficient and efficient social policy in Bosnia are the same obstacles for the establishment of efficient governmental structures. The high degree of decentralization has resulted in local players becoming responsible for social welfare, while the central government continues to struggle to create a common economic area throughout the territory of Bosnia and Herzegovina. Furthermore, these local players tend to be nationalists, focusing exclusively on one of the three Bosnian constituent peoples (Bosniaks, Serbs, Croats) and often introducing discriminating and opportunistic policy programs. Finally, the international community[31] impacted massively on the development of post-war Bosnia by providing aid for reconstruction, guidance to reconciliation and cooperation with the neighbouring countries and also directly influencing the political process by imposing legislation and dismissing elected officials.[32] These challenges occurred in an environment where the transitions from dictatorship to democracy, socialism to market economy, membership in Yugoslavia to independent statehood and from war to peace took place at the same time and where the dominant players influenced all of these developments.

To demonstrate the development of social policy in BiH and discuss it in the wider context of the transition of the welfare state

[29] Bosnia and Herzegovina will be referred to in this paper as Bosnia and as BiH. Both short forms are common in the standard literature.

[30] The General Framework Agreement for Peace in Bosnia and Herzegovina was negotiated in November 1995 in Dayton, Ohio (USA) and signed in December in Paris (France). It was a peace treaty that included eleven annexes including a constitution for post-war Bosnia (Annex IV). The Agreement was signed by the Bosnian, Croatian and Yugoslav President.
During this paper I will refer to the Agreement also as the Dayton Agreement.

[31] International community refers to the main international actors in Bosnia after the Dayton Peace Agreement. These include the main members of the Peace Implementation Council (PIC) that oversees the implementation of the Peace Agreement, namely the USA, Germany, France, the UK, Turkey, Canada and Russia as well as other international organisations and regional players such as the European Union, the Office of the High Representative for Bosnia and Herzegovina that oversees the civilian implementation of the Dayton Agreement, the Organisation for Security and Cooperation in Europe (OSCE), the World Bank, the International Monetary Fund (IMF), the Stability Pact for South Eastern Europe and NATO.

[32] The High Representative for Bosnia and Herzegovina was granted imposition and dismissal power in the Bonn Summit of the PIC in 1997. Furthermore, The World Bank and IMF have a massive influence on the economic development of BiH and have enforced liberal economic policies as conditions for further financial assistance. Finally, the EU conditionally has impacted massively on Bosnia and led to numerous reforms.

in the small South-East European country, we will proceed in the following way.

First, we will discuss the political development in Bosnia and Herzegovina from the first multiparty elections in 1990 until 2010. As the underlying theme of this analysis is the state-building and democratization process in BiH, we shall focus on these aspects in the analysis. Second, we will discuss the framework of social policy theoretically and analyse it as part of the transition from socialism to the social market system. This short theoretical discussion will help us understand why some of the processes are complicated in Bosnia and why others have not even started yet. Finally, in the third section we will discuss social policy in Bosnia in the framework of democratization and state building. We will discuss the main players in social policy[33], their different and sometimes even opposing agendas and the consequences for the implementation of an efficient social system in Bosnia. Before concluding the paper, we will have a brief discussion on the effects of Bosnia's integration into the European Union (EU) and its consequences for political, economic and social reforms in Bosnia. The conclusion will highlight some of the major challenges for Bosnia in the process of implementing a welfare state that is based on a market economy and still efficient in the delivery of services to all citizens. While the major reforms must be based on a general agreement of all Bosnian parties on the nature of their state and its future development, the EU has the ability and resources to make social policy become a part of the reform agenda in Bosnia and Herzegovina. This is important, because social policy itself has not been at the forefront of reform demands by international or local players in Bosnia.

The development of Bosnia 1990-2010

The end of communism in Bosnia is connected to the disintegration of the Yugoslav state and the outbreak of war, first in Croatia and later in Bosnia. The end of communist rule is hard to identify in Bosnia and Yugoslavia, because even the communist governments before 1990 had opened the country for foreign investment and smoothened relations with Western Europe and the United States. However, until 1990 the League of Communists in Yugoslavia led a one-party state. While living standards were higher in Yugoslavia than in any other Eastern European country during the 1970s and 1980s, the country suffered a very similar fate to the Soviet Union and Czechoslovakia, the other two socialist federations that disintegrated in the early 1990s. The reasons for this, as Bunce (1999) pointed out persuasively, lie in the institutional design of socialist federations, as well as in the economic model that demanded constant growth. In 1990, the first multiparty elections took place throughout the Yugoslav Republics. These were won by opposition parties in Slovenia and Croatia as well as in Bosnia. These opposition parties were nationalist in character and demanded the transformation of Yugoslavia into a loose confederation of independent states.[34] The end of the dominance of the League of Communists in the Yugoslav Republics meant also the end of the Yugoslav state as such, as Slovenia and Croatia declared their independence from Yugoslavia in 1991. In the heat of the debates about the future of Yugoslavia, 1990 un-

[33] In contrast to other contributions in this volume, I have opted-out of adding a table about different players and their program to this paper. The reason for this is that in BiH, we find a large number of local and international players in general politics and in social policy in particular. While I will discuss the most important ones in this paper, a table would have been to complex and misleading and therefore defeating the purpose of giving a simplified overview.

[34] The exception being the SDS (Serb Democratic Party), one of the three parties that formed a coalition government in Bosnia after 1990, together with the SDA (Party for Democratic Action, Bosniak Party) and HDZ (Croat Democratic Union). The SDS argued in support of the Milošević government of Serbia for a reform of Yugoslavia that included more centralization.

til 1992 also marked the period in which questions of ethnicity and nationality became more and more important throughout the Yugoslav Republics. While the five other Yugoslav Republics were identified as "nation-states," because they had one dominant national group living in the territory of the Republic, Bosnia was seen as a multinational Republic, the state of Bosniaks, Serbs and Croats simultaneously and equally. However, ethnic tensions rose in the course of 1991 in Bosnia after violent conflict broke out in Croatia. The coalition government of the three nationalist parties of SDA, SDS and HDZ was unable to agree on any major decisions in particular on the question of Bosnia's future status in Yugoslavia after Slovenia and Croatia declared independence (Andjelić, 2003). As a result, SDA and HDZ with the financial assistance of the European Community (EC) organized a referendum on the question of Bosnia's independence in which a clear majority voted for Bosnia's independence. However, as was suggested by the SDS, most Bosnian Serbs boycotted the referendum and after the declaration of independence of Bosnia and Herzegovina the SDS members left all central state institutions and consequently implemented strict self-government on the Serb settlements in Bosnia. In order to unite these settlements and create a durable statelet, the Bosnian Serbs used force and ethnically cleansed numerous areas in Bosnia and Herzegovina. Bosniaks and Croats, while first united against the Bosnian Serb aggression, shortly after fell out over the question of Croat self-governance in Bosnia and the Bosnian Croats, massively supported from Croatia introduced Croatian self-governance in the Croat Republic of Herceg-Bosna and began to fight the Army of BiH, which was mainly Bosniak.[35] While the Bosnian Croats suffered numerous military defeats by the Army of Bosnia and Herzegovina, the Bosnian Serbs were able to capture and hold nearly 70 per cent of the territory of Bosnia and Herzegovina. The intervention of the US, which forced Croats and Bosniaks into a new alliance in early 1994 and provided them with military equipment and the use of NATO airstrikes in 1995 resulted in the retaking of a number of important strategic points by the Bosniak-Croat forces.In the summer of 1995 all sides agreed on a cease-fire and negotiations on a permanent peace agreement for Bosnia and Herzegovina.

These negotiations, led by US negotiator Richard Holbrooke, resulted in the finalization and eventual signing of the General Framework for Peace or as it is often referred to, the Dayton Peace Agreement. The Agreement foresaw the end of all hostilities, the sending of 60,000 international soldiers to Bosnia under NATO command, the establishment of demilitarization deadlines and the reestablishment of Bosnia and Herzegovina as a unified country with a decentralized political system. While the military aspects of the Agreement were implemented within the given time frame and very successfully, the civilian aspects, in particular the establishment of Bosnian state institutions and power-sharing bodies were delayed by the Bosnian parties. The elections that took place only nine months after the Dayton Agreement brought to power the same players that led Bosnia into war. However, instead of focusing on the rebuilding of the war-torn country, these players focused on their own networks and areas under their control. Ethnic cleansing continued long after the end of hostilities and the newly created decentralized state structure made it easy for the political parties to neglect the central institutions in Sarajevo and focus on the implementation and rebuilding of their part of Bosnia. In particular Bosnian Serbs but also Bosnian Croats undermined, through the means of absence and

[35] The best accounts of the war in Bosnia can be found in: Burg and Shoup (1999) and Calic (1996).

ignorance, the establishment and work of the central state institutions. Because of this lack of decision-making and will to take responsibility, the international community through the Peace Implementation Council extended massively the powers of the organization in charge of the civilian implementation of the Dayton Agreement, the Office of the High Representative. While mainly responsible for coordination and monitoring, the December 1997 PIC Summit in Bonn (Germany) gave decision-making rights and dismissal powers to the High Representative, which have been used extensively since then. As a consequence of these new powers, the High Representative was able to implement legislation in the areas of fiscal relations, taxation, standardization, military, symbols and flags and even constitutional changes. The High Representative became the dominant political player in Bosnia after 1997. David Chandler (2000) even argued that Bosnia can at best be qualified as a "fake" democracy, because elected officials have limited powers and final decision-making lies in the hand of the High Representative and he has also the right to dismiss elected officials. With the IMF and World Bank as well as the EU and NATO impacting on decision-making in economic, military and security policies, international players became of key importance in post-Dayton Bosnia.

The Dayton Constitution, Annex IV of the Dayton Peace Agreement created a bizonal, tricommunial highly decentralized federal state. The central state institutions were left with very limited decision-making competences in the areas of foreign policy, foreign trade policy, customs policy, monetary policy, immigration and asylum policy, international and inter-entity law enforcement, common and international communication facilities, inter-entity transport and air traffic control. There are no provisions for a central economic or social policy and no mentioning of a central military policy. These powers were delegated to the next layer of government, which are the entities. The Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBiH), itself organized in ten cantons, are the two entities and they have most of the decision-making competences, although in the Federation these are further decentralized to the cantonal level. While there has been a steady centralization process since 1997 and the Dayton Constitution has been surprisingly flexible (Bieber, 2006), the entities remain of key importance in the political system of Bosnia and Herzegovina. They are also in charge of economic and welfare policy, although in the Federation this as well has been further decentralized to cantonal levels. The lack of central decision-making powers has resulted in a lack of post-war development, in political, economic and social terms. Bosnia today consists of several economic areas that are still not united and throughout the cantons and entities different social systems have been implemented. The most successful project of post-war reconstruction has occurred in the District of Brčko, because it was under direct international supervision for a long time after the war (Bieber, 2005).

The main problems of Bosnia's development since 1995 therefore are the consistent dominance of nationalist parties and the continuous voting along national lines, which results in political elites that focus more on the well-being of their own national group than on the whole country. Furthermore, the decentralization of the political system combined with strict power sharing has led to a lack of progress in central state institutions and to network-like and corrupt structures at entity and cantonal levels. Finally, the involvement of the international community, while certainly necessary in 1997, has led to the development of a "culture of dependency" in which local political elites are unwilling to take deci-

sions that will hurt their constituency and are unable to take responsibility for their country (Keil, 2009). The transition towards democratic governance has been slowed down by the dominance of nationalist parties and the unwillingness of these parties to agree on major reforms and by the role of the High Representative, who has become a dominant factor within the political system without being part of it. Bosnia's economic transition has been influenced by the lack of economic coherence throughout the state and the decentralization of decision-making policies in economic and social affairs. It has further been slowed down by the influence of political instability and lack of long-term economic strategies among national politicians and international donors. Finally, Bosnia's transition towards a new democratic post-war identity has not taken place, because the different peoples of Bosnia live separated from each other in the country and have little contact. Identification with Bosnia and Herzegovina is particularly low among young Bosnian Serbs and Croats, who leave the country to study and work in neighbouring countries. EU integration offers some positive effects as all three major Bosnian communities support Bosnia's integration into European and Atlantic structures. However, the political elite still lacks the will to implement the most important decisions to move its country closer towards Brussels. Furthermore, since 2006 the country has been in a constant political crisis because of a lack of willingness and agreement among major Bosnian players at the central level. With Croatia joining the EU in the next few years and other countries in the region having already applied for membership status, Bosnia seriously risks being left behind. However, the crisis since 2006 has also been the result of a neglect of Bosnia by international players due to other issues such as the wars in Iraq and Afghanistan and the global fight against terrorism. This has led Bosnian elites to believe that they can use nationalist rhetoric and threats openly as a political instrument again without facing any consequences. As will be demonstrated below, internationals have also failed in focusing on welfare policy as a major area of reform, which resulted in the diverse and inefficient welfare system in place in Bosnia today. Focusing on social policy can be hard because one might have to explain cuts in key social services, however it might also be rewarding by uniting, simplifying and raising the standards in social welfare. Additionally as Deacon and Stubbs (1998, p. 113) have pointed out, 'a social policy perspective concerned to find ways of meeting universal social needs while respecting differences of identity could reorient thinking and practice, could harness the capacity of professionals in government service, and illuminate for explicit debate by international organizations and local civil society for the central choice between an integrated Bosnia-Herzegovina, within which there are common social citizenship rights, and continued fragmentation reflecting circumscribed rights and duties.' As we will argue below, by ignoring social and welfare policy, international players missed a key opportunity to demonstrate their willingness to move Bosnia forward to ordinary Bosnian citizens. However, it is not yet too late, as the EU still has the opportunity to push for far-reaching reforms in the social sector as part of the process of Bosnia's integration into the Union.

The transition from communist to democratic governance and social welfare

The transition from Communist dictatorship to democratic forms of government and from state-controlled socialist economic policies to market liberalism and a social market economy has been particularly difficult for the

countries of Eastern Europe and the former Soviet Union. In Bosnia, as is the case in the other former Yugoslav Republics, this transition was also overlapped by the transition to independent statehood. Finally, we have pointed out that these transitions occurred in an environment of political turmoil and after April 1992 in open warfare. Deep societal changes in overlapping transitions lead to periods of instability and turmoil however the manifestation of democratic governance and social market economics is of key importance to overcome instability and violent conflict. Indeed, the literature on transition from authoritarian to democratic governance points out, that the establishment of an economy that allows ordinary citizens to participate in it while at the same time providing for those who are unable to participate, is of key importance for the acceptance of democracy and the new elites (Linz & Stepan, 1996). Claus Offe (1997) pointed out, that the varieties in transition in Eastern Europe and also the complications in the democratization processes are a result of political and economic turmoil that needed to be addressed simultaneously. However, the transition from a state-controlled economy to a market economy and a new efficient social system is far less straight forward than sometimes suggested. While we can witness a transitional period when old political elites leave and new ones come to power, this transitional period does not exist in economic terms. The turmoil in Yugoslavia in the early 1990s was also the result of a catastrophic development of the economy and the recognition, that the system of worker's self-management and part-liberalization that was implemented under Tito was not sustainable. The reforms that took place in the late 1980s in economic terms were therefore directed towards liberalization and stabilization of the Yugoslav economy (Ramet, 1992). The start of the transition towards market economy started in Bosnia before the country became independent in 1992. However, this transition, which should have gone in line with the reform of the socialist welfare system to a modern system that is based on the values of mutuality and solidarity, was slowed down when the nationalist parties came to power in 1990 because they were unable and unwilling to implement important reforms. The whole transition stopped when violent conflict broke out. Instead of the implementation of market economic reforms and social reforms that allow all citizens to participate in both, the market and the social system, it was international organizations that provided humanitarian assistance and relief between 1992 and 1995 and even after 1995 to address the suffering of the Bosnian population as a result of the war.

The key of the transition from socialist economic and social policy towards a market oriented economic system is the focus on the wellbeing of the individual. Citizens must see benefits in the new system; they must recognize their chances to prosper and must accept that they in the first instance are the providers. However, the state must support those citizens that do not have the ability or the means to support themselves. While socialist economies were mainly controlled by the state, social market economies need to find the balance between market-orientation and social protection for the disadvantaged. Having said this, the balancing act between state-intervention and free market economy and the acceptance of the new elites and of the new rules of the game has not taken place in Bosnia and Herzegovina. War broke out in the country before any serious transition towards market-economy or a reform of the social system could have been implemented. The result of the war was a country that was physically destroyed, where about half of the population was internally displaced persons or refugees, where the economy was shat-

tered and the political conflicts have not been solved on the battlefield but they continued to undermine the post-war reconstruction of Bosnia. The country was faced with a massive reconstruction challenge that included the reintegration of the displaced population, the rebuilding of whole villages, towns and cities, the care for those affected by the war namely former soldiers, families that have lost family members in the war, war invalids, refugees, and those people who lost property and their belongings. The challenge of rebuilding Bosnia in 1995 was massive and consequently the international community had to invest billions of US dollars to provide even for the essential needs of the citizens of Bosnia and Herzegovina. While the political elites were unable to address the major issues in the country, it had to be the international community that needed to take control of the process in Bosnia and implement reforms, rebuild the infrastructure and provide for those affected by the war. Indeed, the positive changes that have taken place in Bosnia since 1995 nearly all go back to initiatives, implementation and funding by international players.

Social policy in Post-Dayton Bosnia

Because the state of Bosnia and Herzegovina as it was created in 1995 in Dayton was not based on a compromise of the three Bosnian constituent peoples but was "imposed" on them by international players, mainly the United States,[36] the first post-war years saw the continuation of the struggle that was previously fought over on the battlefield in the political arena. What is interesting to point out is that the weaknesses of the Bosnian state in its institutional and policy performance are also the major problems in establishing an effective and financially sufficient social system.

The first major problem of social policy in Bosnia and Herzegovina is the fact that there is not one social system but twelve. Social policy is not part of the decision-making competences of the central institutions but is decentralized to the authority of the two entities. While the RS is organized centrally and has implemented a coherent, although by far non efficient social policy, the other Bosnian entity, the Federation of Bosnia and Herzegovina has further decentralized social policy to become part of the responsibilities of the ten cantons of the Federation. This includes all aspects of social policy, including financial matters. Finally, Brčko District, which was under international administration until recently, has also implemented its own framework for social policy. Brčko in this regards is the only part of Bosnia that has implemented a social policy framework that is not ethnically biased, focused on clientelism and networks and discriminating.The successes in economic development and the rebuilding of the multinational character of the city in Northern Bosnia demonstrate its success, although this success has become threatened since local authorities have taken over control of the district (Parish, 2009). Because of this territorial and policy decentralization, the different nationalist parties in power in the cantons and in the RS were able to implement a policy that favoured their national group while discriminating against all other groups. The most dramatic of these policies was regarding the support for refugees and the reintegration of former soldiers. While Serbian refugees were welcome to settle down, rebuild property and take up work in the Republika Srpska, it is well documented that Bosniak and Croat returnees were harassed, threatened and even faced open violent actions. The electricity in their houses was cut off, they were unable to take up work and their children were not allowed to register in local schools. The same

[36] On the question of imposed statehood and federalism in Bosnia see Keil (2010a).

forms of discrimination occurred in the Federation towards Serbs and Bosniaks and Croats in those cantons that were controlled by a different national group. As a result of this, a number of duplicating systems were installed. The city of Mostar in Eastern Bosnia has until today two fire brigades, two universities and two administrations that are only formally united under one roof (Bose, 2002). Social policy became part of this administrative division between the constituent peoples. Social policy, as almost all policy areas in Bosnia and Herzegovina became territorially and nationally divided and until the intervention of international organizations, those living in areas where their national group was not a majority were excluded or discriminated in social policy legislation and implementation.

As a result of this open discrimination and the use of social policy to continue to ethnically cleanse territory by discriminating against minorities in the different areas through the exclusion from social benefits, the implementation of discriminatory policies in certain policy areas such as education policy and pension policy, the international community saw the need to intervene. However, instead of coordinated actions by the international representatives in Bosnia and Herzegovina, different organizations were put in charge of different aspects of the already fragmented social policy system in the country. The Organization for Cooperation and Security in Europe (OSCE) for example became responsible for the reform of the educational sector and the implementation of efficient local government, while the United National Development Program (UNDP) focused on infrastructure and housing reconstruction and the UN High Commissioner for Refugees (UNHCR) became the driving force behind the reintegration of refugees and internally displaced persons. One of the key tasks of the Office of the High Representative is the coordination of all these efforts; however the OHR failed to have a lasting impact on the reconstruction, simplification and reform of social policies in Bosnia. In general it has to be pointed out that the OHR failed to make a significant impact on the lives of ordinary Bosnian citizens and this is why its authority is more and more questioned by ordinary citizens. Indeed, Paul Stubbs (2001, p. 95) summarized the efforts by international players in Bosnia as 'ill-conceived, belated, confusing, and contradictory.'

However, not all efforts by the international community were in vain. The support of the UNHCR together with financial assistance from other donors such as USAID and different European reconstruction programs and the political efforts by the OHR led to the rise in refugee returns after 1997 and in particular after 2000. It is recognized by now, that about half of the population that was displaced has returned to their pre-war home, although many of those returning just sold their property and moved to an area where their national group is now a majority (UNHCR, 2010). However, it must be pointed out that international players also had a massive influence on the reconstruction of the Bosnian economy. Not only the more than five billion US dollars that have been invested by numerous help agencies in the country had a massive impact on reconstruction and rebuilding, but additionally the country has received massive attention by European and international economic institutions. The International Monetary Fund (IMF) and the World Bank provide important guidelines for the country that are always used as important information for other donor organizations including the biggest donor, the European Union (EU). The steering board of the Bosnian Central Bank is full of international experts because the Bosnian currency has a fixed exchange rate to the euro. Finally, the IMF and World Bank provide a lot of financial assistance in direct

budgetary loans to the entity governments in particular and therefore have a profound impact on the liberalization and development of the Bosnian economy and social systems. The latest IMF loan for the Federation of Bosnia for example was indeed granted to prevent the entity from bankruptcy and in return the IMF demanded a number of changes, mainly cuts in benefit spending, in particular for war veterans and invalids, who make up the largest social benefit group in the Federation and therefore also an important electorate group (RFE, 2010). Because of sectarian interests and the dominance of ethnicity within the political system, it has to be understood that social policy issues are not a major issue in elections. Instead, the major issues in elections are usually the constitutional future of Bosnia, the development of the two entities and the relationship of the three constituent peoples. Furthermore, the role of the international community in the country, in particular the OHR, is of key importance in electoral terms. The party system is split among ethnic lines and while there is also an overlapping left/right dichotomy within the system, this is by far not the most important cleavage within the party system.[37] This demonstrates the third major problem of Bosnian social policy after the incoherent policy framework due to the decentralization of the policy decision-making process and the incoherence and often neglecting role of the international community. Social policy in Bosnia and Herzegovina is formed by political parties that are mainly mono-national and focus on one national group only. The three major parties that led Bosnia into the devastating war still have a massive influence on large social groups in the territory under their control and the distribution of social benefits and the decisions of who receives what and who is excluded are taken in an environment of nationalist political practice. Groups like invalids and veterans, refugees and those affected by the war are an important electorate and the mobilization of these groups is important for nationalist parties. Therefore, benefits are often used as an incentive to vote for the nationalist party in power and are often used as symbolic forms of identifying with the suffering of former soldiers and war victims. There is no needs assessment and there has been no substantial reform of the benefit system in either of the entities or the cantons since the end of the war. Furthermore, war veterans and invalids are very well organized and have demonstrated through mass demonstrations and even violent protests in the past that they are willing to directly conflict with the politicians who want to cut their benefits. Furthermore, other players in the social system are incredibly weak in Bosnia and this also includes trade unions, which are organized by branches and lack central umbrella organizations. Indeed, it took the major trade union organizations until 2006 before they were able to develop a platform where they could discuss their demands towards parties in the upcoming elections. Furthermore, trade union leaders are often influenced by their experience in the former Yugoslavia and lack a general support for a reform and restructuring of the whole social system in the country. In recent years, business leaders have been among the major voices for reform of the social system as part of a simplification and rationalization of the economic and social system in Bosnia also in the process of Bosnia's integration into European structures (Tomaš, 2009).

Bosnia's social policy is still dominated by nationalist parties that focus primarily on the advantages of their own national group and in particular on those segments of their national group that help them remain in power. Furthermore, the massive decentralization of

[37] On the issue of cleavages and party systems see: Lipset and Rokkan (1967).

decision-making and policy implementation means that there is not one social system in Bosnia but altogether thirteen and often these duplicate each other, a factor that increases their cost inefficiency. Until 2000, the three nationalist parties of SDA, SDS and HDZ exclusively dominated Bosnia and Herzegovina at central, regional and local level. Their social policy program was focused on the implementation of ethnic separation and the support for important cliental networks such as invalids and veterans. Furthermore, Serbs and Croats openly promoted the integration of the territory under their control into the economic and social spheres of Serbia and Croatia respectively. This included the fact that Croats in Bosnia were paid pensions from Croatia and the RS government received financial support from Milošević's Yugoslavia to pay for their civil servants. Moreover, in the aftermath of the conflict, the parties and allied groups plundered former state-owned enterprises and controlled large parts of the media. Only the intervention of the international community since 1997 has ended the total sell-out of the state by the nationalist parties. In the parliamentary elections of 2000 a social-democratic led government came to power at central level and in the FBiH and this has had some impact on social reforms. However, internal turmoil and lacking support among other members of the coalition meant that major reforms were not implemented. Furthermore, since most areas of social policy including education, welfare policies and economic planning are controlled by the cantons in the FBiH and by the RS, this further decreased the influence of the social-democratic government to substantially change the direction of social policy development in Bosnia. After 2002 the nationalist parties of SDA, SDS and HDZ came back to power in all parts of the countries, although a decision of the Constitutional Court of 2000 meant that they had to share power at all levels. This made the political system even more complex but it did not overcome the sectarian policies of the parties. Since 2004 we have witnessed a widening of the political spectrum in Bosnia, with SDA, SDS and HDZ remaining the major parties until 2006 but having to arrange more often coalitions with smaller parties. The current debates about the just distribution of former state property among entities and central institutions and the negotiations on a new distribution of power between the different levels of government demonstrate that Bosnia continues to face massive problems. The political consensus among the major parties is missing and there is no joint agreement on the common state (Keil, 2009). Additionally, the political stalemate since 2006 has also meant that neither major nor the most important reforms have been implemented and Bosnia is currently risking falling behind the other countries in the former Yugoslavia in the process of European Integration (Bieber & Keil, forthcoming). Finally, while the international community through a number of organizations has impacted directly and indirectly on the development of social policy in Bosnia and Herzegovina, the internationals had no strategy per se on how to implement an efficient social system in war-torn Bosnia. Consequently, those reforms that have taken place have benefited only a small minority and the majority of Bosnian citizens have not directly profited from the international involvement in the country. The OHR was more focused on building the institutional capacity of the central institutions to function properly than on "winning the hearts" of the Bosnian people and therefore lost touch with ordinary Bosnian citizens. Other organizations such as the IMF and the World Bank have demanded a liberalization of the Bosnian economy, efforts to unify the still separated different economic areas in Bosnia and most of all cuts in the

extensive social spending towards influential groups such as veterans and invalids. This policy of the IMF and World Bank is not Bosnia-specific and has been practiced in a number of other countries all over the world, however, what is special in Bosnia is the influence that these groups have over political decision-making. With weak organization and capacity of other social partners, war veteran groups, invalid associations and groups of those affected by the war have become an important pressure group in the Bosnian political system.

However, most importantly we have demonstrated that the major issues involved in social policy in Bosnia and Herzegovina are still linked to the war in the country and to overcoming its consequences. This includes the weakness of the Bosnian economy, as a prospering economic development would allow for new reforms and a fairer distribution of social benefits. However, as long as those parties that have led the country into war remain in power and the national card is the major way of securing votes in elections, Bosnia will not be able to undergo major reforms in the economic and social policy sector. That these reforms are desperately needed is not only true because of the expensive and inefficient nature of the current Bosnian social system, but also because of the demands by the EU and Bosnia's commitment to implement the acquis communautaire, the legal framework of the European Union. As the following section will demonstrate, only an efficient economy and a social system that is cost-effective and non-discriminatory will allow Bosnia to eventually join the EU.

Bosnian social policy and European integration

The integration of Bosnia and Herzegovina into European and Atlantic structures has already resulted in a number of far-reaching reforms, including the centralization of military units and command, the introduction of a unified and countrywide Value Added Tax in 2006 and the beginning of a reform of the police units. Several reforms in the economic sector, aimed at creating a unified economic area in the country, have also taken place. While Bosnia has been in a state of crisis since 2006, there have been some remarkable successes that are often forgotten in the current debate. However, the political crisis in Bosnia since 2006 is the result of new political elites taking power in the entities and the central government, in particular the rise of the Independent Social Democrats in the RS (SNSD) under the leadership of RS Prime Minister Milorad Dodik and the rise of the Party for Bosnia and Herzegovina, whose leader Haris Silajdžić became a member of the Bosnian Presidency in 2006. Dodik and Silajdžić have played with rising nationalist tensions, with the former vetoing further centralization and reforms and threatening to take the RS out of BiH and the latter arguing for the abolition of the entity system in Bosnia, in particular the RS. This political crisis, that saw Bosnia's negotiations and signing of a Stabilization and Association Agreement (SAA) with the EU delayed a number of times, has been overshadowed by an international economic crisis since 2008. Banks in Bosnia literally ran out of money because people would take out all their savings. The Bosnian economy, which is highly dependent on the export of natural resources, broke down when the prizes for these natural resources broke down, moreover, because Bosnia imports a lot of finished goods from the EU, its foreign trade deficit increased and so did its foreign debt. While in Croatia and Slovenia tourism and production industries guarantee some stability in the economic system, even in times of crisis, Bosnia's economy was much more vulnerable and coping with the results of the economic crisis will take much

longer. The political crisis, connected with an economic crisis also increased Bosnia's social crisis. Unemployment remains at around 40 per cent, but most of these people work on the black market. Massive foreign investment has still not arrived in Bosnia, because the rule of law is not secured, infrastructure remains underdeveloped and corruption is one of the main ills of the whole Bosnian political and economic system (Tomaš, 2010). While all other former Yugoslav Republics, including Serbia since the end of the Milošević regime, have seen steady economic growth coupled with wise state investment in infrastructure and development projects, in Bosnia political conflicts have stood in the way of these investments and the support for long-term international investments. The state and the entities remain the most attractive employers in Bosnia and the mentality change from socialist economy that was organized by the state towards a more liberalized and individualized market economy has not taken place. Bosnia remains a country stuck in the transition between socialism and market economy and dictatorship and democracy.[38]

However, many of the ills of Bosnia's political, economic, and social system will have to be addressed in the process of the country's integration into European structures. The EU has very clear guidelines on the importance of democratic governance, minority protection, and a liberalized and competitive market economy.[39] Bosnia and Herzegovina signed the SAA with the EU in June 2008 and since then important changes have already taken place in terms of the abolition of tariffs and Bosnia's integration into the free market.The institutionalization of the EU-BiH partnership through a number of new institutions and the process of visa liberalization that will very soon allow Bosnian citizens to travel to the European Union without the need of a Schengen Visa (Smajić, 2009). While Bosnia and Herzegovina must implement important economic and political reforms over the years to come if it wants to continue its integration into the EU, the Union itself lacks a coherent social policy framework and social model, although those who support further integration have argued for the start of the discussion about a "social Europe" (Leinen & Kreutz, 2008). Nevertheless, experiences from those countries that joined the EU in 2004 and 2007 suggest that the reform of the social system tends to be a key component of the reform efforts in the process of European integration. However, these reforms have often been very painful for ordinary citizens that had to learn that it is not the state anymore that is in control of their economic wellbeing but they themselves have to take responsibility. Furthermore, the establishment of new welfare systems and social policy reforms were part of the wider transition of the economic and social systems of the former socialist countries in Eastern Europe. Finally, these reforms took place in an environment of continued cooperation between the different parties, social partners and civil society organizations. All of this is currently lacking in Bosnia and Herzegovina. While the political system is not exclusively based on ethnic criteria, the political parties and other main players in Bosnia interpret it as such (Keil, 2010b). As long as all segments of the political, economic and social sphere are dominated by the discussions about national belonging and by competition between the different national groups, there will be no progress towards democratization, liberalization and also towards European integration. The signing of an SAA has legalised the EU-

[38] See here also the assessment of the European Commission in the latest progress report for Bosnia: European Commission (2010).

[39] These guidelines are part of the Copenhagen Criteria that outline the conditions a country has to fulfil before it can join the EU. The criteria are available at: http://europa.eu/scadplus/glossary/accession_criteria_copenhague_en.htm

BiH relationship, however Bosnia's further integration will inevitably include some major reforms of its institutional, economic and social framework. As long as Bosnian politicians are not willing to undertake these reforms, there will be no further progress in Bosnia. However, Bosnia risks seriously being left behind the other countries of the former Yugoslavia, with Croatia joining the Union soon, Montenegro receiving candidate status in December 2010, and Serbia having already submitted its application for candidate status and awaiting the EU's decision. Macedonia has been a candidate since 2005 and is awaiting the official start of accession negotiations, but has found it difficult to deal with the EU due to Greek resistance over Macedonia's name. Having said this, the European Union has shown no major interest in the events and the reform blockade in Bosnia recently. Instead of restarting the Association and Stabilization Process, the Union attempted to fix the problems in Bosnia ad hoc by organizing major conferences to find an agreement on constitutional reform in Bosnia. These attempts failed because of the high tensions among the Bosnian politicians but also because the meetings were flawed methods to address Bosnia's crisis (Rolofs, 2010). What is needed is a long-term EU strategy that promises to push and pull Bosnia into the Union. Only long-term engagement that holds the Bosnian politicians accountable and allies with the majority of Bosnian people that want to see the country joining the EU will allow the Union to use its influence to push through reforms and enable political dialogue. The incentive of membership in the EU remains the main driving force for reforms in Bosnia, in the political, economic and social sector. However, the EU still has not realized the power it has in the country and has not found a way to use this influence.

Conclusion: Social policy in Bosnia – a glass half-full or half-empty?

Bosnia and Herzegovina has so far not implemented an efficient and affordable social system. As is the case with the political transition from dictatorship to democracy, Bosnia's economic transition from socialism and a member in the Yugoslav federation towards market economy and independence is stuck. The Bosnian political, economic and social systems are controlled by nationalist parties and their allied groups. The major political, economic and social debates are still surrounding the results of the violent conflict in the country that ended nearly 15 years ago in a peace agreement in Dayton, Ohio. While heavy international interventions have led to some "normalization" in the political and economic sphere, the international community failed to address the urgent changes needed in social policy in Bosnia. This was a missed opportunity, because it would have been a chance for the international players to win the support of the Bosnian people, although the examples of other former socialist countries show that reforms in the social sector are often met with protest and fear by citizens. However, it would have meant that ordinary Bosnian citizens would have seen the results of international actions and would have been able to support them if they would have proven successfully in the long-term. Major reforms in the social sector did not take place, neither by local nor by international players. In fact, whenever international players such as the World Bank and the IMF asked for reforms in social policy it usually meant cuts in benefits. Therefore, international policy was received as hostile towards those that rely on social benefits and contributed to the alienation between international players and ordinary Bosnian citizens.

Furthermore, the social system in Bosnia is fragmented and focused on networks; it still

has an ethnic bias built in due to the political control of benefits and decision-making by nationalist parties. The lack of economic reforms has also meant that many people work in the grey economy and that the most attractive employers in the country remain public administrations. As Bosnia officially has 40 per cent unemployment and a high percentage of former war veterans and invalids, social policy has to address an even higher number of people and groups than in other countries. Having said this, inefficiency, clientelism and ethnic bias remain major problems of social decision-making and social policy in Bosnia and Herzegovina.

European integration offers the only option for further political, economic and social reforms in Bosnia. However, due to internal political disunity and European negligence, the reform process has come to a halt since 2006. While the winners of the 2010 Bosnian elections were two social-democratic parties, it remains to be seen if they will be able to agree on a coalition and consequently on a reform program (Keil, 2011). The EU needs to develop a new long-term strategy for Bosnia and use the election as an incentive to cooperate with those elites and parties that are willing to push for reforms and help the country move closer towards Brussels. If the EU misses this opportunity again, it risks losing Bosnia completely, with consequences that cannot yet be foreseen. In the light of the recent economic crisis and further economic stagnation in Bosnia, reforms in the economic and social sphere are more needed than ever. The EU needs to play a key role to guide Bosnia and assist the often complex and painful reform process. Bosnian elites on the other hand have to shift their focus from focusing their share of the power in the state to really serving their citizens. The integration of BiH into the European Union and connected economic and social reforms are key in this regard.

List of abbreviations

BiH	Bosnia and Herzegovina (Bosna i Herzegovina)
EC	European Community
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GFAP	General Framework Agreement for Peace in Bosnia and Herzegovina
HDZ (BiH)	Hrvatska demokratska zajednica Bosne i Hercegovine (Croatian Democratic Union of Bosnia and Herzegovina)
IMF	International Monetary Fund
NATO	North Atlantic Treaty Organization
OHR	Office of the High Representative
OSCE	Organization for Security and Cooperation in Europe
PIC	Peace Implementation Council
RS	Republika Srprska (Serb Republic)
SAA	Stabilization and Association Agreement
SDA	Stranka Demokratske Akcije (Party of Democratic Action)
SDP	Socijaldemokratska Partija Bosne i Hercegovine (Social Democratic Party of Bosnia and Herzegovina)
SDS	Srpska Demokratska Stranka (Serbian Democratic Party)
SNSD	Savez nezavisnih socijaldemokrata (Alliance of Independent Social Democrats)
UK	United Kingdom of Great Britain and Northern Ireland
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
USA	United States of America
USAID	United States Agency for International Development

List of references

Andjelić, N. (2003). *Bosnia-Hercegovina: The End of a Legacy.* Portland: Frank Cass.

Bieber, F. (2006). After Dayton, Dayton? The Evolution of an Unpopular Peace.*Ethnopolitics*, 5, pp. 15-31.

Bieber, F. (2005). Local institutional engineering: A tale of two cities, Mostar and Brčko. *International Peacekeeping.* 12, pp. 420-433.

Bieber, F., & Keil, S. (2011). The Bosnian crisis and the Independence of Kosovo, In Hysa, H. &Janjić, D. (Eds.): *Kosovo: Independence: Status*, Perspectives, Europe-Balkans International Network: A Longo Editore.

Bunce, V. (1999). *Subversive Institutions (The Design and the Destruction of Socialism and the State)*. Cambridge and New York: Cambridge University Press.

Bose, S. (2002).*Bosnia after Dayton (Nationalist Partition and International Intervention)*. London: Hurst & Company.

Burg, S., & Shoup, P. (1999). *The War in Bosnia-Herzegovina (Ethnic Conflict and International Intervention)*. Armonk and London: M.E.Sharpe.

Calic, M.-J. (1996). *Krieg und Frieden in Bosnien-Herzegowina*, 2nd edition. Frankfurt am Main: Suhrkamp.

Chandler, D. (2000). *Bosnia (Faking Democracy after Dayton)*. 2nd edition, London and Sterling: Pluto Press.

Deacon, B., & Stubbs, P. (1998). International Actors and Social Policy Development in Bosnia-Herzegovina: Globalism and the 'New Feudalism.' *Journal of European Social Policy*, 8, pp. 99-115.

Department for International Development (DFID) (2003). *Labour and Social Policy in Bosnia and Herzegovina: The Development of Policies and Measures for Social Mitigation.* Durham, Colchester and Sarajevo, August 2003.

European Commission (2010). *Bosnia and Herzegovina Progress Report*, Commission Document COM(2010) 660, Brussels and Sarajevo. Retrieved from http://www.delbih.ec.europa.eu/files/docs/2010progress2.pdf

Keil, S. (2011). Bosnien und Herzegowina im Herbst 2010: Wahlen die nichts Ändern? *Südosteuropa Mitteilungen*, 51, forthcoming.

Keil, S. (2010a). *Multinational Federalism in Bosnia and Herzegovina*. PhD thesis in International Relations, Canterbury (UK): University of Kent in Canterbury.

Keil, S. (2010b). Mythos und Realität eines ethnischen Föderalismus in Bosnien und Herzegowina, *Südosteuropa Mitteilungen*, 50, pp. 76-86.

Keil, S. (2009). Das Crux mit der Intervention. In Forschungsstelle Osteuropa Bremen (Ed), *Das Ende des postsozialistischen Raums? (Ent-)Regionalisierung in Osteuropa (Beiträge für die 17. Tagung junger Osteuropa-Experten)*, pp. 132-135. Bremen.

Leinen, J., & Kreutz, J. (2008). The Lisbon Treaty- What Next? *The Federalist Debate*, 21, pp. 33-37.

Linz, J., &Stepan, A. (1996). *Problems of Democratic Transition and Consolidation (Southern Europe, Southern America and Post- communist Europe)*. Baltimore and London: The John Hopkins University Press.

Lipset, S. M., & Stein R. (Eds.) (1967).*Party Systems and Voter Alignments: Cross-National Perspectives.* New York: Free Press.

Offe, C. (1997). *Varieties of Transition (The East European and the East German Experience)*. Cambridge (Mass.): MIT Press.

Parish, M. (2009). *A Free City in the Balkans*, I.B. Tauris: London.

Radio Free Europe (RFE) (2010). *Bosnia Rebuffs IMF, Refuses To Cut War Benefits.* In: Radio Free Europe Online Edition. RetrievedJune 13, 2010, from http://www.rferl.org/content/Bosnia_Rebuffs_IMF_Refuses_To_Cut_War_Benefits/1842195.html

Ramet, S. (1992). *Nationalism and Federalism in Yugoslavia* (1962- 1991). 2nd edition, Bloomington and Indianapolis: Indiana University Press.

Rolofs, O.J. (2010). Bosnien-Herzegowina: Kein Licht am Ende des Tunnels, *Südosteuropa Mitteilungen*, 50, pp. 42-59.

Smajić, Z. (2009). Endstation „Jackpot": Wie können wir die EU stärker für uns gewinnen? Oder: Quo vadis Bosnien und Herzegowina?. In: H. Kurth (Ed.), *Bosnien und Herzegowina- 2014, Wo wollen wir hin?* (pp. 260-295), Sarajewo: Friedrich- Ebert- Stiftung BiH.

Stubbs, P. (2001). Social Sector' or the Diminution of Social Policy?: regulating welfare regimes in contemporary Bosnia-Herzegovina.In Papić, Ž. (ed.) *Policies of International Support to South Eastern European Countries: lessons (not) learnt from BiH* (95-107), Sarajevo: OSI.

Tomaš, R. (2010). *Crisis and Grey Economy in Bosnia and Herzegovina.* Sarajevo: Friedrich-Ebert-Stiftung.

Tomaš, R. (2009). Staatliche Wirkungsmöglichkeiten auf die makroökonomische Stabilität und Linderung der Folgen der Wirtschaftskrise in Bosnien und Herzegowina. In H. Kurth (Ed.), *Bosnien und Herzegowina- 2014, Wo wollen wir hin?* (pp. 226-259), Sarajewo: Friedrich-Ebert-Stiftung BiH.

UNHCR in BiH (2010). *Statistics Package 31 March 2010.* RetrievedJune 13, 2010 from http://www.unhcr.ba/index.php?option=com_content&view=article&id=326:statistics-2010&catid=142:statistics-2010&Itemid=139

The National Model of the Welfare State Tradition and Changes: 1991-2010. The Case of the Republic of Croatia

Predrag Bejaković

Introduction

Recent Croatian history has been almost completely shadowed by three political facts: the fall of communism (the first free elections in 1990), the declaration of independence from Yugoslavia (1991), and the War of Independence (which started in 1991 and ended in 1995, when Croatia regained much of its occupied territories by military force). The war, which started as a rebellion of Croatian Serbs and was backed by the ex-Yugoslav Army and the Milošević regime in Serbia, left serious consequences in human and material losses. Thus, the transitional problems coupled with war-related problems, so that the country experienced a slower democratisation process than many other post-communist countries. Croatia became a member of the Council of Europe in 1996, and established its relations with the EU by signing the Stabilisation and Association Agreement only in 2001. It was granted the candidate status in 2004 and the negotiation process with the EU began in October 2005 after Croatia met all preconditions. However, due to Croatian not fully cooperating with the International tribunal in The Hague, negotiations for full EU membership are still not finished, and probably will not be completed until 2010.

Croatia experienced a huge drop in GDP in the beginning of the 1990s, and regained its pre-transition level only in 2003. Over the last 15 years, Croatia has achieved impressive economic and social progress. Prior to the onset of the global crisis, the Croatian economy grew at a healthy 4-5 percent annually, incomes doubled and economic and social opportunities dramatically improved. Croatia's per capita income reached about 63% of the European Union (EU) average. Political stabilisation and economic reforms have contributed to favourable economic trends that changed direction in 2008 and particularly in 2009 with a significant GDP drop of 5.8%. This also caused a considerable increase in registered unemployment and contributed to the fiscal problems linked with insuring financial resources for budget expenditures – primarily pensions and health protection costs.

Pension system

As with the other pension systems in ex-Yugoslavia, the Croatian one followed continental Bismarckian models, at least in that it was financed by employer and employee contributions. After the independence, the Croatian budget assumed responsibility for previous federal obligations, newly established merit pensions and growing deficits. The transition had a detrimental impact on Croatian pensions. The Homeland War and the transformational recession precipitated the situation. Croatian policy-makers attempted in vain to refinance and retrench the system, until a serious discussion on restructuring started in November 1995.

Financial and benefit payment related problems in the Croatian pension system during the 1990s were caused by demographic[40] and systemic factors. Some of the systemic factors are:

[40] The situation in the social security systems is negatively influenced by demographic trends (population ageing and the fall of the fertility rate).The demographic picture of Croatia has considerably changed due to aging population and the consequences of the war, which resulted in a further increase of pensioners (the invalids and victims of war, and survivor pension beneficiaries of persons killed in war. Thus, the share of population 65 years and over in total population increased in the period 1991-2001 from 11.8% to 15.7%. Further, in the mentioned period the share of active population in total population decreased from 45.3% to 44.0%. Life expectancy at birth increased from 69.6 years in period 1970-1975 to 74.2 years in period 2000-2005 (UNDP Human Development Report, 2003). According to the latest data for 2008, life expectancy for men is 72.4 years while for women 79.6 (Statistical Yearbook of the Republic of Croatia, 2009).

- Relatively low legal age conditions for full old-age pensions were set. (60 years for men, and 55 for women; age conditions for early pension were 55 years of age for men, and 50 for women, and temporary reductions of 1.33% were applied per each year of earlier retirement).
- The possibility of old age retirement with 40 years of insurance (men) or 35 years of insurance (women) contributions regardless of age.
- A loose definition of disability and incentives for many to retire early and to receive relatively high pensions.
- Pensioning people off in the early 90s as a way of managing the welfare status of people who had lost their jobs because of the war or because of restructuring in the economy.

From 1980 to 1998 the number of insured persons decreased by almost 400,000, while the number of retirees more than doubled, so that the ratio of contributors to pensioners has greatly deteriorated. While at the beginning of 1990 there was one pensioner for every three contributors, the ratio at the end of 1999 was only 1.38.

Additionally, the number of pensioners in the period 1990-1998 more than doubled, because new groups of beneficiaries appeared:

- beneficiaries (refugees) in Croatia who acquiredpension rights in other republics of the former Yugoslavia;
- members of the former Yugoslav army;
- those disabled during the war and the families of soldiers killed in the war, according to the legislation that has been introduced;
- former political prisoners according to the legislation that has been established.

Until the end of 1998, there were three different institutes for pension and disability insurance: the Pensions Insurance Institute for Workers (employees), the Pensions Insurance Institute for Self-employed (craftsmen) and the Pensions Insurance Institute for Farmers.

During the first years of transition, the Croatian pension system inherited excessively permissive eligibility criteria, which were further relaxed to build a social safety net. The system was repeatedly abused to grant favours to clients and was simultaneously squeezed to cut public spending. Thus, the Workers' Fund witnessed a massive increase in beneficiaries and a steep decline in contributors.

The obligations of payment of the contribution for pension and disability insurance in the period 1994-1998 were regulated for each year with three specific laws: 1) for employees and persons equivalent to them, 2) for self-employed persons and 3) for farmers. Craftsmen were insured in the separate Pension Institute for Independent Self-employed Persons, while farmers were included in the Institute for Pension Insurance of Farmers. In 1999 these three institutes merged and the Croatian Pensions Insurance Institute was established. From 1999 with the new Law on Pension Insurance equal contributions rates for all insured persons were introduced. Until 1998 the term *pension and disability insurance* was used, and from 1999 the term *pension insurance* has been applied.

The pension system has faced the problem of collecting funds for pension benefits for a long time. As the share of contributions in pension revenues has diminished, revenues from the budget have become increasingly important. The share covered by contributions fell from 96.6% to 58%. Thus, about 42% of the total monthly revenues needed for the payment of pensions come from the budget, causing pension expenditures become one of the most important generators of the deficit of the Central and also the Consolidated National Budget. The total expenditure for pension and disability insurance during the 1990s was around 12% of GDP, and rising.

The first reform of the pension system (the so-called small pension reform) in 1998 was directed towards better control of pension-related expenses. The new act gradually - 6 months per year - increased the retirement age (for men to 65 and for women to 60 years of age) until 2008. The formula for calculating the pension was changed, so that, by 2008, the entire work life span will be taken into consideration, and not only the best consecutive 10 years. This should also be a stimulus for paying contributions or at least not to evade their payment, because it could decrease the amount of future pension. In line with the provisions contained in the new Law on Pension Insurance (OG 102/98), the age at which early retirement can be taken has been raised from 50 to 55 for women and from 55 to 60 for men and the permanent decrement for early retirement has been increased. An early pension can be taken within five years before the required age for a full old age pension. By 2008, the age-limit was increased to 60 with 35 years of employment for men, and 55 with 30 years of employment for women. Early retirement pensions are subject to a permanent reduction of 0.34% for every month before the statutory retirement age (Penalisation was lately reduced). The definition of disability was changed and has become more rigorous. Procedure for the determination of disability was modified. Thus, the inflow of disabled pensioners was reduced in comparison to the previous period. Pensions are adjusted (indexed) 50% to salaries and 50% to consumer price index (CPI).

The Croatian Government started designing the pension reform with the help of the World Bank in the second half of 1995. The existing PAYG system was replaced by a mixed system in the beginning of 2002, consisting of a public PAYG system (1st pillar) and a mandatory fully funded system (2nd pillar). The second pension reform, called "the great reform", which was defined with the Mandatory and Voluntary Pension Funds Act (OG 49/99) and Pension Insurance Companies and Benefit Payment Based on Individual Fully-Funded Retirement Savings Act (OG, 106/99), is based on the three pillars:

- the first pillar is a mandatory Pay-As-You-Go public pension system and all insured people should be included in the first pillar – employees, self-employed and farmers. To this system, all insured persons pay 15% of their gross monthly income.
- the second pillar is a mandatory pension system, based on individual capitalised savings. When introduced in 2002 it was mandatory for all those aged under 40 to contribute 5% of their gross monthly income (or a quarter of their pension contributions) to privately managed pension funds. Those between 40 and 50 could opt either to remain in PAYGO system or to move part of their contributions to the second pillar. The insured persons decide where they want to invest among the mandatory pension funds. According to the Mandatory and Voluntary pension Funds Act, Pension funds must invest at least 50% of their assets into conservative, less risky Government securities issued by the Republic of Croatia or the Croatian National Bank. The Act determines that not more than 15% of pension fund's assets may be invested outside the Republic of Croatia. It could be estimated that such regulation does not preclude investments in equities, because still 5% of pension fund's assets may be invested in short-term bank deposits and other short-term securities and up to 30% of pension fund's assets may be invested in equities on organised capital markets. All contributions for pension insurance are exempt from taxation, while for pensions there is a personal tax allowance.

- the third pillar is a voluntary pension insurance system based on individual capitalised savings for those who want even more insurance against the risks of old-age, disability and death. The insurance operates according to the same principles as the second pillar with one exception – the insured person decides on the amount of the contribution he/she desires to make in the pension funds.

Current retirees and older insured persons fully remain in the first pillar. The joint pension contribution rate is 20%. For some categories of insured persons (younger than 40, and for those between 40 and 50 if they opt for it) the contribution rate for the first pillar is 15% of gross wage, while 5% of gross wage is earmarked for the second pillar.Between 15 November 2001, when people started enrolling into the mandatory pension funds (2nd pillar) and the end of March 2010, 1,531,954 pension insurance beneficiaries became members in the mandatory pension funds. Insured persons younger than 40 years of age that failed to select a mandatory pension fund within the legally prescribed period (three months from the beginning of the compulsory pension insurance) were to be assigned by in that time responsible agency REGOS in accordance with the prescribed algorithm. The membership in open voluntary pension funds increased from 1.345 persons in 2002 to 151,803 at the end of March 2010. Membership in closed voluntary pension funds increased from 1112 in year 2004 to 17,700 insured persons at the end of March 2010.

Insured persons in mandatory insurance

All employees, self-employed persons and farmers are obliged to be insured. Before the year 2000 there was extensive use of contributions exemptions not matched by any reduction in entitlements. Apart from the employees, self-employed and farmers, the following groups of persons are also mandatory insured: according to the Law on Pension Insurance (OG 102/98) farmers and members of their household who perform agricultural activities as their only or principal occupation, must be mandatory insured. These persons are not deemed to perform agricultural activities as their only or principal occupation if they are mandatory insured on another basis, if they received pensions, or if they are in regular education. Article 13 of the mentioned law stipulates that members of management boards of trading companies must be insured mandatory, unless they are insured on another basis. According to Article 14, priests, monks, nuns and other clerical officers shall be mandatory insured during the service in a religious community, unless they are insured on another basis. Article 15 regulates the mandatory insurance of a parent who performs parental duties during the child's first year, provided that the person is not insured on another basis. Where both parents perform parental duties and they are not insured on another basis, the mother of the child will be insured, unless the parents make other agreement.

The women and men of the same age, having the same amount of pension savings, are entitled to the same amount of pension from the second pillar of individual capitalized savings. However, the different age for entitlement to old age and early old age pension, increases the risk for women retiring at the younger age, to be entitled to lower pension from both the first and the second pillar than the men. Entitled to early old age retirement from both compulsory pillars were only the women who were near the age of 50 in 2002, when they voluntarily decided to join the second pillar insurance, whereas the men turning 60 will be entitled to the early old age retirement from both pillars as of January 1, 2012. In July 2007 the Act on Pension Insurance Companies and Pension Disbursement was amended, prohibiting gender inequality

in rights in voluntary supplementary pension insurance, except in the cases where the pension amount depends on actuary calculation.

Management of the system

Croatian Pension Insurance Institute – CPII is a public body managed by tripartite governing board consisting of representatives of the Government, trade unions and employers. It is supervised by the line Ministry (Ministry of Economy, Labour and Entrepreneurship – MELE). Second pillar mandatory funds and third pillar voluntary funds are private entities managed by their boards and member assemblies. They were supervised by The Agency for Monitoring Pension Funds and Insurance (HAGENA) that lately became The Agency for Monitoring Financial Services – HANFA.

Covered risks and rights are old age pension, family (survival) pension following the death of an insured person and disability pension.

Eligibility criteria:After 2008, the qualifying conditions for old-age pension are 65 years for men and 60 years for women based on completion of a 15-year insurance coverage period. Old-age retirement benefits are payable from the normal retirement age. For a full pension to be paid, the individual must have contributed for each year. The early retirement old-age pension qualifying conditions are 60 years for men with completion of 35-year insurance coverage period and 55 years for women based on completion of 30-year insurance coverage period. Early retirement old-age pensions imply reduction of 0.15% for every calendar month of anticipation before the retirement age.

Survivor's pension is awarded only to a widow or a widower and to the insured person's children, or only to the parents, brothers, sisters and other dependent orphan children, where the amount of pension is multiplied with following factors: for one family member 0.7; two family members 0.8; three family members 0.9; and four and more family members 1.0.

People who had not worked and paid contribution and did not obtained pension rights due to survival status do not receive pension. Their exact number is unknown but it is estimated around some 12-13% of 64+ persons do not have any pension incomes. One of the goals of the current Government is providing for long-term security of older citizens without pensions by means of introducing the social pension. The realization of this measure is anticipated in the Government's mandate by 2011, but could be postponed due to the economic crisis. Apart from that, the viewpoint has been adopted that the model of future social pensions has to be discussed as soon as possible, as well as the criteria for entitlement to such a right. In the meantime, the elderly without sufficient resources for living are entitled to certain benefits within the social welfare system. The elderly mostly use three rights within the social assistance system: permanent assistance, supplement for assistance and care at home and personal disability allowance.

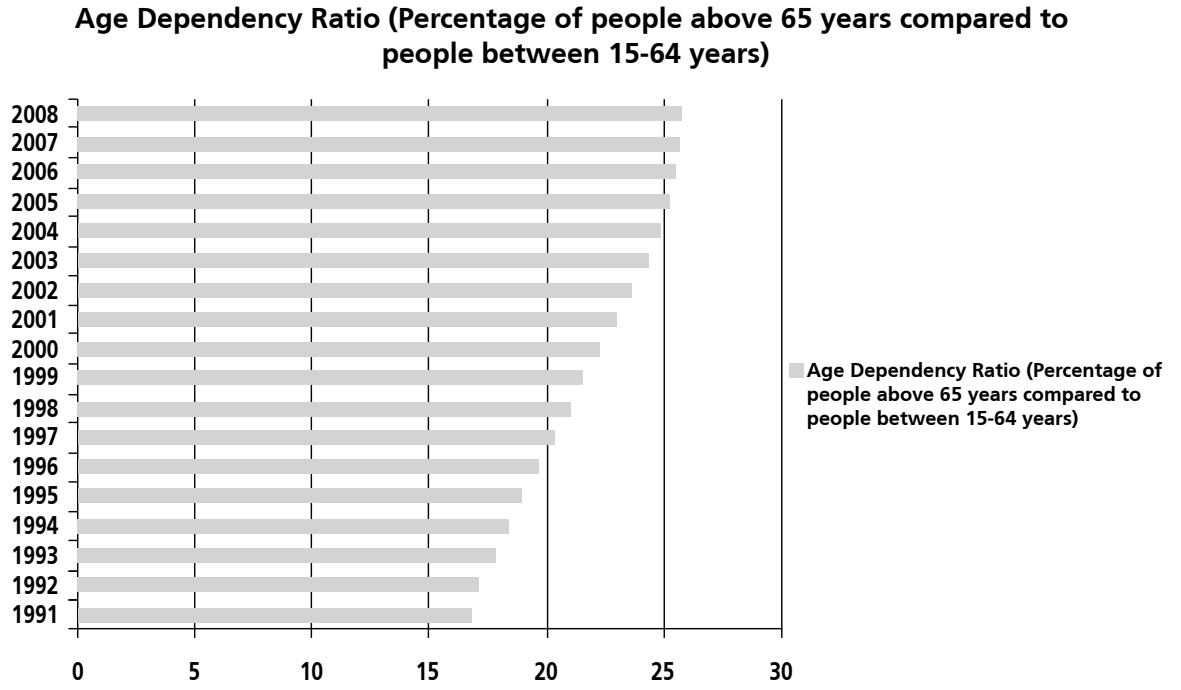
Old age dependency ratio - number of pensioners and number of insured (and their ratio);

Table 1.1 Active insured persons and Pensioners in period 1990 - 2009

	Insured persons in 000s	Pensioners in the public pension system in 000s	Ratio	Insured persons in the 1st and 2nd pillar systemin 000s
1990	1 968	656	3.00	
1991	1 839	720	2.56	
1992	1 725	775	2.23	
1993	1 698	795	2.14	
1994	1 621	825	1.97	
1995	1 568	865	1.81	
1996	1 479	889	1.66	
1997	1 469	926	1.59	
1998	1 472	955	1.54	
1999	1 406	1 018	1.38	
2000	1 380	1 019	1.36	
2001	1 402	1 032	1.36	
2002	1 422	1 042	1.36	938
2003	1 444	1 055	1.37	1 063
2004	1 460	1 066	1.37	1 164
2005	1 499	1 081	1.39	1 249
2006	1 538	1 100	1.40	1 322
2007	1 579	1 069	1.41	1 396
2008	1 605	1 148	1.40	1 476
2009	1 530	1 173	1.30	1 522

Source: Croatian Pension Insurance Institute and HANFA

Picture 1.1 Age Dependency Ratio



Source: Croatian Bureau of Statistic

Financing of the system

Table 1.2Contribution rates for pension and disability insurance as percentage of earnings (of gross wage) for employees in the period 1990-2010 (in percentage)

Contribution rates for pension and disability insurance	1990[1]	1991	23.4.1991 –1993	1994	1995-19972	1998	1999	2000	2001-2002	2003 - 2010
Employee	16.70	9.50	11.00	13.50	12.75	10.75 (from Feb. 1)	10.75	10.75	10.75	20.0
Employer	7.40	9.00	11.00	13.50	12.75	10.75	10.75	8.75 (from June 1)	8.75	-
Total	24.10	18.50	22.00	27.00	25.50	21.5	21.5	19.5	19.5	20.0

Source: Croatian Pension Insurance Institute and Official Gazette (01/05).
[1]These still refer to personal and work organisations' income. Payroll contributions were introduced in 1991.
[2] 5.5% was diverted to the Croatian Health Insurance Institute to finance health care for the elderly.

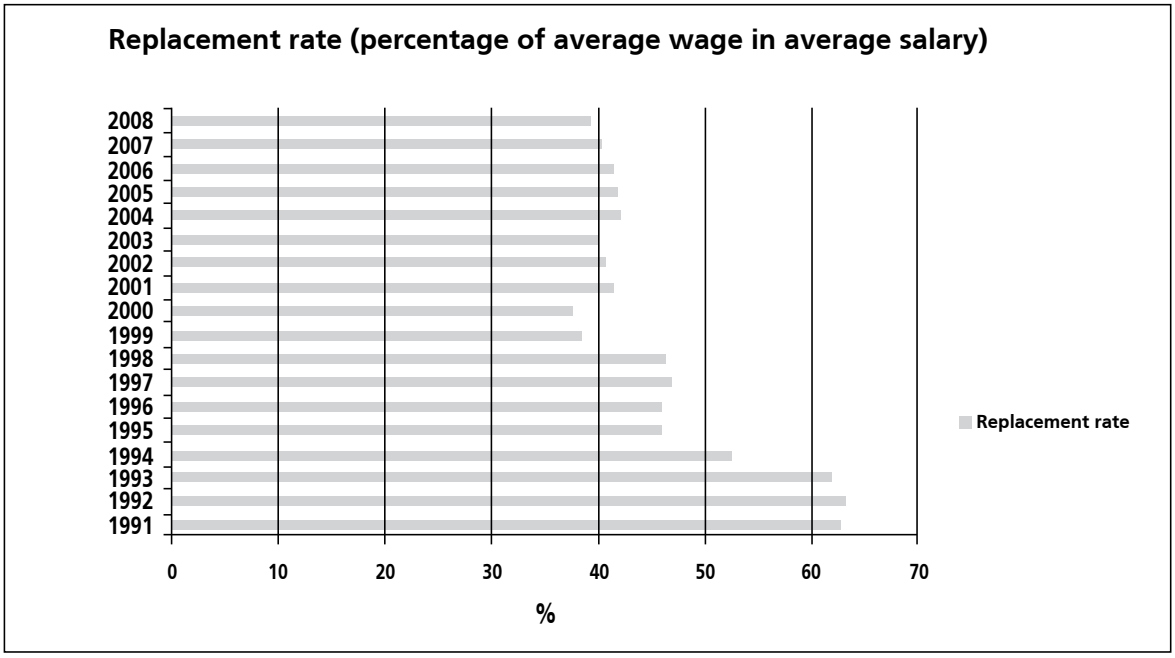
Table 1.3 Total Revenues and Expenditures of Croatian Pension Insurance Institute
Millions of HRK

	1996	1997	1998	1999	2000	2001[1]	2002[2]	2003	2004	2005	2006	2007	2008
Contributions	10,951	12,244	11,758	12,449	12,854	6,480	10,408	13,849	14,875	15,713	16,918	18,667	20,155
Other	296	432	497	213	186	147	118	-	541	85	365	11	258
Transfers	1,160	2,624	3,799	6,284	7,155	5,651	12,563	10,517	9,998	8,533	8,265	7,668	13,162
Total expenditures	12,343	15,448	16,536	18,946	20,225	12,278	23,089	24,366	25.414	24,358	25,524	30,519	33,516
Transfers in total expenditures (in %)	9.40	16.99	22.97	33.17	35.38	46.03	54.41	43.16	39.34	35,03	32,38	25,13	39,27
Deficit / surplus	146	425	380	-	30	-	-	-	-	-25	46	-2	-17
GDP	107,980.6	123,810.7	138,391.7	143,500	157,511	168,972	179,390	193,067	207,082	211,808.7	225,876.1	279,990.8	304,690.9
Total pension expenditures / GDP in %	11.43	12.48	11.95	13.20	12.84	13.59	12.7	12.2	11.8	11.5	11.3	10.9	11.0

[1] Change of coverage – since July 2001 pension contributions and pension payments are included into the Central Budget.In Croatian Pension Insurance Institute, expenditures are partly included expenditures for pension and administrative costs. As contributions for pension insurance were paid into the State treasury, they are henceforth sometimes treated as transfers from the Budget.
[2] For GDP there is a broadening of coverage including some state companies (like Croatian Highways - HAC, Croatian Ways HC and Croatian Privatisation Fund - HFP).
Source: Ministry of Finance and Croatian Pension Insurance Institute

While the replacement rate (percentage of average wage in average salary) was above 60 percent in the first three years of the 1990s, it declined to 52 percent in 1994 and to around 46% in the period from 1995 to 1998. At the end of 1990 there was another drop in the replacement rate and its lowest level was in 2000 with only 37.6 percent. The share of average pension in the average wage has somewhat risen after 2000, but continues to be just a little above 40% of the average wage (Picture 1.2). However, one should not forget that in spite of legal stipulated retirement age of 60 for women and 65 for men, most people go retire while still under 60 years of age and with less than 29 years of pension insurance. According to the calculation by Croatian Pension Insurance Fund if insured persons would reach legally stipulated age and obtain full period of pension insurance, the replacement rate would be around 61 percent.

Picture 1.2: Replacement rate



Source: Croatia Public Finance Review (2008, pp. 154). T. 8.1.; Croatian Pension Insurance Institute, Croatian Bureau of Statistic.

The number of persons with privileged pension rights constantly increased, from 142,000 in 1999 to 181,000 at the end of 2009. Their replacement rates vary from 41 percent for Croatian defenders from the Second World War – "home-guard" to 173.84 percent for the Members of the Government and Parliament representatives (Table 1.4.).

Table 1.4 Number of persons with privileged pension rights at the end of 1999, 2002 and 2009

	Number of persons			Amount of pension at the end of 2009 in HRK	%of average net wage
Category	1999	2002	2009		
Police and judiciary	12,816	13,980	16,083	3,894.16	72.63
Army members from the Second World War (NOR)	73,466	74,668	41,679	2,689.86	50.17
Members of the Government and Parliament representatives	238	677	505	9,321.41	173.84
Members of Croatian Academy ofSciences and Arts	79	108	167	8,292.20	154.65
Croatian defenders fromthe Second World War -"home-guard"	34,090	28,705	19,678	2,210.16	41.22
Former political prisoners	5,668	5,772	5,351	3,776.07	70.42
Members of the former Yugoslav National Army	16,217	14,947	11,232	3,025.48	56.42
Croatian Army		6,676	11,473	3,508.61	65.43
Veterans from the Croatian Homeland War		29,425	67,714	5,637.60	105.14
Others (members of the former and civil servants in Federal Government, miners from the Istrian coal mines, and workers professionally exposed to asbestos, etc.	30,681	12,582	7,342	-	72.63
Total	142,574	174,958	181,224	-	

At the end of 2009 the average wage in Croatia was HRK 5,362, while average pension without deduction for tax, surtax and special tax was HRK 2.169,32 or 40.46% of the average net wage.

Source: Croatian Pension Insurance Institute.

In the first pillar there is a minimum pension; persons bellow the stipulated threshold receive supplement, but this does not exist in the second (funded) pillar. Also there is a maximum pension (not including the privileged pension rights). However, there is a huge difference between old pensioners (that were retired before the pension reform) and new ones. Thus, there are 3,112 old pensioners (that were retired until the end of 1998) that in June 2009 receive a maximum pension of HRK 6,444 (EUR 883), while the minimal pension for 21,308 pensioners was HRK 2,374 (EUR 325). Regarding the new pension-

ers (that retired after the beginning of 1998) 1,576 receive a maximum pension in amount of HRK 5,329 (EUR 730), while 140,284 receive a minimal pension in amount of HRK 1319 (EUR 181).

Health care system

In the decade following the independence, Croatia's health system has undergone a series of health reforms that have helped to transform the fragmented and highly decentralized health system, inherited from the former country and worn out by five years of the hostilities in the region during 1991-1995, into a health care system that maintains the principles of universality and solidarity. According to the structure and type of financing, the Croatian health care system is based on universal access to primary and secondary health care, and can be regarded as a Bismarckian model because about 80% of the costs are covered by contributions (MHSW data). The balance is covered by tax revenues (on national and county levels), donations, voluntary health insurance and direct user contribution. Contributions were collected and distributed through the separate Croatian Health Insurance Institute (CHII), but from 2002 onwards, it has become a part of the State Budget in financial terms. Therefore, contributions are collected by the state authorities and distributed to the CHII, which further distributes money to institutions (including private doctors) that the Fund has contracts with. About 97% of Croatian citizens are covered by the public health system. The lack of full coverage is in many cases connected with the failure of meeting the registration deadlines.

Croatia has also inherited a tradition of well-organised public health. In the period of transition, however, the basic trend has been towards privatisation of health. Although health spending is relatively high (total public and private spending in recent years runs at around 8.5 - 9% of GDP), certain parts of the system spend more money than what is available, thus bringing the system as whole into a state of permanent financial crisis.

The transition from collective/state economy to private/market oriented economy has had a profound influence on the health care system as well. On the other hand, the evaluation of legal and organisational changes introduced in 1993 cannot be separated from the description of the system functioning until the end of the last decade of the 20th century. The prevailing opinion is that Croatia entered 1990 with a dysfunctional, inefficiently organised and expensive health care system, which had to be completely restructured. Private GPs and dentists who have contracts with the CHII mainly perform primary care. Secondary and tertiary care[41] is basically performed by the state health institutions. Teaching hospitals, clinical hospitals centres and state institutes of public health are state-owned, and health centres, polyclinics, general and special hospitals, institutions for emergency medical aid, home care institutions, and county institutes of public health are county-owned. One of the biggest problems of the Croatian health system is that the role of the primary care has been reduced and 49% of all consulting-specialist services are performed by clinical hospitals, which among other things, contributes to long waiting lists. For this reason, the population that live far from the biggest cities have more problems in exercising their rights to adequate health care.

[41] Primary health care includes: the activity of general practice, school medicine, hygienic and epidemiological care, dental care, emergency health services, occupational health, primary health care of women and children, community nursing and pharmacies. Secondary healthcare includes specialist-consultative health care, hospital health care in general and specialized hospitals and health resorts. Tertiary health care includes the most complex forms of health care in the field of specialist activities in clinics and state health institutes.

In some parts of Croatia (rural, island and mountain regions, or regions bordering with countries of former Yugoslavia), the transport infrastructure is underdeveloped, which limits the access to health care institutions for the population in these areas. The aim will be to increase the number of primary social care units in the areas of particular concern, improve the quality of emergency medical assistance and reduce the waiting times for appropriate medical assistance In general, people with disabilities frequently face difficulties with accessing transportation.

According to the Population Census taken on 31 March 2001, Croatia has 4,437,460 inhabitants.By the end of 2008 Croatia's health care had a permanent work force of 70,990. Out of these, 52,954 were health professionals and associates, 5,115 administrative workers and 12,921 technical staff. Structurally, the most permanently employed workers were educated to high school level (37.7%). Administrative-technical staff had a 25.4% share, physicians 16.6% share in the work force. As there were also additional 8,542 temporarily employed health professionals and associates, 61,681 health professionals and associates in total were employed by 31st December 2008. In 2008, 8,542 out of the 11,801 permanently employed physicians had their primary job placement in state health care institutions, 502 in private health care institutions, and 2,757 in private doctors' practices, out of which 2,036 worked in renting objects, because these object are owned by state or local government. In addition to permanently employed physicians, by the end of 2008, there were 868 additional part-time physicians. By type of an employing health institution, 56% of physicians worked in hospitals, 9.4% in health centres, 17.3% in rented doctors' offices, 6.1% in private doctors' practices, and 4.6% in state health institutes. Other physicians worked in private polyclinics as independent institutions, health companies (4.4%), and emergency medical care stations (1.5%). Out of 3,261 dentists, 555 worked in state health institutions, 109 in private health institutions, and 2,597 in private dentists' practices. Out of the latter, 1,090 worked in renting objects. 65.1% of all dentists were women. 541 (15.7%) were specialists. In addition to the permanently employed, there were 223 additional part-time dentists (CNIPH, 2009).

In 2008, Primary Health Care Service teams had 4,450,455 insurees in care. Out of these, 3,474,455 used health care services (around 78% of total insurees count). Both, the number of insurees and users were higher than in 2007. In family/general medicine around 78% of insurees used health care services in 2008, as did 89.9% in paediatric care (0.7% more than in the previous year).In 2008, there were 28,256,078 visits to doctors' offices (5% more than in 2007). In 2008 there were 11,955,621 (or 31% more than in 2007) visits to other health professionals. The number of home visits in 2008 was 290,075 (2.8% less than in 2007). Compared with 1990, the number of home visits in 2008, as in the last years, dropped by a surprising 47%. A significant decrease in home visits (by 95%, in comparison with 1990) was registered in other health professionals who in 2008 made 39,591 home visits only. In 2008 a total of 7,491,369 referrals to specialists were recorded. In comparison with 2007, the number of referrals increased by 0.4%. In 2008, diseases and conditions diagnosed by General/ Family Medicine units numbered 9,216,528 (18% more than in 2007).

Coverage - According to the Act on Health Insurance (OG 94/01, 88/02, 149/02, 117/03 and 30/04), the Croatian Health Insurance Institute (CHII) covers all insured persons in Croatia. Insured persons include the following: persons in paid employment, persons who are self-employed, farmers, pension and professional rehabilitation beneficiaries, un-

employed persons registered at the CES, insured persons covered by conventions made between Croatia and other countries, persons with a residence in Croatia who work abroad (if they are not insured through any foreign carrier of health insurance), children up to the age of 18, children in regular schooling, and members of the Croatian armed forces. Persons covered by the health insurance include the employee, members of the employee's family, and other insured persons under particular conditions. Members of the family and dependents of the employee are defined as the spouse, non-marital partner, children, parents, grandchildren, brothers, sisters, and grandparents, if supported by the insured person. There is no minimum qualifying period as a qualifying condition in case of the cash benefits and medical services in the health care insurance. Entitlement to cash sickness benefit is determined by a designated doctor in a primary health care institution.

Benefits from the health care insurance may be differentiated between sickness and maternity benefits (sickness benefit, maternity benefit, maternity grant, reimbursement of travelling expenses in connection with healthcare and funeral grant), workers' medical benefits and dependents' medical benefits. In case of sickness and maternity benefits there are determined monetary benefits or benefits determined as a portion of the average monthly salary. Medical benefits, both for workers and dependents, are provided by public or private health care institutions contracted with the Croatian Health Care Insurance Institute. There is a cost-sharing participation of insured persons in case there is no second, voluntary, state pension fund pillar covering the financial participation, or the insured person is part of the protected group.

Work-related sickness benefits are covered by health care insurance and provide sickness and maternity benefits. These are determined monetary benefits or benefits determined as a portion of the average monthly salary, at least 70% of net average monthly salary during the sick leave. These costs are covered by the employer for up to 42 days and after that by the Croatian Health Insurance Fund. After six months of drawing benefits, beneficiaries have to visit an expert medical commission that will decide on the capacity or the lack of capacity for work. Generally, a person can claim sickness benefits for a period of six continuous months, except in the case of specific illnesses for which sickness benefits can last longer. Work-related sickness benefits are equal to wages or salaries if a person has been injured at work or during the performance of worker's duties. This right lasts until the employee has recovered and regains his/her capacity to work, or until the final opinion is given about his/her working capacity or handicap.

There are public and private health-care insurance funds for mandatory (only publicly), supplementary and additional insurances (public and private). The mandatory insurance covers basic health care rights and a list of basic drugs, while the supplementary insurance pays the difference between basic health rights and additional provision. The additional insurance aims to assure a higher health care standard, while private insurance is reserved for those who are not obliged to be covered by the national health insurance. Although children and poor persons (as well as some other categories) are exempt from paying the difference, there is a need to carefully monitor the possible effects of new health bills on all those facing the problems in covering the difference. The public fund is managed on tripartite basis, while private funds are managed by their Boards and the Assembly of members.

The mortality rate has not changed in last two decades, but has only slightly increased due to the population ageing in the last two years (Table 2.1).

Table 2.1 Mortality rate in Croatia and life expectancy in years at birth in Croatia in the period from 1991 to 2008

Year	Mortality rate	Both sexes	Male	Female
1991	11.4	70.99	66.05	76.21
1992	11.6			
1993	11.4	72.64	68.53	76.72
1994	11.1			
1995	11.3	73.29	69.30	77.21
1996	11.3			
1997	11.4	72.62	68.61	76.47
1998	11.6			
1999	11.4	72.83	68.92	76.55
2000	11.5	73.00	69.12	76.68
2001	11.2	74.65	71.03	78.17
2002	11.4	74.85	71.21	78.40
2003	11.8	74.73	71.17	78.23
2004	11.2	75.66	72.13	79.08
2005	11.7	75.44	71.13	78.92
2006	11.3	76.01	72.55	79.37
2007	11.8	75.8	72.3	79.2
2008	11.8			

Source: First releases. Croatian Central Bureau of Statistics (ISSN 1330-0350)

Health for all Database (2009); WHO (2009); Croatian Central Bureau of Statistics (2009)

In 2008, life expectancy at birth was 79.6 years for women and 72.4 for men. That was approximately 3 years less for women and 4 years less for men than in the EU 15. Another interesting aspect is the difference in life expectancy between women and men, which amounts to 7.5 years. Life expectancy at 65 was 16.05 years. Life expectancy has obviously been influenced by the transition processes and the Croatian War of Independence, as the data show there were several decreases in life expectancy during the 1990s, however it began to rise constantly following 1998 (Table 2.1).

According to the World Development Indicators Database of the World Bank, Croatia is in the group of countries with the relatively large share of public expenditure for health care in GDP. According to this criterion, it is at the same level as other countries that are much richer. Consequently, a question arises regarding the sustainability of this situation .However, the present high spending on health has ensured a quite high coverage by the medical system (97% of Croatian citizens are covered by the public health system) and a good quality of health services and health protection, even in international terms.On the basis of data on the availability and quality of health protection, the World Health Organization (WHO) (using various data including infant and general population mortality) classifies Croatia with 34 other countries (from 192 overall members of WHO) in the "most elite" group A (of five groups from A to E).

There is a big regional discrepancy in health capacities. In Croatia there is a huge concentration of medical institutions in bigger cities, especially Zagreb, while some regions have health organisation that are poorly equipped with staff and required medical instruments. This is further exacerbated by the fact that the primary care role has been reduced and 49% of all consulting-specialist services are performed by clinical hospitals, which contributes to long waiting lists. The UNDP survey (UNDP, 2006) shows that long waiting lists (for 21.8% respondents) as well as longer time to get appointment (17.2%) are indeed large barriers that prevent people to access medical services.

In Croatia there is an inadequate correlation between the primary and secondary health care in a sense that too many patients are sent for a secondary health treatment. Neither the status nor the role of the primary health care was changed in a last few years. In 2008, two preparatory meetings were held in the MoHSW, discussing the options for primary health care development and further activities in preparing the integral primary health care development was agreed upon. The process of introducing information technology in the health care system will, by all means, will mean improvement of the primary health care, as well as the health care system in general.

A serious problem regarding people's health in Croatia is a generally reckless attitude towards one's own heath and risky behaviour (especially unhealthy nutrition, smoking, alcohol consumption, drug additions, obesity, insufficient physical activities and similar lifestyle factors). The results of the *First Croatian Health Project* realised by the Ministry of Health and the Croatian Health Insurance Fund, show that 27.7% of persons aged 18 to 65 have increased blood pressure (out of which 31.9% are men and 23.6% are women), 34.1% men and 26.6% women are smokers, 31.1% of men and 15.2% of women are obese, while only 17.1% of men and 4.3% of women engage in physical activity (Government of Croatia, 2004). Thus, it is necessary to insure constant activities for changing public attitudes towards health and disease.

The bulk of resources for health care financing are collected from employers through mandatory payroll contributions (Table 2.3). The health care in Croatia was financed by contribution tax on gross wages and salaries. The contribution rate was 18 percent (9 percent paid by the employer and 9 percent by employee) between the period of February 1998 - May 2000, while from June 2000 the contribution rate is 16 percent (7 percent paid by the employer and 9 percent by employee). Despite the reduction in rates, more revenue was collected from contributions, suggesting that a combination of improved collection and reduced exemptions had a positive effect. Employers were obliged to withhold contributions from gross wages and salaries of the employees for their health insurance. Since 2003 the whole burden of contribution for health insurance has been on the employer (while employees pay the total pension insurance contributions). The revenues are collected by the CroatianHealth Insurance Institute, but this amount does not cover all requirements, and transfers from the budget of the Central Government are needed.

Table 2.2 Contribution rates for health insurance (of gross wage for employees) in the period 1991-2010 (in percentage)

Contribution rates for health insurance	1990-1994	1995 – February 1st 1998	February 1st 1998 – May 31st 2000	June 1st 2000 - 2002	2003 -2010
Employee	7.5	7.0	9.0	9.0	-
Employer	7.5	7.0	9.0	7.0[1]	15.0 + 0.5[1]
Total	15.0	14.0	18.0	16.0	15.0 + 0.5[1]

[1] In 2002 a special contribution was introduced for the employer, for insurance against injury incurred in the workplace and professional illness of employees in the amount of 0.47% of gross wage, later it increased to 0.5% of gross wage.
Source: the Law on contribution for mandatory insurance (Zakon o doprinosima za obvezna osiguranja, OG 147/02, 175/03, 177/04, after January 1st 2009, the Law on contribution (Zakon o doprinosima, OG 84/08, 152/08 i 94/09).

Croatia annually spends about 8% of GDP on health care, which is somewhere between the average for the 15 old EU member states (8.8% in 2003) and the 10 new member states (7.1%). About 84% of the health care spending comes from public sources and 16% from private sources. Within the public sector, the Croatian Health Insurance Institute (CHII) accounts for 96% of general government spending on health care. CHII also plays a key role in the supply aspect by setting health care delivery standards (together with the Health Ministry) and negotiating volumes and prices of health services with providers. The remainder of public sources for financing health care consists of transfers from the budget, i.e. general (rather than earmarked, as in the case of payroll contributions) tax revenues. Private resources for health care financing are almost entirely patients' out-of-pocket expenditures, given that the role of the private health insurance is negligible.

Expenditures for health care represented three quarters of total health insurance expenditures. Almost half was spent on hospital health care. Less than a fifth of the total expenditures was spent on different types of compensations and allowances (for sick leave compensations, maternity leave and longer maternity leave, part time work, funeral expenses reimbursement) and aids (layette assistance).

Table 2.3 Total revenues and expenditures of CHII, Million HRK

Year	1995	1996	1998	2001	2002	2003	2006	2007	2008
Revenues	7 828	8 524	11 593	10 432	11 533	12 629	15 400	18 622	20 143
Expenditures	7 777	8 577	11 574	11 921	12 208	12 782	15 496	18 920	20 308

Source: Data by Croatian Health Insurance Institute and Ministry of Finance.

There have been difficulties with financing health care for a longer period, but they have been accentuated in the last decade due to discrepancies between revenues and expenditures. Although the revenues of the CHII have been on the rise for more than a decade, expenditures have been rising even faster, which caused the Institute serious debt and a need for transfers from the Central budget. The reasons are: the reduction in the number

of active working people, the rise in the number of retirees (who from February 1st 1998 stopped paying any kind of contribution for their health insurance) and the large nominal rise in expenditure for wages (in line with the collective agreement made in the health service, every pay rise for people whose pay comes out of the Budget automatically means a pay rise for the healthcare workers). This is not seen in the Table 2.3 because the mentioned transfers were included in regular CHII's revenues, but without them, the deficit in 1998 would be HRK 2609 mil or 1.9% of GDP, or in 2000 around HRK 5091 mil or 3.23% of GDP. It looks like the mentioned debts were lowered due to an improvement of the financial discipline as well as the inclusion of CHII in the Treasury of the Central budget from June 1st 2001. Thus, transfers from the Central budget to CHII were HRK 863 million or 0.4% of GDP in 2005 and HRK 848 million or 0.3% of GDP in 2006.

The Croatian Health Insurance Institute is the responsible institution for mandatory and supplementary health insurance. Among others it is also in charge of the development and the improvement of health protection, provision of necessary professional assistance in claiming of rights, planning and collecting monetary resources for health insurance, payment of services to health care institutions and private health care workers, proposing a basic network of healthcare activities, giving opinions about establishing new health care establishments. Furthermore, CHII is giving allowance for work of private doctors that participate in primary health care, paying compensation in lieu of wages, determining standards and manner of use, transport expenses and use of the rights deriving from health insurance and other matters according to the Health Insurance Act.

According to Transparency International (2005), 32% of Croatian citizens think that corruption in the health care sector is "widespread", and 48% think that it is "very widespread". Physicians employed by the state were for many years allowed to pay symbolic rents for state-owned facilities to use for their private practices after regular working hours. Such practice is, of course, unimaginable in the EU or even in other public-sector professions in Croatia. The fact it was legal is a testimony to the political clout that the medical profession has secured in Croatian society (Mihaljek, 2006). With a view to combating corruption in the health care system and in line with the National Programme for Combating Corruption issued in March 2006, the Ministry for Health and Social Welfare introduced the so-called "White Telephone", offering the possibility of bringing up claims, comments, proposals and commendations with respect to exercising the health care rights. The number of calls amount from 100 to 150 monthly and all calls (anonymous or not) are recorded in set forth forms, followed by corresponding procedures in line with the current regulations. In line with the National Programme, further, already mentioned measures, are also implemented, with a view to reducing the corruption level in the health care, and in particularly the waiting list evaluation, enhancing of specialization system, introducing information technology in the health system etc.

Labour market and unemployment protection

Coverage

Material protection (unemployment benefits, health insurance, *etc.*) and other rights of unemployed persons are guaranteed in the Constitution of the Republic of Croatia (article 57), and the implementing Law is the Act on Mediation in Employment and Entitlements during Unemployment Period (*Zakon o posredovanju pri zapošljavanju i pravima za vrijeme nezaposlenosti,* OG 80/08, 94/09). The employment system includes the material protection of unemployed persons (unemployment benefits, health insurance, pensions and disability insurance, child allowances, *etc.*), as well as the realisation of an active employment policy.

An unemployed person shall be entitled to financial compensation provided he/she has, at the moment of termination of his/her employment, worked for at least nine of the last 24 months. In the course of endorsing the right to financial compensation, a year of work shall be defined as a time period of twelve months, while, with regards to employment with working hours shorter than those in full-time employment, it is calculated as full-time employment.

Unemployment benefits are set according to the wage or salary for full-time work in the three-month period preceding the termination of the employment. If the amount of the wage or salary cannot be decided, the amount will be determined according to the average unemployment benefits in the previous month. For the first 90 days the benefit is paid at a rate equal to 70 percent of the previous wage or salary; for the rest of the period, it is set at 50 percent. For the persons that are entitled to unemployment benefit until the employment or until the fulfilment of the requirements for pension after 12 months of receiving benefit, it is paid at a rate equal to 40 percent of the previous wage or salary.

The highest amount of unemployment benefit for the first 90 days cannot be higher than the minimal salary amount deduced for contributions towards mandatory insurance, and for the rest, it cannot exceed 80% of the minimal salary amount deduced for contributions for mandatory insurance. For the persons that do not have time limit for receiving unemployment benefit it cannot exceed 60% of the minimal salary amount deduced for contributions for mandatory insurance. Minimal salary for the period from July 1st 2009 till May 31st 2010 in Croatia is HRK 2,814 (EUR 385) (*Zakon o minimalnoj plaći*, OG 65/09). Until the beginning of 2009 when a new Act on Mediation in Employment and Entitlements was put in power, unemployment benefit in Croatia was a "flat rate" benefit.

Depending on the period covered for an unemployed person who has worked, an unemployment benefit can be received between 90 and 450 days. An unemployed person who has worked longer than 32 years has the right to claim unemployment benefits until he/she finds a new position or until he/she fulfils the conditions for retirement. An unemployed person entitled to financial compensation may be paid out, at his/her request, a one-time lump sum for the purpose of employment, depending on the determined duration of the right to compensation set in line with this Act.

According to the Article 48, the right to unemployment benefits ceases:

- If the unemployed person finds a job;
- After the expiry of the period in which the person had the right to unemployment benefits;
- If he/she has been found working in a grey (unofficial) economy without permission and a labour contract;

- If he/she establishes a firm or other legal entity, starts an independent business, or professional activity or obtain more than 25% of ownership in a firm or other legal entity;
- If he/she establishes a craft, independent employment or employment in the sector of agriculture and forestry;
- If he/she becomes an independent farmer according the legal stipulation of independent farmer insurance;
- If he/she becomes employed according to the special legislation;
- On retirement or fulfilment of the conditions for retirement, early retirement and/or conditions for a survivor pension;
- If he/she becomes completely incapable of working;
- If he/she obtains compensation according to the special legislation in amount higher than the unemployment benefit;
- Because of imprisonment for a period longer than three months;
- If he/she reaches 65 years of age;
- If the person, without reason, does not respond to the call of the Employment Agency; if a person refuses to accept the first working opportunity that matches his/her professional profile and level of education; if he/she does not respond to a request or refuses to try to apply for a job which was recommended by the Employment Agency; if he/she without justifiable reasons refuses to accept an offered working opportunity out of his/her residence not farther than 50 km or he/she could organise transport and the journey in one direction does not last more than 60 minutes; if he/she, without justifiable reason, refuses to accept an offered working opportunity out of his/her residence but with provided accommodations;
- If he/she, without justifiable reason, does not report for two consecutive months to the Employment Agency;
- When an unemployed person refuses to participate in a training programme organised by the Employment Agency, according to his/her level of education, or does not complete a training programme.
- If he/she cancels his/her registration with the Croatian Employment Service.

An unemployed person can immediately regain the right to unemployment benefits if he/she fulfils the conditions determined under the Act, after losing his/her right to unemployment benefits. A retirement and disability insurance is available to an unemployed person who is entitled to unemployment benefits, provided he/she does not fulfil the conditions for an old age pension, but for no longer than five years. Furthermore, unemployed persons who are not beneficiaries of unemployment benefits, and who participate in educational programmes, receive financial aid at the lowest rate of unemployment benefits.

In the period 1990-2010, contribution rates for unemployment insurance were in a scope from 1.7 to 2.0% of gross wage. In the first part of the observed years they were paid by employees, but later by employers (Table 3.1).

Table 3.1 Contribution rates for unemployment insurance as percentage of earnings (of gross wage) for employees in the period 1990-2010 (in percentage)

	Contribution for unemployment insurance		Total
Year	Employee	Employer	
1991-1994	2.00	-	2.00
1995	1.90	-	1.90
1996	0.85 from August 1st	0,85% from August 1st	1.70 from August 1st
1997-2002	0.85	0.85	1.70
2003	-	1.70	1.70
2004	-	1.70	1.70
2005-2010	-	1.70(or1.6+0,1)[1]or (1,6 + 0,2)[42]	1.70 (or 1.80)

Source: the Law on contribution for mandatory insurance (Zakon o doprinosima za obvezna osiguranja, OG 147/02, 175/03, 177/04, after January 1st 2009, the Law on contribution (Zakon o doprinosima, OG 84/08, 152/08 i 94/09).

However, the public employment system in last eight years has not been directly financed by this source. From January 1st 2002, contributions for employment are paid into the unite account of the State Treasury and, thus, the basic source of Croatian Employment Service (CES) revenues is Central Governmental Budget. For 2006, revenues were expected to be HRK 1018 Million, and were realized in the amount of HRK 1013 Million, which was 99.56% of the planned amount. The amount in 2008 was HRK 1160 Million and in 2009 HRK 1544 Million, while the planned amount for 2010 is HRK 1683 Million. The revenues from the Governmental Budget consist of around 96% of the total CES revenues. They are spent for unemployment cash benefits and other legal rights during unemployment (around 80%), for financing expenditures of active labour market policy (10%), for financing the expenditures of professional orientation, information and rehabilitation (0.3%), wages and social security expenditures for CES employees in (9%), and the rest (0.7%) for co-financing the Programme of the European Union. Šošić (2005) calculates that the Croatian spending on material protection of unemployed persons - passive labour market policies - was on average 0.44% of GDP, which is higher than said spending in Estonia (0.08% of GDP) and Czech Republic (0.31% of GDP), but significantly lower than the mentioned share in Poland and Slovenia (1.71 and 0.89 percent, respectively). For Croatia that means almost unchanged share of employment expenditures in GDP for the second half of the 90's – an average of 0.53% GDP-a (0.45%passive policy and 0.07% active policy).

The level of the unemployment benefit (or allowance) in Croatia, in proportion to the average salary (it is about a quarter of the average wage), does not vary significantly from the averages in other more advanced transition countries. Among the compared six CEE countries (Czech Republic, Estonia, Hungary, Poland, Slovakia and Slovenia), three had lower (Czech Republic, Estonia and Hungary) and three (Poland, Slovakia and Slovenia) slightly higher allowance amounts. Regarding the maximum duration of the right to compensation, the longest duration of 15 months recorded in Croatia does not vary from the average (it is 24 in Poland and Slovenia, and 12

[42] - for employers that have obligation to employ persons with invalidity

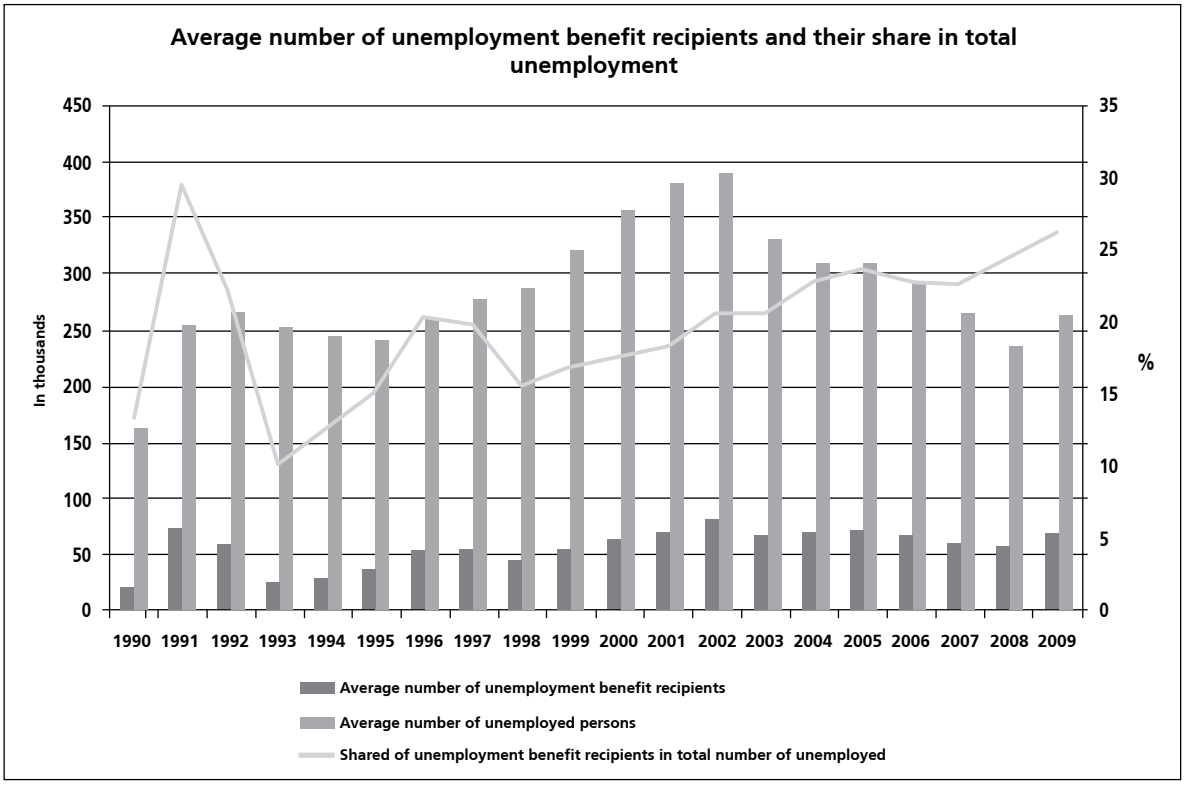
in Slovakia and Hungary) (Riboud, Sánchez-Páramo, & Silva-Jauregui, 2002). In addition, regarding the maximum duration of the unemployment allowance, it should be noted that unemployed individuals having 32 years of employment are exempted from that regulation, and their right to monetary compensation ends on the day of re-employment or retirement. However, due to relatively strict conditions for obtaining the right to unemployment benefits, in comparison to other EU countries, a small fraction of the registered unemployed persons in Croatia are covered: 15-24% in the last 15 years, except in 1991 – the beginning of the transition, and 2009 – due to the increased number of workers that were laid off because of the economic crisis, when it covered over 25% of all unemployed. The primary reasons for relatively poor coverage can be linked to the large number of long-term unemployment and young people entering the labour market for the first time, who are not entitled to unemployment benefit (Table 3.3).

Table 3.2 Average number of unemployment benefit recipients and their share in total unemployment

Year	Average number of unemployment benefit recipients	Chain Index	Average number of unemployed persons	Share of unemployment benefit recipients in total number of unemployed
1990	21,154	174.2	160,617	13.2
1991	75,260	355.8	253,670	29.7
1992	58,964	78.3	266,568	22.1
1993	25,363	43.0	250,779	10.1
1994	30,324	119.6	243,324	12.5
1995	36,183	119.3	240,601	15.0
1996	52,912	146.2	261,023	20.3
1997	55,171	104.3	277,691	19.9
1998	44,779	81.2	287,762	15.6
1999	54,257	121.2	321,866	16.9
2000	63,396	116.8	357,872	17.7
2001	70,369	111.0	380,195	18.5
2002	80,795	114.8	389,741	20.7
2003	67,977	84.1	329,799	20.6
2004	70,467	103.7	309,875	22.7
2005	72,801	103.3	308,738	23.6
2006	66,407	91.2	291,616	22.8
2007	59,603	89.8	264,448	22.5
2008	57,258	96.1	236,741	24.2
2009	68,967	120.4	263,174	26.2

Source: Croatian Employment Service, statistic data available on http://www.hzz.hr/default.aspx?id=4114

Picture 3.1 Average number of unemployment benefit recipients and their share in total unemployment



In Croatia, measures of active labour market policy (ALMP) are diverse and recognised as a useful instrument of labour market policy. One should stress that in Croatia there is a relatively broad range of active labour market measures. The level of spending on active labour market policies in Croatia during the late 1990s and early 2000s did not significantly differ from the average spending levels in selected Central and Eastern European countries. However, the average spending in all those countries was far below the average spending in "old" EU member countries and OECD member states, probably reflecting some financial constraints, but also a limited experience with designing and implementation of those policies. Šošić (2005) underlines that the Croatian spending on active labour market policy was between 0.24 and 0.40% of GDP, while the average for other countries in transition was 0.32% of GDP). The Croatian Employment Service (CES) developed a series of ALMP measures that included: co-financing of youth employment, promotion of employment among persons with special needs, war veterans and senior citizens, promotion of self-employment, credit financing for small and medium enterprises (SMEs), and public works. Under the active labour market policy in the period of 2002-2005, a total of 80.371 unemployed persons were provided with jobs, of whom 47.2% were women. Even better results were obtained for the period of 2006-2009. For example, in 2008, through the implementation of the active policy measures in the scope of competence of CES, a total of 375 persons were employed or included into training, of whom 44.3% were women. Employment was realised on the basis of the following measures: co-financing the employment of young people without previous working experience (12.8%), co-financing the employment of long-term unemployed persons (34.7%), co-financing the employment of women above 45 years of age and men above 50 (15.5%), co-financing the employment of

special groups (7.2%), co-financing education for a known employer (5.1%), financing education for an unknown employer (1.1%) and public works (23.7%).

It is fair to say that, while the ALMP was efficient overall in terms of the number of those employed during this period, it was insufficiently focused on the less employable population groups, given that virtually all persons registered with the CES had access to at least some of the incentives. Measures are not yet sufficiently targeted to where most international evidence indicates they are effective i.e. disadvantaged people at risk of, or in long-term unemployment. ALMP measures are not yet integrated as closely as possible with the benefit (administration of unemployment compensation) and placement work. Furthermore, ALMP measures in Croatia have been monitored, but not fully and systematically evaluated for net effect. Thus, it is impossible to answer what would have happened to the individuals had they not gone onto some active measures, such as training. Only for the public works programme was evaluated; it showed that the public works projects examined, had almost no effect in improving the success of participants subsequently getting jobs in the open labour market (Dorenbos et al., 2002). Babic (2003) using comparative analyses of expenditure on ALMP programs showed that their structure is inappropriate and mostly oriented to the subsidies that do not improve the skills of the unemployed and regularly have high deadweight costs[43] and other adverse effects such as substitution and displacement[44]. Finally, there is also the fact that there are no clear target groups.

[43] A "dead weight" subsidy is one given to a person who would have a job even without subsidies.

[44] Substitution means employing a subsidised person instead of another person not entitled to a subsidy. It is important to note that substitution may have a social justification if the persons in question belong to a group with low employability. Displacement means loss of jobs in companies that are not employing subsidised workers but are forced to lay off a number of workers under pressure of competition from companies that benefit from the subsidy system.

Institution

Ministry for Economy, Labour and Entrepreneurship is in charge for regulating and governing the labour relations, labour markets, relations with trade unions and employers, policy of the pension insurance system and international cooperation in the field of labour and employment.

The Croatian Employment Service is in charge of the process of mediation in the labour market, providing job placement services, counselling, promote adaptability of enterprises facilitating redeployment and restructuring. The Croatian Employment Service also maintains passive and active labour market policies, facilitates the new job creation by participating in local development initiatives and provides capacity support for international cooperation and reforming the labour market in Croatia. There are also some private job placement service agencies.

Activities against unofficial work are primarily realised through Tax and Labour Inspectorates as well as by reducing the tax and social contribution burden to employers and employees. In addition, various measures for reducing the administrative barriers and improving the business climate are implied.

Social Welfare Assistance

Structure - infrastructure (institutions, human capacities) and territorial distribution; management

Centres for Social Welfare are legal persons founded by the Ministry of Health and Social Affairs, usually with several CSWs existing in each county. According to the law, CSWs are primarily responsible for administrative decisions in the first instance, on access to benefits/services in the area of social welfare and family law and their execution. They also participate in court proceedings ei-

ther by provision of information or being a party to a suit, particularly when it concerns protection of personal interests of children and other family members who are not able to provide for themselves as well as the protection of their rights and interests. They carry out control over foster families, provide care for children who run away from families or institutions, apply educational measures for children with behavioural disorders outside their own family, and provide home care assistance. It also has a general preventive and analytical duty. Additionally, CSWs also carry out duties of counselling regarding problems in marriage and family, upbringing of children, adoption; participate in suppressing the addiction to alcohol, drugs or other narcotics. However, this duty is gradually being shifted to Family Centres, which are being created in each county largely staffed by current CSW employees providing counselling activities. Some CSWs have branch offices in remote areas. In Zagreb, there is one central office with 11 branches. There are 117 CSWs and branch offices altogether. CSWs or branch offices usually serve the city/municipality where they are located and the surrounding area.

The typical structure of the CSW is as follows:

- unit dealing with social work in general (also processing claims for maintenance allowance)
- unit dealingwith persons with disability (also processing claims related to disability)
- unit dealing with protection of children, youth and family
- unit dealing with guardianship for minors and mentally incapacitated adults
- unit dealing with children and youth with behavioural problems
- administrative unit dealing with budgetary, financial, legal and technical issues.

Decentralization in social welfare (2001) concerns the transfer of ownership of home for elderly to counties that are also responsible for granting licences to other potential operators. Counties are also responsible for financing material, maintenance and minor capital investment to the network of Centre for Social Welfare but ownership rights remain with the ministry. Cities and municipalities, whenever supported by adequate resources, prove to be very committed to citizens' welfare and able to successfully manage a variety of services as well as mobilizing the non-governmental sector and voluntary work.

In the social service system institutionalisation still prevails; prevention, rehabilitation and integration services are still concentrated in few main cities and day care services (excluding elderly) are extremely underdeveloped. The current financing and budgeting system provides weak incentives for the CSWs to find the most qualitative and cost effective service options. Service providers (excluding to some extent the services for the elderly) also have too few incentives to improve quality, as they receive direct budgetary support, and that are rarely tied to improved service delivery or introduce any innovations.

Coverage – which persons are covered and how is coverage defined; eligibility criteria; defined specific vulnerable groups

The Republic of Croatia has in the provisions of its Constitution guaranteed to help in meeting the basic needs of the old, the infirm and other citizens who are not provided for, because of unemployment or incapacity for work.In spite of the complicated economic conditions, the Republic of Croatia is endeavouring towards making sure that the citizens who are in difficult conditions can cover the basic necessities of life. Those citizens who are in such circumstances can get help by claiming the rights they are entitled to, under the welfare system.

The Social Welfare system has provided both cash transfers and in-kind benefits by the Government. In addition, some non-govern-

mental organisations provided help for particular categories of families in need - refugees, displaced persons, the elderly and indigent and so on.In order to keep track of who was receiving what, in the period between 1994 and 1997, the Ministry issued all beneficiaries with a so-called social card, which on the one hand affirmed an individual or family's right to benefit and on the other was supposed to record all the forms of assistance that a particular family received. According to the MLSW, in March 1997 there were some 98.8 thousand social cards in circulation covering some 219.9 thousand individuals - members of families.For 1997 as a whole, there were some 336,000 beneficiaries of the system so it is possible that there was some duplication of payouts. The whole system of cards has been abolished at the end of the Homeland War in 1995.

The system of social welfare in the current form has been regulated by the Law on Social Welfare since 1997. Institutions responsible for this segment of social protection are the MHSW, centres and homes of social welfare. Standard rates of all social welfare benefits are completely funded by the central budget, with the exception of housing and fuel allowances, which are funded by county and city budgets. County and local authorities may finance a portion of the benefits above the standard amounts or introduce new rights. Even though social welfare and services come within the competence of the local authorities according to the Constitution and the Law on local self-government, the system of social welfare is highly centralised because, among other things, fiscal preconditions for decentralisation and delegation of competences to regional and local authorities have yet to be created. It is true that the decentralisation in some way started with the Law on Social Welfare and amendments in 2001. Thus, since 2002 the founding rights and financing of homes for elderly and infirm persons have been delegated to the counties. Counties or lower local units may establish other institutions of social welfare, such as aid and care centres. In addition, the units of local self-government finance a part of the running costs of the centres for social welfare and participate in the decision-making process. There are significant differences between local authorities in terms of funding additional rights to social welfare. In particular, larger cities (Zagreb, Rijeka, Split), which have broader financial capacities, developed their own social welfare schemes, which can be labelled (due to their scope) as "local welfare states". These cities evaluate social needs before undertaking social policy interventions.

Services which have been provided through the system of social welfare are intended for the different categories of beneficiaries: children without parental care, children and youth with behavioural disorders, elderly and infirm persons, persons with disabilities, drug addicts, ex-prisoners, victims of violence, migrants, refugees etc. The role of the third sector in social welfare is becoming more and more important, in particular in the provision of services. The Law on Social Welfare allows for profit and non-profit organisations to establish institutions of social welfare. The trend of opening new homes for social welfare by different non-governmental founders (private persons, religious and humanitarian organisations, and associations) is evident. Social services are highly institutionalised and the number of persons placed in institutions has been increasing. The market of social services is relatively poorly developed, and the demand for institutional services exceeds the supply. Even though efforts for deinstitutionalisation are evident, this process is developing very slowly.

The expenditures for welfare affairs and services were around 2% percent of GDP (Table 4.1).

Table 4.1 Expenditures for welfare affairs and services and their share in GDP

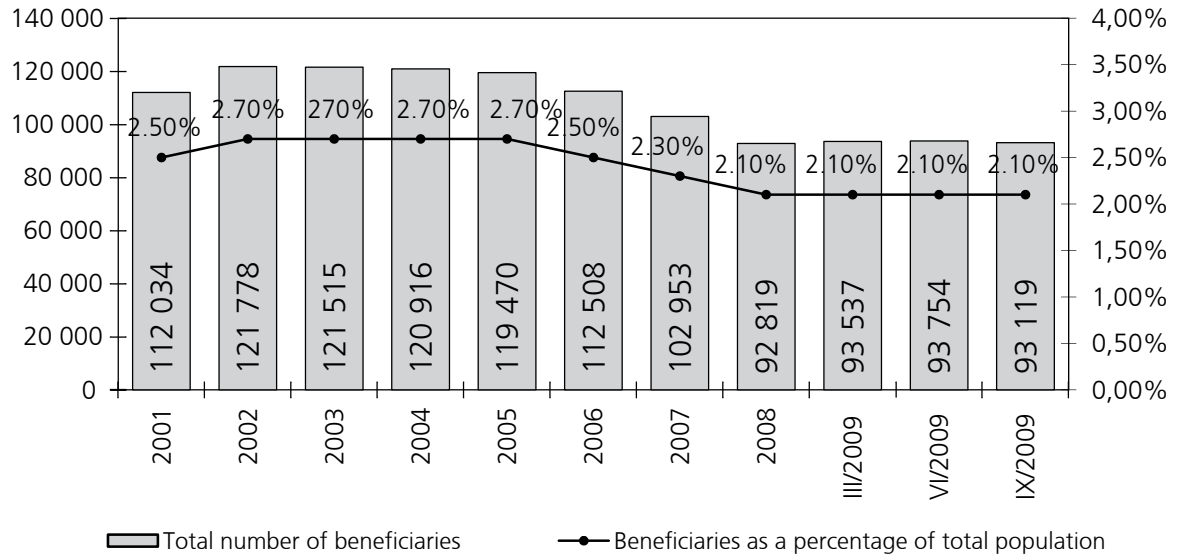
Year	2005	2006	2007	2008
The expenditures for welfare system (OOO HRK)	5,883,364	5,672,135	6,381,929	6,545,271
Share in GDP	2.23%	1.98%	2.03%	1.91%

In the following text, the most important forms of benefits in the social welfare system are explained. The streamlining of the system was implemented in various aspects. In line with the Social Benefits Strategy Reform, by amending the Social Welfare Act from 2007, the overall number of benefits within the social assistance system was reduced by means of their integration (instead of some 20 benefits, the system currently comprises half the number of benefits). For example, instead of three benefits (assistance for covering funeral costs, clothing and footwear allowance and the provision of ready meals) the integral benefit was introduced - the one time assistance. Thus, some rights have changed eligibility criteria as well as the number of users, and with the new Law on the Social Welfare System - that should be prepared till the end of 2010 - will probably be changed or abolished. The welfare system consists of three components: cash transfers, benefits in kind and a range of residential and foster-care programmes.

Maintenance (or social) assistance is the most important form of financial assistance. This form of assistance can be claimed by a single person or a family that does not have sufficient funds necessary to meet the basic necessities of life. Citizens are required primarily to support themselves, which means that they cannot obtain help if they do not want to be supported by persons who are bound to maintain them, and if by using or liquidating assets they can maintain themselves. Stress is laid on the need to commit one's own forces, resources and family solidarity. Social assistance benefits are relatively low (HRK 500 or EUR 68 for the first adult or for children between the ages of 15 and 18, 80% of the mentioned amount for each additional adult and for children under the age of 7 etc. The range for a family of six members starts at 800% of the basic amount, and goes up to 1000% of the basic amount for a family of seven to nine members, and to 1200% of the basic amount for a family with 10 or more members. Expenditure on all social assistance benefits accounts for about 0.7% of GDP. In the period from 2004 to 2009, less than 3% of the population received permanent social assistance (single households accounted for almost half of all recipients, which is considerably higher than their share in the total number of households - 20.8% according to the 2001 census) (Picture 4.1).

Almost 30% of recipients have been on social assistance benefit for 5 to 10 years, while 94% have no earnings outside the social assistance system (MHSW, 2007). Unemployed persons account for about 45% of all permanent social assistance beneficiaries. Fewer than 2.5% of all children up to 14 years live in households that receive permanent social assistance benefits.

Picture 4.1 Total number of beneficiaries of maintenance (or social) assistance (2001-2009)



Due to the economic and social development, probably the most representative period for getting an insight into the structure of permanent assistance beneficiaries was the period 2004 – 2006, characterized by high GDP growth and reduction in the number of unemployed (Table 4.1).

Table 4.2 Structure of beneficiaries of permanent social assistance (%)

	2004	2005	2006
By gender			
Male	49.4	49.6	49.4
Female	50.6	50.4	50.6
By age			
Up to 7 y.	13.5	12.7	12.4
7-15	15.9	15.8	16.2
15-18	6.1	6.0	5.9
18-30	9.7	10.8	10.6
30-40	12.5	13.5	13.0
40-50	14.0	15.2	14.9
50-60	10.0	10.0	11.1
60-75	14.7	11.8	11.8
75 and more	4.6	4.2	4.1
By employment status			
Employed	0.7	0.6	0.6
Self-employed	1.2	1.0	0.9
Pensioners	2.0	1.6	1.5
Unemployed	45.3	46.1	45.6
Adults with disability	14.7	14.8	15.6
Children and youth within regular education	30.3	31.2	31.7

Others	5.8	4.6	4.1
By duration of receiving social assistance			
Up to 6 m.	8.8	8.4	8.4
6 m. – 1 y.	13.4	12.4	11.1
1-2 y.	19.5	18.9	18.2
2-5 y.	24.3	29.7	29.4
5-10 y.	29.6	23.0	24.6
10 and more	4.4	7.6	8.4
By education of applicant [45]			
No education or incomplete primary school	43.2	39.9	40.1
Completed primary school	30.2	32.0	32.2
Secondary school	24.8	26.4	26.0
Post-secondary school	1.8	1.7	1.6
By household type			
Single	48.2	48.3	49.1
Single parent	6.8	6.7	6.4
Parents (adults) with children	30.5	31.9	31.1
Families without children	14.5	13.1	13.4
Singles and families with no income sources	94.0	93.7	91.9

Source: MHSW

One-time assistance can be claimed by a single person or a family that, because of some momentary unfavourable circumstances cannot cover the basic necessities of life, either entirely or in part. This assistance is granted up to the amount that will cover these needs, but if the amount is more than three times as much as the base for welfare payments, a CSW has to have a previously obtained assent of the line ministry for granting this assistance.

The supplement for care and assistance is a right that can be claimed by a person who, because of some lasting changes in their state of health or because of old age, essentially requires care and assistance by another person, because he or she cannot provide for the basic necessities alone.This supplement will be provided if the person cannot obtain the assistance in any other way and if the income per family member does not exceed a certain amount. The care and assistance supplement can, with the conditions described, also be granted to a person who, because of some temporary changes in the state of his or her health or because of some physical impairment, essentially requires the constant care and assistance by another person. The care and assistance supplement can be granted in full or in some reduced amount depending on whether the essential need for care and assistance by another person exists in the full or in some reduced extent.

Care and assistance (nursing) at home - Elderly persons in Croatia on the whole live in their own homes and with their families. Only about 2% of persons over the age of 65 are accommodated in homes for the elderly and infirm. Because of the increasing number of elderly persons, the inadequate capacities of

[45] "Benefit applicant" is the person who applied for the benefit on behalf of him/herself and the family while the term "beneficiaries" refers to the applicant and all the members of the family making use of the benefit received.

accommodation in welfare homes and the need for the life of the elderly to be to as rich as possible, the care for the elderly is a joint obligation for both, the central government and local government institutions. Retired people's homes and welfare centres are required, alongside their usual work, to organise (to some considerable extent) various forms of care and nursing at home for the inhabitants of the particular local community in which they work. This kind of work is organised at some thirty homes for the elderly and infirm. Care and nursing at home, in line with the provisions of the Law, can be claimed by persons who, because of some physical or mental impairment or because of lasting changes in their state of health or because of age, absolutely need the care and nursing by another person. This care and nursing at home, according to the Law, is provided for persons who have an income lower than that prescribed per family member, and when there is no possibility that this care and nursing can be provided by a spouse, or children, or some person contractually obliged to provide maintenance. Care and assistance at home can cover: organisation of food, carrying out household tasks, maintenance of personal hygiene and covering other everyday needs of elderly and infirm persons. About 3,000 clients are covered by the services of non-institutional care that is provided by homes for the elderly and infirm in Croatia that are owned and run by units of local or regional self-government.

Care outside own family includes all forms of accommodation or living in a foster family, in welfare homes, as well as those forms of accommodation or residence that can be afforded by a religious community, a company, an association and other domestic and foreign legal and natural entities, through which the client is provided with, for example, housing, food, health care, nursing and other needs. This kind of care outside the context of their own families provided to elderly and infirm persons who because of some lasting changes in their state of health or for reasons of infirmity absolutely require the permanent assistance and care by another person that cannot be given by members of their own family and cannot be provided in some other way.

Accommodation in a foster family is used in the cases when an older person has welfare and protectionneeds, a person who is incapable of an independent life, and who, because of age or state of health, urgently needs permanent care and assistance by another person. Through placing an elderly or infirm person in a foster family it is possible to avoid the negative aspects accompanying institutionalisation, something which a considerable number of older people will still not accept, and who might experience the organised way of life in an institution as the final chapter in their lives. Being placed in another family is preceded by the expert work of the professionals in the welfare centres. Considering the current, generally low standard of living, where the younger generations do not have the capacity to care for their older family members, a foster family is the best substitute for family care for an older person. At the moment about 2,000 adult and elderly persons are placed in foster families.

There are some other types of aid – like the Right to Reduced Working Time for Parents of Handicapped Children and the Assistance for Household with Heating - but the number of their users is low and expenditures for them are small.

In Croatia there are no specific vulnerable groups defined, but in various documents like the Joint Inclusion Memorandum (JIM) additional attention is given to the people with disabilities, refugees, displaced persons and returnees, the Roma population in general, long-term unemployed persons, the poor, and particularly older persons without pension rights.

Conclusion

In the pension insurance there is a need for strengthening the link between paid contribution and future amount of pension or in other words to ensure that pensions depend on contributions made in the past. Also it is necessary to consider raising the age limits for retirement and to reduce the stimuli for early retirement. An important step is to improve the collection and the control of collection of contributions, particularly in the private sector. There is a need for careful regulation of pension funds resources management (especially in conditions of an undeveloped and unstable financial system) and limit further burdening of the Budget. Finally, one should not forget about the protection of the population that is at risk the most.

Reaching a national consensus on a health care reform is rare. More common is a consensus on specific corrections to address specific problems. It is crucial to explain and to eliminate the general illusion that health care is a free good and simultaneously inform and think about moral hazard[46], cream-skimming[47], adverse selection[48] etc. In the long run this could contribute towards increasing personal responsibility. Directly bearing some of the cost of health care (via pay-roll deduction of premiums, or out-of-pocket expenses) can induce individuals to adopt healthier life-styles, taking responsibility for their own health status. The basic principles for an efficient and equitable system of co-payments are well-established in the health economics literature and include: high co-payments for small, frequent, cheap and everyday diseases; low or no co-payments for rare, severe and costly diseases, for patients suffering from chronic diseases or disabilities, and for preventative health care (annual check-ups); lower co-payments for the poor and the elderly; and an upper limit on health care costs as a percentage of annual income (Osterkamp, 2003).

In the health system, the structure of outstanding liabilities of the healthcare establishments has to be determined and they must be reduced or eliminated. There are plenty of ways in which the private sector can take part in the primary care, especially in diagnostics and specialist treatments. Involvement of the private sector should be encouraged in inpatient treatment for less intensive services (minor operations, childbirth) and in long-term care. There is a need to perform calculation for the "realistic participation rate" and reduction of use of expensive specialist care in favour of cheaper, primary protection. The Government has to set more qualitatively the minimum financial standards for decentralising the functions in the area of health care. Furthermore, it is necessary to determine the real costs of hospital services and defining the prices more realistically.

Although the total and the long-term unemployment in Croatia are somewhat higher than the average for other transition countries, these labour market indicators do not diverge from the range in which they move in those countries. However, this does not mean that unemployment is not a serious social problem and that reducing unemployment should not be one of the priorities for the economic policy. Moreover, organizations administering labour market programs have

[46] The term moral hazard refers to the increased risk of careless behaviour and thus a negative outcome ("hazard") because the person who caused the problem does not suffer the full (or any) consequences of his or her behaviour, or may actually benefit at the expense of others. In health insurance this problem arises if individuals are taking less care of their health – e.g. exercising less, smoking and drinking, than would otherwise be the case – just because they knew they were insured.

[47] Term used to refer to the perceived business practice of a company providing a health insurance only to the healthy people and rejecting those for whom is suspected that have health problems.

[48] Term describes a situation where an individual's demand for insurance (either the propensity to buy insurance, or the quantity purchased, or both) is positively correlated with the individual's risk of loss (e.g. higher risks buy more insurance), and the insurer is unable to allow for this correlation in the price of insurance.

considerable experience and are probably capable of administering more ambitious programs. Still, an impression cannot be avoided that some of the implemented solutions were not always optimal and did not contribute towards reducing unemployment, underemployment, social exclusions and poverty[49] as much as they might have done. It is necessary to target ALMP to the persons with lowest employability and to perform regular assessment of obtained results.

There is no universal model for all countries, but there are some indications that Croatia could benefit from establishing a closer relationship between employment policy and social policy. In countries with high long-term unemployment, the interaction between benefit systems and employment policy is significant. Additionally, as countries move towards placing an emphasis on active jobseekers, the link between policy and delivery of social and employment services becomes more important. In Croatia, this link seems to be missing.

The promotion of a client-oriented system requires a shift in the planning model from a top-down approach to bottom-up, through the implementation of a social planning model based on periodic and participatory assessment of needs. This approach would also allow for the involvement of the non-government sector (as currently happens in the case of assistance to the elderly mostly managed by cities and municipalities), which is the precondition for de-institutionalisation.

Cash benefits are not very well targeted, and since different institutions administer them, there is a risk of multiplication and accumulation of rights that may prevent a more equitable distribution of benefits. Rationalization of the social cash benefit system, including its administration, and linking access to benefits to participation to active labour market initiatives and public/social work programmes are the main priorities.

---

[49] Main indicators of poverty and inequality
Absolute poverty measures the proportion of a population surviving on less than a specific amount of income. This specific amount is *the poverty line*. Absolute poverty lines set an absolute minimum standard of living and are typically based on a fixed basket of food products (deemed to represent adequate minimum nutritional intake necessary for good health) plus an allowance for other expenditures (such as housing and clothing). Hence absolute lines can vary across countries, depending on the composition of the consumption basket. While there is clearly some arbitrariness in determining what is adequate, the notion of a poverty line still provides a useful benchmark. Relative poverty lines define poverty relative to national living standards because irrespective of absolute needs, people may consider themselves poor when their living standards are substantially below those of others in their country. Relative poverty lines are usually set as a fixed percentage of median or mean equivalent household income. Usually, poverty is calculated using 50 (or 60) percent of the median income as a base for international comparison. *The poverty gap* measures how much income would have to be transferred to the poverty population to lift every household's income to the poverty line (assuming the transfers had no effects on the recipients' work effort). *Gini coefficient* is bounded between 0 and 1, with 0 indicating absolute equality and 1 indicating absolute inequality. *Poverty intensity* measures account jointly for the number of poor, depth of poverty and inequality among the poor. For practical purposes, the percentage change in poverty intensity can be approximated as the sum of the percentage changes of the poverty rate and the average poverty gap ratio.

Statistical Annex

INDICATORS	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP (in Million of HRK) (6)	99,608	89,174	82,569	87,441	98,382	107,980	123,810	137,603	141,579	152,519	######	181,231	198,422	212,826	229,031	231,032	243,672	249,422	234,925
GDP (per capita) (in HRK) (6)	20,821	18,840	17,259	18,277	20,565	22,571	25,880	28,763	29,594	31,881	37,331	40,845	44,719	47,966	51,618	52,069	54,918	56,214	52,947
GDP growth rate (6)	-21.1	-11.7	-8.0	5.9	6.8	5.9	6.8	2.5	-0.9	2.9	4.4	5.6	5.3	4.3	4.3	4.8	5.5	2.4	-5,8
General government debt (% of GDP) (7)	19.6	19.8	21.9	22.0	19.3	29.2	32.4	37.6	46.4	39.7	40.1	40.0	40.9	43.2	43.7	40.8	33.3	29,1	35.3
Consumer price indeks (6)	223.0	765.5	1617.5	197.6	102.0	103.5	103.6	105.7	104.2	104.0	104.6	103.8	101.7	101.8	102.1	103.4	102.9	106.1	102.4
Employment rate (LFS started in 1996) (6)						50.6	49.3	47.0	44.8	42.6	41.8	43.3	43,1	43.5	43.2	43.6	44.2	44.5	43.3
Unemployment rate (6)	13.2	13.2	14.8	14.5	14.5	10.0	9.9	11.4	13.5	15.7	16.4	14.5	14.4	13.8	12.3	10.5	9.6	8.4	9,7
Average wage (EUR) (2)	443.1	249,01	253.42	285.90	400.98	429.45	482.63	543.55	598.82	638.14	677.51	724.15	744.18	797.04	814.73	879.11	965.34	1033.42	1056.30
Labour productivity (indices) (6)	87	100	100	103	107	111	113	109	104	111	110	110	108	106	104	106	105	104	100
(At risk of) Poverty rate (first reserch by the World Bank in 2001)											17.2	18.2	16.9	16.7	17.3	16.3	17.4	17.4	17.8
Inequality of income distribution (Gini)											0.28	0.29	0.29	0.29	0.29	0.28	0.28	0.29	0.29
Social expenditure (% of GDP)(5)					18.8	19.3	20.4	21.2	22.7	22.8	23.2	21.7	21.8	21.6	19,3	18.1	17.5	19,0	
Old age & survivorship (4)	10.1	7.3	7.3	7.2	8.5	9.2	10.6	11.3	12.9	12.8	13.5	12.7	12.2	11.8	11.5	11.3	10.8	11.6	
Health & disability (3)					7.8	7.7	7.5	7.6	7.2	7.5	7.2	6.7	6,4	6.6	4.9	4.9	5.4	5.4	
Unemployment benefit					0.5	0.4	0.5	0.4	0.5	0.4	0.5	0.5	0.5	0.6	0.5	0.4	0.3	0.3	
Social assistance (benefit) (3)					2.0	2.0	1.8	1.9	2.1	2.1	2.0	1.8	2.7	2.6	2.7	2.4	2.5	2.6	
Structure of the economy (6)																			
Industry					22.8	21.6	21.9	21.1	20.7	20.7	20.7	19.8	19,4	19.2	18.9	17.7	17.6	17.5	17.4
Agriculture					8.6	8.4	7.8	7.9	8.1	7.4	7.1	6.9	6.8	6.6	6.5	5,4	5.2	5.6	5.7
Services					68.6	70.0	70.3	71.9	71.2	71.9	72.2	73.3	73,8	74,2	74,6	76,9	77.2	76,9	76,9

7.3 HRK = 1 EUR

1 Croatian Kuna (HRK) was introduced in 1994, thus data for the period before was recaltulated

2 Average Monthly Gross Earnings of Persons in Paid Employment

3 Source: Ministry of Finance (Classification according to GFS Manual 1986); Data until 2004 includes expenditure by consolidated central government and costs of non-consolidated local and territorial (regional) self-government. Data for 2005 and 2006 represent non-consolidated sum of costs of the state budget and local and territorial (regional) self-government without the administrative costs of social insurance funds (CIPI, CIHI, CES) which equals approximately 1% of GDP. Figures for 2007 and 2008 include all expenditures of CIPI, CIHI and CES. Since 2002, data pertaining to local and regional self-government cover only the 53 largest units, which account for 70-80% of the total transactions of local and regional self-government.

4 Ministry of Finance and Croatian Pension Insurance Institute

5 Due to various sources and various methodologies (GFS Manual 2001 and ESSPROS methodology) mentioned shares are more ilustration than exact data

3 CBS (Croatian Bureau of Statistics): Statistical Yearbook, various years www.dzs.hr, for employment and unemployment Labour Force Survey, CBS, Publication: Persons in Employment by Activity and by Sex www.dzs.hr/hrv/priopcenja/PrFrameH.htm

7 Ministry of Finance and Croatian National Bank

Explanation for methodology: The dispersion around the at-risk-of-poverty threshold indicates a percentage of persons at the risk of poverty in case when the at-risk-of- poverty threshold is set at 40%, 50% and 70% equivalised income medians. In 2009, the at-risk-of-poverty rate was 6.2% for the threshold set at 40% of the median, 11.5% for the threshold set at 70% of the median and 25.1% for the threshold set at 50% of the equivalised income median. The at-risk-of-poverty rate before social transfers is calculated by excluding social transfers when defining an income that represents the basis for its calculation. This indicator is used in connection with a standard at-risk-of-poverty rate in order to evaluate the impact of social transfers on the risk of poverty. A comparison between the standard at-risk-of-poverty rate and the at-risk-of-poverty rate before social transfers shows that the exclusion of social transfers causes an increase in persons at the risk of poverty from the standard rate of 18.0% to the rate of 25.8%. If both social transfers and pensions are excluded from the income, the at-risk-of-poverty rate reaches 41.1%.

List of abbreviations

ALMP	Active labour market policy
CBS	Central Bureau of Statistics
REGOS	Central Registry of Insured Persons
CES	Croatian Employment Service
CHII	Croatian Health Insurance Institute
CNIPH	Croatian National Institute for Public Health
CPII	Croatian Pension Insurance Institute
CSW	Centre for Social Welfare
HANFA	Financial Services Supervisory Agency
IWVs	Invalid war veterans
MELE	Ministry of Economy, Labour and Entrepreneurship
MF	Ministry of Finance
MHSW	Ministry of Health and Social Welfare
MFVAIS	Ministry of the Family, Veterans' Affairs and Intergenerational Solidarity
HAGENA	The Agency for Monitoring Pension Funds and Insurance
WHO	World Health Organisation

List of references

Babić, Z. (2003). Uloga aktivne politike na tržištu rada u Hrvatskoj (The Role of Active Policy of Labour Market).*Financijska teorija i praksa* 27 (4), pp. 547-566.

Bejakovic P., &McAuley, A. (1999). Welfare Policy and Social Transfers in Croatia, *Occasional Paper Series*No. 8, Zagreb: Institute for Public Finance, Retrieved from wttp://www.ijf.hr/OPS/8.pdf

Bejaković, P. (2004). The Collection of Pension Contributions in Croatia. In: Fultz, E., &Stanovnik, T. (eds).*Collection of Pension Contributions: Trends, Issues, and Problems in Central and Eastern Europe*. Budapest: International Labour Office.

Biondić, I., Crnić, S., Martinis, A., & Šošić, V. (2002). *Tranzicija, zaštita zaposlenja i tržište rada u Hrvatskoj* (Transition, Labour Protection and Labour Market in Croatia). Zagreb: Vlada Republike Hrvatske, Ured za socijalno partnerstvo (Government of the Republic of Croatia, Social Partnership Office).

CNIPH. (2009). *Croatian Health Service Yearbook 2008.* Zagreb: CNIPH.Retrieved from http://www.hzjz.hr/publikacije/hzs_ljetopis/

Croatian Health Insurance Institute (CHII). (1998-2008). *Report on the financial performance*, various years. Zagreb: Croatian Health Insurance Institute.Retrieved from http://www.hzzo-net.hr

Dorenbos, R., van Winden, P.,Walsh, K., Svaljek, S., &Milas, G. (2002). *Evaluation of program of public works in Croatia - Final report*, Rotterdam: NEI Labour and Education & T.E.R.N.

Government of Croatia. (2004). *Information provided by the Government to the Questionnaire of the European Community, Chapter 13: Social Policy And Employment*, Zagreb: Government of Croatia.Retrieved from http://www.vlada.hr/zakoni/mei/Chp13/Chp13.pdf

International Labour Office, (2005). *Social Security Spending in South Eastern Europe: A Comparative Review*. Budapest: International Labour Office.

Mihaljek, D. (2006). Health Care Policy and Reform in Croatia: How to See the Forest For the Trees, in Ott, K. *Croatian Accession to the European Union: The Challenges of participation*, Fourth volume Zagreb: Institute of Public Finance and Friedrich Ebert Stiftung, Retrieved from www.ijf.hr

Ministry of Health and Social Welfare. (2007). *Joint Memorandum on Social Inclusion of the Republic of Croatia*, Zagreb: Ministry of Health and Social Welfare.Retrieved from www.mzss.hr

Ministry of Health and Social Welfare. (2008). *Implementation Report on the Jim Follow-Up Process on Social Inclusion of the Republic of Croatia, between the Government of Croatia and the European Commission for the Period March 2007 - June 2008*, Zagreb: Ministry of Health and Social Welfare.Retrieved from www.mzss.hr

Ministry of Health and Social Welfare. (2010). *National Implementation Report on the Jim Follow-Up Process on Social Inclusion of the Republic of Croatia, between the Government of Croatia and the European Commission in 2009*, Zagreb: Ministry of Health and Social Welfare.

Mišetić, A., Štambuk, M., &Rogić, I. (2004). *Living in Zagreb*, Zagreb: Ivo Pilar Institute of Social Sciences.

Osterkamp, R. (2003). Public health insurance Pareto-efficient allocative improvements through differentiated copayment rates.*The European Journal of Health Economics* 4 (2), pp. 79-84.

Riboud M., Sánchez-Páramo, C.,& Silva-Jauregui, C. (2002).Does Eurosclerosis matter? Institutional reform and labor market performance in Central and Eastern European countries.In Funck, B.&Pizzati, L. (eds.).*Labor, employment, and social policies in the EU enlargement process: changing perspectives and policy options*. Washington, D. C.: World Bank, pp. 315-338.

Šošić, V. (2005). Poverty and Labor Market Policies in Croatia.*Financial Theory and Practice* 29 (1), pp. 55-73, Retrieved from http://www.ijf.hr/eng/FTP/2005/1/sosic.pdf.

Šućur, Z. (2005). Poverty and Social Transfers in Croatia.*Financial Theory and Practice* 29 (1), pp. 37-58, Retrieved from http://www.ijf.hr/eng/FTP/2005/1/sucur.pdf.

Transparency International Croatia. (2005).Public opinion survey on corruption, transparency of information and conflict of interest. Retrieved from www.transparency.hr/dokumenti/istrazivanja/omnibus_04_2005_korupcija.pdf.

UNDP Croatia. (2006a).*Poverty, Unemployment and Social Exclusion*. Zagreb: UNDP.

UNDP Croatia. (2006b).*Quality of Life and Risks of Social Exclusion in the Republic of Croatia*. Zagreb: UNDP.

World Bank. (2004). *Croatia, Health Finance Study*, Report No. 27151-HR, Washington DC, Zagreb: Human Development Sector Unit Europe and Central Asia Region.

World Health Organisation. (2006). *Core Health Indicators*, Geneva, World Health Organisation, Retrieved from http://www3.who.int.

Welfare State in Transition: Political Transformations. The Case of Croatia

Davorka Vidović,
Davor Pauković

Introduction

This paper intends to provide an analysis of political transformations that influenced and accompanied the restructuring of the welfare state in Croatia. The analysis will be divided in two main periods, significant for the understanding of different political influences: first, from the gaining of independence until 2000 and the political regime shift and second, from 2000 until present.

A transition from an authoritarian to a democratic regime is usually marked with turbulences, changes and uncertainty. In Croatia, these processes were accompanied by nation-state building and war. Moreover, besides internal transformations, extra pressure was generated by global social, economic and political processes. All these factors significantly influenced the transformation of the welfare state during this period.

The paper will try to show in what way the authoritarian tendencies of the political regime in the first period, during the 1990s, influenced the transformation of the social system. In this period, first social reforms were initiated or were at least prepared for implementation. Firstly, restructuring took place in the main social sectors such as the pension system and the health care systems, but also encompassed reforms in the labour market and social care. This first period of transition was marked with much turbulence in the social sphere, followed with a significant shrinking of the traditional welfare state and further deepening of social problems. First steps in restructuring of social sectors were accompanied with the assistance and influence of international organizations, in particular the World Bank and the International Monetary Fund.

The second period started in 2000 with a regime change, when a coalition led by the Social Democratic Party won the election. The coalition proceeded with further implementation of social reforms, mainly based on laws adopted during the first decade. These reforms have led to an even deeper shift of social responsibility towards individuals, local communities and civil society organizations. From 2003, the softer and reformed HDZ continued with social reforms. The second period was marked with further external influences and pressures, accompanied with European Union requirements in the process of integration.

First period: 1990 – 2000. Nation-state building, the national question and authoritarian characteristics of the political regime in the 1990s

The break-up of Yugoslavia

Soon after Josip Broz Tito's death in 1980, Yugoslavia began to function as an association of communist parties of the individual republics. The unity of the League of Communists of Yugoslavia (LCY) largely disappeared and a pluralism of republic parties emerged. A certain level of disintegration, formally enabled through the 1974 Constitution, reached its full scope with the worsening of the crisis in the 1980s. As a result of the overall crisis, the regime started to gradually lose its legitimacy, which in turn led to regime softening, i.e. liberalization. The crisis that shook the communist world in the 1980s encompassed Yugoslavia with the same intensity. The communist regime, i.e. the socialist system, could no longer provide answers to societal problems that started amassing in the late 1970s

and the beginning of the economic crisis. In this regard, social issues grew larger and the socialist society could not deal with them. The liberalization that resulted from the legitimacy loss of the regime brought the national question and the question of statehood to the foreground. Eventually, this led to the Yugoslav break-up through an armed conflict. Such circumstances had a decisive impact on the course of transition in Croatia.

Transition in Croatia and the building of a nation-state

The 1990 election campaign in Croatia, as well as the general context of the transition was marked by the national question and the struggle for statehood. This was the set framework inside which the transition players and their party programmes and alignments were formed. The top priority issues were relations inside the federation, i.e. the status of the individual republics and the national question, while all other issues, including social policy, were deemed secondary. The main parties were HDZ (Croatian Democratic Union), reformed communists (SKH-SDP) and the Coalition of People's Accord (KNS). HDZ almost made no mention of social policy in its programme documents (Đurić, Munjin & Španović, 1990, pp. 59-82). The reformed communists devoted more space to social policy in their programme. The programme stated, e.g., that "nobody ought to be socially excluded and not taken care of". The reformed communists presupposed in their programme that social issues would arise from the transformation of social ownership to private ownership. Therefore, they suggested the creation of certain social security funds for laid-off workers, occupational retraining, the buying out of missing worktime, etc. Also, unemployment benefits and provisions for socially endangered groups wereguaranteed (Đurić, Munjin & Španović, 1990, pp. 276, 281).

The Coalition of People's Accord stressed out the need for reforming the social care system in its programme. This included the increase in the social policy standard in all segments. This was to be achieved through costs rationalization, i.e. the creation of more cost-efficient public services (Đurić, Munjin & Španović, 1990, p. 116).

In the context of such an election campaign, HDZ gained a relative majority of votes in the two-round elections in the Spring of 1990, aided by its programme which was based on notions of nation and statehood (this programme eventually became a national movement), as well by their strong organization structure (including strong financing). Due to the election system, HDZ won absolute majority in the tricameral Parliament (Sabor).[50] In the first round of the 1990 election, the turnout was 84.5% (Croatian State Election Commission).

The 1990 election, although not held in a sovereign Croatia, can be deemed as "founding" in the sense of institutional democratization of the political system and the establishment of a non-communist regime. The disruption of territorial integrity of the republic and the non-acceptance of the new Government by rebel Serbs enabled the ruling party to retain some elements of a national movement even after the elections. This also meant the continuance of national homogenization. Such circumstances influenced the behaviour of the opposition, which was by large already marginalized by the election results, i.e. the

[50] When we take a look at the share of mandates, we can see that HDZ had a two-thirds majority in the House of Socio-Political Organisations Social-political Council and an absolute majority in the other two houses of the Sabor (House of Municipalities and House of Associated Labour). Such predominance in mandate share stemmed from the majority election system, so that HDZ gained 67.6% of mandates in the House of Socio-Political Organisations Social-political Council on account of 42% of votes.

majority election system. The non-recognition of Croatian sovereignty and the results of the democratic process led the opposition to start supporting the new Croatian Government in its defence of national and state interests. This largely meant a reduction of opposition critique. On the other hand, the Government often accused any criticism for being contrary to national and state interests. The new regime suffered from a significant democracy deficit, due to specific circumstances in which transition took place (the Yugoslav crisis, the rebellion of a part of the Croatian Serb population, the concurrent state-building, state break-up and war), institutional arrangements (semi-presidential system), as well as sociocultural legacy and political culture (which was in Yugoslavia characterized by marked authoritarianism) (Šiber, 1992).

The war period 1991-1995

The new non-communist Government was soon confronted with a rebellion of part of the Serbs from Croatia, but shortly after also with aggression from Serbia, which sought to change the republican borders. In such conditions, social transformation of the socialist system was further aggravated. As a result of transformations in the society, especially due to war conditions, salaries and social benefits in Croatia were cut. The estimated direct war damage amounted to 33 billion , while the cumulative economic downfall numbered 36% of the pre-war GDP (Puljiz, 2004, p. 11). Besides the usual social groups targeted by state welfare, two additional segments of the population emerged in this period: displaced persons from occupied and war-hit parts of Croatia and refugees from neighbouring Bosnia and Herzegovina. In late 1991, there were 550,000 displaced persons and 150,000 refugees in Croatia. Large amounts of budget funds were used for the welfare of these groups. However, this period was characterized by a very high degree of social solidarity, especially on the level of primary groups (family, relatives, and friends). In such circumstances, the usual social and development problems were set aside (Puljiz, 2004, pp. 11-12).

In August 1992[51], the election results in election for the Chamber of Deputies of the Parliament indeed confirmed HDZ's domination. HDZ won 44.7% of the vote and a 61.6% share of mandates.[52] The turnout in the elections was 66.83% (Croatian State Election Commission). In the next Parliamentary election in 1995, that was also a preterm election, governing party placed its bets well, as HDZ won 45.2 % of the vote, gaining 59.1% of mandates in the Chamber of Deputies.[53] The turnout was 63.41% (Croatian State Election Commission).The ruling HDZ was successful in using the national euphoria which erupted after victorious military operations in Spring and Summer of 1995, when large sections of the occupied territory were regained, which certainly contributed towards winning this election.

The 1990s were marked by HDZ's leader – Franjo Tuđman, whose rule had some authoritarian characteristics, as one could not always draw a clear line between HDZ, the state, the national movement and Tuđman's as a person. He was elected president twice, in 1992 (56.7%) and 1997 (61.4%). As Presi-

[51] The second free election was held two years before the 1990 Sabor term was ended. The term was shortened due to the fact that the first Sabor had a constituent character. Furthermore, the 1990 tricameral structure of the Parliament was transformed into the Chamber of Deputies and the Chamber of Counties (this chamber was supposed to reflect the territorial division in countries). However, the main reason for this election was HDZ's assessment that the election would confirm the party's dominance after successful containment of Serbian aggression and international recognition of the state.

[52] The runner-up party was the Croatian Social-Liberal Party (HSLS) with 17.7% of the vote and 10.1% of mandates. The reformed communists lost the most, dropping to mere 5.5% of the vote, which accounted for 4.4% mandates (Zakošek, 2002, pp. 34-37).

[53] The 1995 election represented a minor setback for the HSLS (11.6% of the vote) and increased support for SDP (8.9%). The reformed communists now represented a moderately leftist alternative to the ruling HDZ (Zakošek, 2002, pp. 45-49).

dent of the Republic and leader of the major party, Tuđman controlled the political scene in Croatia during the 1990s. Therefore, HDZ under the Tuđmans' leadership was one of the key political players in this period when first social issues emerged and first social reforms were launched.

Contrary to the first programme documents, HDZ's party programme from October 1993 included more details concerning social policy.This programme stated that the state ought to ensure social security for all citizens who cannot achieve welfare on their own. The programme saw the party's social policy founded upon principles of Christian ethics. Social welfare for the countryside and areas ruined by war destruction and demographic decline was stressed out. As a group of special concern, families and children of fallen Croatian war veterans, war wounded and displaced persons were mentioned. Concerning the health care policy, HDZ opted for compulsory health insurance (Milardović, 1997, pp. 52-53).

The war period was also characterized by massive transformation and privatization of companies previously in social property. This gave rise to drastic unemployment. In 1995, 249,000 people were unemployed, only 14% of which received unemployment benefits (Puljiz, 2004, p. 13). It should be mentioned that privatization in Croatia, carried out in specific circumstances and war, was marked by different embezzlements and, in a way, contributed to the collapse of the social situation.

In this period, one of the most important measures in social policies was the adoption of the Social Welfare Program, presented by the Croatian Government in 1993. The main purpose of this programme was to provide specific social care services for many disadvantaged groups that emerged during the war. According to some assessments around 5% of Croatian citizens used some of these social care programmes (see Puljiz, 2001, p. 168). This programme was financed partly from the national budget and partly from the resources of international humanitarian organizations such as the International Red Cross and Caritas.

Also in this period, the beginning of the transformation in the health care system was marked by the Law on health insurance (OG 75/93) and the Law on health care (OG 75/93) which introduced the principle of private ownership in the health care system, certainly the most important novum. These laws foresaw the possibility of citizens having private health insurance in order to enjoy extra health services (those not covered by basic, state-funded health care). Also, due to these laws private health institutions could be established, so the first forms of privatization in health care sector appeared. Moreover, measures towards higher centralization were adopted in order to achieve higher resource control and decrease expenditure in this sector. Those measures were particularly welcomed and well assessed by the World Bank (see Zrinščak, 2007).

The increase in social discontent and the crisis of the post-war period (1995-2000)

The end of war and the disappearance of threat by an external enemy put the ever-growing social issues (created during the war period) in the foreground in the second half of the 1990s. Transition and wartime losers, displaced and unemployed persons, as well as pensioners began to strongly indicate their disadvantaged social status in comparison to those social groups that profited from the transition and the war largely due to good connections with the governing party. In such a context, it is hardly surprising that support for the national discourse of the governing party waned. An indication of change and the first success of the opposition took place with the municipal election in Zagreb in late 1995 when an opposition

coalition won over HDZ.[54] However, during these last few years of HDZ Government in 20th century, further social sectors modifications took place. During the decade of transition accompanied with the war, unemployment and poverty increased along with the stratification of society, leaving higher gap between poor and rich population. Also lower employment rate caused the reduction of financial transfers into social funds, so the social services were more impoverish. However, due to increased social needs caused by war and after-war situation accompanied with transition processes, the social expenditure was significantly high (compared with other transition countries in the region). For example, in 1998 social expenditure was 27% of GDP (Puljiz, 2001, p. 164).

In 1997, a new Law on Social Care was adopted (OG 73/97). It brought the principle of subsidiarity in the social sector and shift of the partial responsibility on local authorities and civil society organizations. This principle intended to transfer social care responsibility on individuals, families and lower level authorities. Also, this Law introduced market elements and possibilities for privatization of social care services.

The labour market sector is regulated by the Labour Law. The first Labour Law was adopted in 1995 (OG 38/95) and was perceived as very rigid and inflexible compared to regulations in the developed states (Maršić, 2005). This Law highly protected stable employment and limited temporal and/or occasional employment as different forms of flexible employment and prescribed high costs for collective dismissal.

Moreover, there were some reforms in the labour market sector. Although some measures of active policies in this sector were implemented since 1992, mostly promoting employment of unemployed and inexperienced persons (see Babić, 2003)[55], more serious measures were adopted in 1998. In this year the Croatian Government proposed, and the Parliament adopted "National Employment Policy" as a programme of active policy measures. The main goal of these measures was to increase employment in that period. Significant share of young inexperienced persons, long-term unemployed persons and war veterans accompanied with poor professional qualifications structure and lack of competitive skills were important reasons for developing active labour market policies (Babić, 2003). Those active policy measures indirectly influenced liberalization and flexibility in the labour market. Also, it was a step towards an active welfare state instead of a passive one. There were still measures in passive welfare policies, in particular those focused on unemployment protection, but social expenditure for unemployment was reduced (see Puljiz, 2001, p. 175). Even though this policy marked the shift towards an active welfare state, during nineties not so many unemployed persons were included in the programme[56], mostly due to the periodical lack of resources but also political willingness, which indicates that active labour measures were not ranked high on the priority list of labour market policy (see Babić, 2003, p. 558).

In the health care sector the implementation of the aforementioned laws from 1993 continued. Also, it is important to add, that during this period started the first joint pro-

[54] Zagreb mayors, as well as county prefects had to be confirmed by the president. This led to the so-called "Zagreb crisis", because president Tuđman refused to confirm a mayor from an opposition party. That crisis also symbolized the authoritarian tendencies of HDZ's rule. The ruling party contested the democratic legitimacy won at polls by referring to a law that itself represented a threat to democratic legitimacy (Kasapović, Šiber, & Zakošek, 1998, pp. 95-144).

[55] According to some assessments, those measures covered more than 27.000 persons in 1994 (Babić, 2003). Yet, from 1996 measures were completely cut out due to lack of budget resources.

[56] Until 2001, only 4.311 persons were covered by active employment measures and 3.916 persons included in public works program (according to Babić, 2003).

gramme between the Croatian government and the World Bank focused on informatisation of HZZO and medical equipment supply. The project started in 1995 and lasted till 1999, and was primarily formed as a sort of support for the health care reform initiated in 1993 (Zrinščak, 2007).

Even though the pension system was gradually collapsing since the early 1990s due to many disturbances and due to the fact that this is the most important and sensible welfare sector urging for systematic restructuring, the beginning of pension reforms took place in late 1990s. The main reason for the pension system reform was the disproportion between pensioners and the active pension insurance beneficiaries (persons paying pension contributions). While the number of retired persons constantly increased, the number of the working population and pension insurance beneficiaries simultaneously decreased. This was one of the main causes for the pension system crisis. During the 1990s, the share of state transfers in the GDP transferred to the pension fund increased to 14% of the GDP, which was significantly higher compared to similar transition countries. Financing the pension system was one of the main reasons for the state budget deficit in 1990s (see Maršić, 2005). Contrary to the amount of state expenditure, the pension incomes were significantly lower than salaries. This was due to modified method of pension indexing that the Government introduced during the war period. For example, the share of average pension in average income was reduced from 80% in late 1980s to less than 40% by the end of the 1990s. That was the reason the Pensioners' associations won a plea against the Government at the Constitution Court of Croatia, which obliged the Government to pay the debt to deprived pensioners.

The Law that introduced the first reform of the pension system was adopted in 1998 (Law on Pension Insurance) and the reform started in 1999. This first reform is usually called "the small pension reform". The reform proposed a gradual increase of the retirement age (for men from 60 to 65 and for women from 55 to 60) to regulate the gap in the intergeneration solidarity model. Also, it expanded the years of work counted in the pension formula from the best earning ten years to the entire working period. The main goal of this reform was to reduce the pension expenditure and shape the system to be more rational.[57] Additionally, the reform intended to increase individual responsibility in social security.

Criticism of the Law and the reform came primarily from the social group directly affected by the reform – pensioners and their representatives, the Croatian Pensioners Party (HSU) and the Croatian Pension Union (SUH). The attitude of the HSU was that the "new pensioners", retired after the implementation of the Law in 1999 were "victims of the pension reform" (HSU, 14 February 2007). HSU also argued that the reform of the pension system was based on a model introduced in Latin American countries (in cooperation with the World Bank) which already showed failures. They considered that the main shortfall of this reform was the fact that it did not take into account the European context and specific conditions and characteristics of society, mainly the strong intergeneration solidarity, which was the foundation for the previous pension system. Also, they criticized the lack of public discussion and the ignoring of the social partners' support regarding social consequences of this reform (see HSU, 2007).

The second or "the great pension reform" was introduced throughtwo laws passed in

[57] Before the Law entered into the force, many employees went into retirement to take the advantage of the old conditions. Due to that fact that the number of pensioners grew in 1999. However, in 2000, the number of new pensioners was significantly reduced.

1999.[58] The proposed pension system model was based on a multi-pillar insurance system. The pension system reform was prepared with the intensive cooperation of the World Bank, an institution highly responsible for the model of the reform based on three pillars of insurance. Compulsory pension contribution was divided between the first and second pillars. The main features of the second pillar were capitalized savings and individual accounts in pension funds. The multi-pillar system was a model the World Bank widely promoted during the 1990s (see World Bank, 1994; Stubbs & Zrinščak, 2006), stressing the importance of dividing the redistributive function from the savings function of the system. As well as other transition countries, the Croatian Government also accepted the proposed model. This reform was more extreme in transforming the structure of the pension system by establishing a second pillar of compulsory individual paid-up savings for insured persons (younger than 40) and voluntary for those aged 40-50. The main goal was not only to increase the pension income, but also to increase the national savings and capital for state investments (see Puljiz, 2001, p. 165). Besides the two compulsory pillars, the third pillar marked voluntary insurance based on individual capitalized savings. Proponents of the reform, with the Government at the forefront, stressed few positive features ofthe reform: firstly, reduction of the risk for the whole system due to the division of the management of worker savings by one type of fund (pension management fund) and the payment of benefits by another (pension insurance companies); secondly, funds in the account were owned by the individual, and not by the fund or another entity and this was assessed as a factor which would increase workers' willingness to pay contributions; thirdly, funds in the account were protected from court enforcement, bankruptcy or liquidation; fourthly, competitiveness and the quality of the fund would be ensured by free choice given to the insured person to manage their own account; fifthly, the account was portable, and the funds would remain in ownership of the individual, regardless of changes in employment, until retirement (Bejaković, 2004, p. 68). Pension system reforms were "portrayed as stimulating economic growth and building the emerging markets of post-Communist Europe", so the opposition was practically silent and non-existent (see Stubbs & Zrinščak, 2006).

However, the second reform was delayed for 2002, so it was not implemented during HDZ's Government.

During the 1990s and the social transformations, Croatian citizens had high trust in the Catholic Church. The percentage of those who had confidence in this institution moved from 58% in 1996 to 65% in 1999 (World Value Survey), which indicated prevalence of traditional values. Even though the Catholic Church in Croatia had little influence in creation of social policies, remaining marginal in dealing with social issues mainly through humanitarian activities and Caritas, it remained an important institution in the society. This is in particular indicative compared to other institutions, like labour unions, which were pretty unpopular during the 1990s with 75% of the population partly or fully not trusting them. Around half of the population trusted the Government at the peak of the 1990s, but only 22.4% had confidence in political parties. Also, the confidence in the Parliament even decreased during this decade – by 1999 only 20% of Croatian citizens trusted this institution (World Value Survey). This was not surprising, bearing in mind the decrease in popularity of HDZ's Government in the late 1990s.

[58] The Mandatory and Voluntary Pension Funds Act (OG 49/99) and Act on Pension Insurance Companies and Benefit Payment Based on Individual Fully-Funded Retirement Savings (OG, 106/99).

The confidence in major business companies was around 30%. During the 1990s, the majority of the population (83.6%) agreed that eliminating big income inequalities was important or very important. By the end of the decade, positive standpoints about income equality even increased, together with the conviction that private ownership should not be intensively increased (World Value Survey).

In sum, during the 1990s, Croatian citizens had greater confidence in traditional institutions and remained loyal to traditional patterns of solidarity and closeness. The strongest trust was given to the Catholic Church, the army, school and police. This could be partly explained by a lower sense of security due to the war in Croatia (see Baloban & Rimac, 1999). The Croatian population showed lowest trust towards the media and new business companies, but also international organization (EU, NATO). It may be concluded that Croatian citizens expressed more social sensibility, which is certainly a common feature of turbulent and transitional periods. However, it is important to identify the shift in citizens' perception of social justice and equality. According to the survey "Croatian Labor and Social Justice" (Magdalenić, 1998), Croatian working people consider social justice as one of the most important but least realized constitutional values. Social justice is understood as equality of life chances (not the equality of income, e.g.), and one may identify the shift of social consensus towards a more liberal concept. Understanding of social justice as an equality of chances is related to the development of market economy and market freedom, but in the Croatian case, it is surely enhanced by the internal factors, such as embezzlements and corruption in the privatization process, that strengthened the perception of social injustice and unequal chances for everyone (Vidović, 2008). Some surveys also showed that the majority is not satisfied with the restructuring of the social sectors and results of the reforms. In particularly, as Zrinščak noted, research conducted in 2000 showed that more than 40% of respondents considered health system become worse after implemented reforms (according to Zrinščak, 2007, p. 215).Moreover, as this author emphasized, perception of the service's user is rarely taken into consideration during implementation of reforms (Zrinščak, 2007).

The legitimacy of HDZ's rule was further severed by the ever-growing economic problems of the late 1990s, the banking crisis, intra-party conflicts that culminated in public exposure of corruption affairs, as well as Tuđman's worsening health condition. The first Croatian president passed on in December 1999, with the new Parliamentary election scheduled for 3 January 2000. The ruling party faced the elections burdened by intra-party struggle for a new party leadership. A major drop in citizen support for HDZ was confirmed by the January 2000 election when a coalition of opposition parties emerged victorious.

2000-2010 – The opening and the path towards EU accession

The change of the political elite

The election campaign for the 2000 Parliamentary election differed from previous election campaigns. First of all, great importance was given to economic and social topics, while issues of nation and state, which formed the agenda used by HDZ to win previous elections, became less important. This change was also reflected in election manifestos and party programmes which dedicated much more space to social policy than what the case was in previous elections. The election manifesto of the SDP/HSLS coalition, which would eventually emerge victorious, when considering health care policy, announced a gradual elimination of the monopoly of the Croatian Institute

for Health Insurance (HZZO), i.e. the opening of the health insurance market to other insurance companies. Besides stressing the importance of social care for disadvantaged social groups, especially war victims, the issue of pensioners is also underlined. The total number of retired persons more than doubled during the 1990s. As an answer to this burning issue, a reform of the pension insurance system was announced, without giving precise explanations about its contents (Zrinščak, 2000, pp. 65-66). SDP accentuated the poor economic and social position of Croatia in its election programme: high unemployment, low pensions (40% of average salary) and an overall prevalence of social insecurity. The Social Democrats announced individual and collective protection of workers' rights and committed themselves to an agreement with both trade unions and employers' associations. Also, they argued for adoption of European social policy practices and harmonization of Croatian social and labour laws with EU legislature. This election programme argued against a practice of perceived excessive awarding of ranks and merits based on participation in the Croatian Homeland War, which eventually led to financial benefits and advantages for people who did not deserve them rightfully. The Social Democrats also claimed that the highest quality social care is one that enables healthy and able persons to find employment as soon as possible (Zrinščak, 2000, p. 67). The election programme presented by HDZ mentioned the protection of social rights, cooperation with trade unions, employment incentive programmes, etc. on a nominal level, as was the case with other political parties as well(Zrinščak, 2000, p. 74).

Prior to the 2000 Parliamentary election, the opposition parties formed a coalition in order to end the ten-year rule of HDZ. The pivotal part of this coalition was formed by two strongest opposition parties SDP and HSLS. Additionally, there was a second coalition formed by four minor parties (HSS, LS, HNS and IDS). This minor coalition agreed to post-election cooperation with the Social Democrats and Social Liberals should their cumulative election results suffice for Government formation. The election confirmed the fact that HDZ had lost voter confidence as a result of an ever-stronger crisis. The SDP/HSLS coalition won 40.84% of the vote. The Social Democrats gained 44, while the Social Liberals won 24 out of a total of 151 Parliamentary seats. The four-party coalition won 15.55% of the vote, which enabled them to get 25 mandates. HDZ suffered a heavy defeat by winning only 24.38% of the vote and gaining 46 mandates (out of which 6 seats were won in the election constituency designated for citizens living outside of Croatia, the so called "Diaspora"). The election turnout was high, amounting to 76.53% of the total number of registered voters (Croatian State Election Commission). The six-party coalition formed a new coalition Government that soon embarked on a reform path that opened Croatia's way towards Euro-Atlantic integrations.

The Programme of the Croatian Government for the period 2000–2004 pointed out that social assistance should be guaranteed for those in need, while a revision of existent beneficiaries is necessary in order to prevent misuse. Also a reform of the health and pension insurance systems was announced in order to cut budget expenses.[59]

During the period of the social-democratic and liberal coalition few reforms in social sectors took part. Those are mainly already announced and proposed through adopted laws in late nineties.

In 2001 additional reform of the labour sector started in Croatia, based on the Law

[59] The problem of great reliance of the health insurance system and especially the pension insurance system on budget financing still remains a major issue.

on Changes and Additions of the Labour Law (OG 17/01, OG 114/03). It was encouraged and supported by the World Bank (WB) and International Monetary Fund (IMF). The main intention was to make the labour market more flexible, so the modification was focused on regulating: termination period, special conditions of "collective dismissal", expansion of legislation for flexible work contracts and reduction of some benefits. The novelty introduced by the Law was the regulation of the agencies for temporary employment (Matković, Biondić, 2003), as an agent promoting flexible forms of employment. Even though the proponents of the reform considered it soft and not radical, the opponents, in particular labour unions were strongly against these changes. Some authors claim that emphasizing the international players' (WB, IMF) influence in restructuring labour legislation only extenuated the possibilities for unions to interfere (Maršić, 2005, p. 76). Employee's rights were significantly cut, particularly in the matter of the calculation of severance pay[60], which was incisively criticized by the Labour union. Moreover, the termination period for employees with 20 or more years of service was shortened from 6 to 3 months and the meaning of "collective dismissal" transformed to imply 20 employees in 90 days, instead of 5 employees in 6 months, as implied in former period. Finally, the employment contracts concluded for a definite period were no longer treated as an exception, but as a regular option for the employer. Moreover, there were no restrictions or time limitations those contracts (Maršić, 2005; Matković & Biondić, 2003). However those shrinkages in rights have been somewhat wisely covered with slight increases in some benefits, e.g. unemployment benefit rose from 900 to 1000 Kunas per month and the length of the right to unemployment benefits was prolonged from 12 to 15 months (see Maršić, 2005), and by that it is elaborated that reform actually improved condition of unemployed population.

From 2001 to 2003 the Labour Law had been modified, and finally after many discussions it came into force in 2003. The main direction was towards more liberal and flexible labourmarket. A modified Labour Law slightly moderated the rigidness and inflexibility that was perceived and criticized primarily by the international organizations. The rigidness of the Croatian labour system, in particular the tendency to maintain full employment and permanent jobs, was criticized by the World Bank (Rutkowski, 2003). It was seen as a barrier for intensive employment and job flow in the labour market. However, according to the OECD Employment Protection Legislation Index, Croatian Index remained among the highest in Europe (Maršić, 2005, p. 75), which meant that employment protection legislation was assessed as one of the strictest. In 2002, when the highest rate of unemployment was noted,[61] Government adopted and started to implement the Programme of active employment measures, which were relatively successful. Some improvement was shown in providing assistance in (re)education for market demands and also in the programme for subsidies for employing older women.

In 2001, a reform of the social care system was primarily based on changes and amendments of the existing Law dating back to 1997. The preparations for restructuring also included suggestions made by the World Bank. The main modification was the beginning of intensive decentralization of the social care system. As a result, higher responsibility

[60] According to adopted Law, severance pay was calculated as a third of net (not gross) wage/ per year of service, in total amount not higher than 6 months wages. Prior to the new Law, severance pay was calculated as a half gross wage/per year of service and not limited.

[61] The number of registered unemployed persons was 415.352 (Babić, 2003, p. 559).

for services but also for financing was transferred to local authorities, so that lower levels of administration were given greater responsibility in providing social care. Along with decentralization, a process of deinstitutionalization took place. This intended to increase the market mechanisms in the social sphere, by increasing competition and aiming towards better quality of social care services. The reform was perceived as an attempt to achieve accordance with contemporary needs and changes in societies (see Feral Tribune, 2003).

Even though the Croatian Parliament adopted a Project of Health Care Reform in 2000[62], it started with its implementation in 2003. Modifications of the health care system included: increased employment of medical workers, the hospital system was reconstructed, new health centres in counties were opened, rigid control to forbid parallel working in public and private health centres, control over sick-leave periods etc.Supplementary health insurance was also introduced (80 or 50 Kunas depending on the level of income). The purpose of the reform was achieving more control and systematic structuring of the system and decreasing health care expenditure, but also decentralization of the system. International organizations, primarily the WB, assessed those reform intentions as positive, but not sufficient and complete.

However, the reform was met with strong public criticism. It was argued that patients in Croatia did not experience improvement of health care services, but were only faced by extended waiting times for medical examination; poor conditions in hospitals, medical personnel strikes, etc. Some critical media in Croatia, like Feral Tribune, considered the coalition Government not significantly different from HDZ, in particular regarding political favouritism in personnel recruiting (Feral Tribune, 2003).

Research in 2007 (Eurobarometer, 2007) showed that there was a slight increase of those who perceived pensions (from 12% to 14%) and the health care system (from 18 to 21%) as a crucial problem in society to be dealt with, compared to the earlier research wave. These data reflect the intense public concerns during the time of reforms introduction.

Since it was a part of pre-election campaign and promises in 2001, coalition lead by SDP started the project of debt returning to pensioners. It was predicted for the project to start in 2001 (with expenditure of 1.1% of GDP) and to be over in 2010 (with expenditure of 0.7% of GDP). However, a symbolical payment of 250 thousand that was promised to be fulfilled failed, because of the resistance of HSLS (coalition partner) and also IMF (Maršić, 2005, p. 85).

As a part of the pension system reform introduced by the 1999, the Central Registry of Insured Persons (REGOS) and the Agency for Supervision of Pension Funds and Insurance (HAGENA) were established in 2001. This should have provided institutionalization and more control over law implementation. In 2002 the second or the great pension reform started, which implied the establishment of a multi-pillar insurance system.

As a result, during 2001 and 2002, the pension system was significantly transformed – from an exclusively state-financed system it became a mixed one, financed both from public and private sources. The intergenerational solidarity remained in the first pillar, with contributions of 15% of employees' salaries. The second pillar was also compulsory, including savings to the amount of 5%. The third pillar was established for voluntary savings. The main argument for the new model of the pension system continued in the same manner,

[62] New attempts to deepen reforms in health care system started in 2000 with new project of Croatian government and WB. In next two years Government adopted Strategy of health care system development as a part of „Croatia in 21st century" (see Zrinščak, 2007).

by highlighting dispersion of risk and possible increase of final pension income. However, the obvious main goal was to reduce public expenditure on the pension system and also to increase the cash in the state budget for investing in development programmes tending to increase the overall profit.

Even though the second pension reform was implemented during the SDP-led Government, the main author was HDZ and the laws this party adopted in 1998 and 1999, and firstly announced at a conference in 1995 (for details, see Maršić, 2005, p. 81). So, it could not be much criticized by the HDZ, an opposition party at that time.

According to this programme, it was planned that by 2007, the compulsory share in the second pillar would be increased to 10%, followed by a decrease of the same percentage in the first pillar. As a result, contribution in both pillars should be equal – 10%. However, it never happened, since that implied significant reduction of sources in the state budget. Here lies the main criticism from the World Bank, which considered that the main problem of the pension system reform was that the second pillar never reached the planned 10% share. The second pillar came into question with the first retirements after the reform. The first pensioners gained lower pension incomes compared to pensioners in the previous system. It became obvious that savings in the second pillar may be payable and useful only for 25% of insured persons that are in the early stage of employment and would be paying contributions for a long period. For all of those that would retire in the next 15 years it was predicted that pension incomes would be halved compared to the ones based only on first pillar contributions.

Besides that, the criticism was focused on the problem of the additional risks of the capital market and the pension system's dependency on economic development (Maršić, 2005). Also, besides good possibilities for investments in the foreign market, the privatization of the second pillar was perceived as a potential hazard for the national economy and a possible drain of capital.

Some criticism came from the International Labour Organization (ILO) that argued against the fast, non-critical implementation of a multi-pillar system in Croatia, having in mind the failures of a similar reform in Chile and elsewhere in Latin America (see Škember, 1998).

The 2003 Parliamentary election saw a return of HDZ to power. Namely, the coalition Government had serious problems in coordinating the policies and interests of all coalition members, which in turn affected the efficacy of the Government, but also the public perception, as the general populace developed an impression that the coalition was deeply divided. Under such circumstances, HDZ managed to impose its dominance again by presenting itself as a reformed, pro-European party with a new leadership under Ivo Sanader. Without the election constituency no. 11 (Diaspora), HDZ won 33.23% of the vote, which gave them 62 mandates (together with the 4 Diaspora seats this totalled 66 mandates). SDP lost the election in a coalition with three minor parties and won 23.26% of the vote, gaining 42 Parliamentary seats. The election turnout was 66.83% (Croatian State Election Commission). The 2003 election marked the beginning of a more pronounced bipolarization of the Croatian political system, as HDZ and SDP became highly dominant parties.

During this election period the important reforms took part in the health care system in 2006 (OG 85/06). The main "pro" arguments in political discourse were high level of public expenditure in this sector, but also general dissatisfaction with the access to the system and the level of services (see Zrinščak, 2007).The purpose of the restructuring was to increase

the privately financed share in health insurance. This may be seen as a further step in privatization and marketization of the sector.

Social policies in 2007 pre-election manifestos of Parliamentary parties witnessed an influence of the globalization process. Although the manifestos nominally speak of protection of social rights, they also point out to neo-liberal changes affecting the welfare state. In light of this, all parties, to a greater or smaller extent, push for a transformation of the welfare state according to the needs and challenges brought by dominant concept of socio-economic development. This includes the principles of active social policy and individual responsibility of the citizens. Such a development is in line with the general trend, i.e. influence of globalization processes on political parties in Croatia. This includes the lessening of programme differences, especially regarding the traditional left-right divide of the political spectrum (Pauković & Vidović, 2008, pp. 237-240, 244-245).

After the 2007 Parliamentary election, HDZ managed to remain in Government by a close victory over SDP and its coalition partners. HDZ won 34.91% of the popular vote, i.e. 61 mandates (plus 5 Diaspora seats this gave turned to a total of 66 mandates). SDP won 32.5% of the vote or 56 mandates. The voter turnout was 63.41% (Croatian State Election Commission). This election has shown a continuance of the trend of bipolarization of the political system.

In this period, social reforms were continued. The financial crisis in 2008 and 2009 gave rise to the problem of the pension system reform and somewhat clearly showed its failures.

In the beginning of 2009, there were also some intentions of Sanader's government to abolish the second pillar that were not positively accepted in the public. The opposition, SDP in particular, heavily criticized the Government, whom they saw as the main culprit for the failures of the pension system reform. In 2008, pension funds suffered from significant deprivation. SDP argued that a great loss in the second pension pillars' assets might cause a collapse of the pension system reform. The optimistic pro-arguments of the reform predicted growth of pension system assets stating that in 20-30 years the average pension income will reach the level approximate to 70% of the last persons' salary.[63]. Since the beginning of the financial crisis, there has been a greater pressure coming from the opposition (SDP) to implement a new pension system reform, by increasing the compulsory share in the second pillar – from 5% to 7-10%.That way, the total gross and net salary would remain the same (tportal.hr, 2009). This position is similar to the attitude of the World Bank. Some criticism also came from other social players – the Croatian Pensioners Party and Croatian Pension Union. HSU, as a coalition partner in government, did not appear in joint criticism with the opposition. The criticism of HSU was mostly related towards some specific segments of the pension reform, such as the matter of equalization of the rights between old and new pensioners. In fact, one may say that the entire discussion regarding pension reform in 2009 was enhanced in great part by the financial crisis that significantly diminished income from second pillar's funds' investments. These social groups believed that the reform therefore highly increased poverty among pensioners. In general, there was a broad opinion that privatization of the pension system did not stabilize the system and the level of pension incomes, but on the contrary, it even increased instability and deepened the social vulnerability of pensioners.

The new reform, announced to start in 2011, roughly predicts few new measures:

[63] At present, the average pension income is 40% of the last salary.

the increase of the retirement age, increase of pension deduction for early retirement, cuts in preferential pensions, increase of the contribution rate in the second pillar and cuts in administration expenditure. However, the high rate of unemployment is still a huge factor that limits the stabilization of the pension fund. According to the latest data, the ratio of retired people and pension insurance beneficiaries in Croatia is at a critical 1:1.32 (for each pensioner there are 1.32 insurance beneficiaries), compared to 1:3 in early 1990s (see Puljiz, 1999).

The reform of the health care system was undertaken in 2009 and continued in 2010. The main reasons behind the reform proposal were accomplishing financial consolidation and the development of a sustainable system (see Bežovan, 2008). After the election, the Government announced their intention to introduce mandatory supplementary health insurance, which was supposed to cover participation for services provided in primary health care. This caused incisive reactions on the side of the Unions (SSSH) that collected more than 330.000 signatures against the proposed reform. The opposition, led by SDP, was against this reform, arguing that this was not an actual reform, but "HDZ implementing taxes on illness and old age" (Dnevnik.hr, 2008). According to them, this reform would additionally deepen the gap between the rich and poor, social disintegration would increase and the poorest would be more disadvantaged. Also, they compared the reform with the American model of social security and insinuated its similarity to "Americanization". Among other players, the Croatian Medical Union (HLS) was also against this reform proposal. In particular, they criticized "the obvious diminishing of the level of patient rights" (Dnevnik.hr, 2008). The Croatian Pensioners Party was also against the proposed reform of the health care system. They criticized the compulsory health contribution for pensioners, arguing that it would hit the most vulnerable and poorest pensioners. As a coalition partner, they were unsatisfied with the non-transparency of HDZ's reform proposals.

The new Labour Law was adopted in 2009. However, the majority of new issues that the Law brought forward correspond to the date of full EU membership, such as abolition of the employment booklet and European employee participation, aiming to increase the dynamics of the labour market (see Vukorepa, 2010).

In the middle of the first decade of the 21st century, according to Eurobarometer data (2005), the trust in political institutions – the Government and the Parliament was significantly low – only 10-12% and remained at that until 2009 (Eurobarometer, 2009). Also, the trust in the political parties was significantly lower than in the 1990s and in the middle of the first decade of the 21st century, when it was around 10-11% (Eurobarometer, 2005). According to the latest data, in 2009, only 4% of the population had confidence in the political parties. Among the national institutions, considerably highest trust is given to the army, which shows that the security issues are still important in the citizens' perception.

Regarding the perception of the welfare system in 2009, more than two thirds of the Croatian population perceived the welfare state as a positive element in the society (Eurobarometer 72, 2009). In a way, the economic crisis caused greater expectations from the state and the Government and intensified social protection in general. Also, a high percentage of the population (84%) value solidarity as an important element of society.

Among the 6 key values[64], the majority of the population chose social equality and

[64] Environmental protection, social equality and solidarity, free market and market economy, cultural diversity and openness to others, prosperity and innovations, tradition was those six values.

solidarity as the most important for a society in coping with global challenges. Retaining tradition is a value that received the lowest score, only 10% support, with a tendency to further decline.

Croatia in the Process of European Integration

In 2000, the Government change enabled the completion of a democratic consolidation (which was, until then, delayed and lagging behind other Central European countries such as the Czech Republic or Slovenia) and the start of the Croatian convergence and integration in the EU. This development was a follow-up to the process started in 1999 when the EU Council of Ministers adopted the Stabilization and Association Process (SAP) as a long-term strategy for Europeanization and EU integration of the countries in Southeastern Europe. This included creation of new ties between local markets and the EU common market, regional cooperation and ultimately the prospect of a full EU membership. Croatian EU negotiations and the Stabilization and Association Agreement (SAA) were initiated during the Zagreb Summit in November 2000. The SAA was signed in October 2001. However, it only entered into force on 1 February 2005. It is generally expected that Croatia will conclude its EU negotiations process by the end of 2010 or beginning of 2011. During this decade of negotiation and pre-accession period, the European Union emerged as a considerable player in restructuring of the social sectors by proposing the direction for the social policies. However, the European social policy is based on the principle of subsidiarity, which means that it is only partly coordinated by the EU policies and mostly left to national institutions. Nevertheless The European Union standpoint may be seen in official documents and national Progress Reports.

The annual Progress Reports issued by the European Commission, starting in 2005, stress several basic problems concerning the harmonization of Croatia's social policy with the EU. The reports point to high public expenditure due to the fact that a huge part of budget funds is allocated to the health care and pension insurance systems. If we cross-analyse the progress reports starting from 2005 to 2009, we can see that there had been no major improvement in that field. For example, the 2009 Progress Report states: "The rationalization of public spending has made a limited progress. This is a key Accession Partnership priority. Some health reform measures were enacted as an important step towards addressing the sector's financial difficulties, including a more effective system of co-payments. No further reforms have been undertaken to achieve better targeting of social support, as envisaged under the social benefits reform strategy adopted back in 2007. Categorical benefits still account for the large majority of social spending. There has been no progress in reforming the mandatory pension system. Overall, apart from the important initial health care financing reforms, little progress has been achieved in terms of increasing the efficiency of public spending" (Croatia Progress Report, 2009, p. 22). The reports mostly stress that social bargaining is relatively well-developed in Croatia, yet, as the 2009 report states: "the capacity of social partners continues to be somewhat weak" (Croatia Progress Report, 2009, p. 46). This criticism is primarily focused on the issue of unsustainable public expenditure that is in great part accumulated in two large systems – pension and health care. It is important to note that the EU does not formally and directly interfere with the autonomy of member (or future member) states in developing social policies, Nevertheless, EU policies primarily regarding common market, including services as well, indirectly impact on creating social policies in particular state (Büchs, 2007, p. 1-2). There-

fore, requirements towards more targeted public expenditure through social policies are primarily guided with the aim to decrease public expenditure and not to propose final and obligatory solutions in national social policy.

In the scope of public perception and attitudes towards different values and institutions, one may note that citizens' perception of EU institution is significantly changing lately. For example, trust in the European Union has increased from the nineties to the present time. In the 2009 survey (Eurobarometer 72, 2009) Croatian citizens expressed even stronger trust in the European institutions (EU Parliament, EU Commission, Council of EU, EU Central Bank) than their national institutions. The recent increase of confidence in the EU may be explained with a certain disappointment in the Governments' inability to cope with the ongoing crisis.

Conclusion

The transformation from a socialist planned economy to a capitalist market economyinfluenced the level of social rights in Croatia. Also, Croatia was hit by a war that had a disastrous effect on the economy and thus the social security of citizens. The war created new groups of socially endangered and disadvantaged people who became a huge burden on the state budget (displaced persons, refugees, war victims, war veterans and their families). However, national enthusiasm and great solidarity were prevalent during the war; so that social issues did not endanger the government's legitimacy, as the primary goal was to win the war, i.e. regain sovereignty over the whole state territory. However, after the war ended and the "great" national issues became suppressed, numerous social problemsstemming from the early 1990s, with joint war and dubious privatization issues, started to take asignificantimpact on the Croatian society and urged for some serious restructuring of social systems. In the first decade of Croatian independency, marked with an authoritarian political regime, few reforms in different social sectors took place. The restructuring of the social sectors was marked by the assistance of international organizations. In a political sense, the change of the political regime in 2000 and the movement towards social democratic features, simultaneously meant a start of the process of convergence with the EU. In the first decade of the new century, all significant political players accepted Europeanization as a major political goal, which also include structural reforms and adaptations of social policies.

The last two decades are marked with the transition processes and the influence of neoliberal globalisation at the same time, which certainly make the restructuring of the welfare state system difficult. Nevertheless, some important changes in the concept of the welfare state and role of social sectors occurred. Welfare systems were progressively transformed, moving away from a universal and full-scale welfare system, known in former period. The implementation of social sectors reforms marked the distancing from the socialist model of the welfare state. A certain shift towards privatization and liberalization may be identified in each social sector. Those tendencies towards privatization, liberalization, deregulation and reduction of social expenditure became even more intensive after 2000. Still it is perceivedthat structural transformation that was done was not sufficient and completed. Moreover, it is argued that national social expenditure was still significant, which is particularly the case for the two large sectors – health care and pension.[65] One may say that political players hesitated in making deeper cuts and

[65] Total social expenditures in Croatia in 2003 were 30.7, the highest among comparable SEE countries (International Labour Organization, 2005, p. 19)

social sector reforms were being implemented somewhat partially. The main reasons are politically determined – intentions to keep political support of the voters make each governmentunwilling to make radical restructuring of the welfare systems. Also, cuts and transformations with each reform brought dissatisfaction in different social groups so criticism often appeared and was also used for gaining political points. Even though the beginning of the new century in Croatia was marked with a shift in the political regime towards social democracy, this fact had not been reflected in the government's programme and attitude towards social policy. Political players involved directly or indirectly in the processes in social sector restructuring had a tendency to express similar attitudes towards social security. In a certain way, distinctions between parties of different political orientation increasingly disappeared (and continue to do so). Finally, one may identify that social sectors reforms in Croatia were (and still are) significantly driven by a "top down" approach under the influence of international organizations, primarily the World Bank and the International Monetary Fund, and later the European Union. Even though it is not proclaimed that way, social partners and groups involved often experienced so called 'dialogue' as 'instructions' and a 'dictate' (Maršić, 2004, p. 88). However, the reforms undertaken had not yet resulted with significant improvements in social security. Along with demographic deficit and increased unemployment, the pension system and the health care system remain the most delicate areas that challenge each government. During election campaigns political parties tend to avoid going deeper into topics related to social sectors reforms, due to the risk of losing political points. However, once they come in power and begin the implementation of their programmes, political elites are confronted with strong criticism and resistance from involved social groups. The recent financial crisis not only accentuated the problems and highlighted the weaknesses of the reforms, but also urged for new restructuring in social sectors.

Election periods	Date of election	Election results (seats and turnout)	Main parties forming the Government	Main opposition parties	Main perceptions and attitudes towards socialissues and policies inthe political arena	Main welfare policies undertaken during that government period
1990-1992[66]	April 22-23, 1990 (first round) and May 6-7, 1990 (second round)[67]	HDZ: 205 (58%) SKH-SDP[68]: 96 (27%) KNS: 10 (2,8%) HDS: 11 (3,1%) SDS: 5 (1,4%) Others: 24 (6,8%) Turnout: 84,5%	HDZ	SDP	Nation-state building and sovereignty issues dominated. Social policies agenda not significantly part of the programme's proposals, only on very general and declarative basis. Initiatives for the creation of social security fund.	No serious welfare reform undertaken. Policies and redistribution-focused on war damages reparation.
1992-1995	August 2, 1992	HDZ: 85 (61%) HSLS: 14 (10%) HSP: 5 (3,6%) HNS: 6 (4,3%) SDP: 11 (7,9%) HSS: 3 (2,1%) Others: 14 (10%) Turnout: 75,61%	HDZ	HSLS, SDP	The period of war, so social transformation and reforms were delayed. Emerging of disadvantaged social groups as outcomes of war greatly affected directions of social policies.	Social Welfare Programme (1993) - focused on social care for groups emerged during the war. Law on Health Care and Law on Health Insurance (1993) - beginning of privatization. Some measures of active labour policies were initiated.
1995-2000	October 29, 1995	HDZ: 75 (59%) Coalition (HSS, IDS, HNS, HKDU, SBHS): 18 (14%) HSLS: 12 (9,4%) SDP: 10 (7,8%) HSP: 4 (3,1%) Others: 8 (6,3%) Turnout: 68,79%	HDZ	SDP, HSLS	Announcement of the reforms were mainly argued with the need to rationalize system and to reduce public expenditure. Targeted social groups, HSU and SHU in particular, criticize the pension reform that, according to them, worsens the position of pensioners.	Law on Social Care (1997) – brought principles of subsidiarity, decentralization and deinstitutionalization. Labour Law (1995) accompanied with the Programme of active employment policy (1998) – focused on increasingflexibility in labour market, shift towards active welfare state. Law on Pension Insurance (1998) - "small pension reform" brought increasing of retirement age and greaterrationali-ation of the system.
2000-2003	January 3, 2000	Coalition: 71 (47%) SDP: 43 HSLS: 25 PGS: 2 SBHS: 1 HDZ: 46 (30,4%) Coalition (HSS, IDS, HNS, LS): 25 (16,5%) Coalition (HSP, HKDU): 5 (3,3%) Others: 4 (2,6%) Turnout: 76,53%	SDP, HSLS, HNS, HSS, LS, IDS	HDZ	European integration became an important agenda framework, so there are intentions for harmonization with EU practices. Main arguments were led by rationalization of social systems and decrease of public expenditures. In opposition HDZ held back from much criticism, mainly since reforms undertaken were based on laws adopted in late 90-ies, during HDZ's Government	Labour Law additions (2001) and adoption of Programme of active employment policies (2002) - towards more flexible labour market and active welfare state. „Great pension reform" (2002) based on laws from 1999 - introduction of three pillars model and mixed public/private insurance. Social care reform (2001) based on Laws from 1997 -greater decentralization and deinstitutionalization. Health care reform (2003), based on a law from 2000 - introduction of supplementary health insurance; decentralization.[69]
2003-2007	November 23, 2003	HDZ: 66 (43,4%) Coalition: 43 (28,3%) SDP: 34 IDS: 4 Libra: 3 LS: 2 Coalition (HNS, PGS, SBHS): 11 (7,2%) HSS: 10 (6,6%) Coalition (HSP, ZDS, MS): 8 (5,3%) Others: 14 (9,2%) Turnout: 66,83%	HDZ	SDP, HNS	Main argument for implementing reforms is a high and unsustainable public expenditure. Adopting welfare system to be able to cope with globalizations processes become a significant standpoint in political players' agendas and programmes.	Health care reform (2006) - increasing privately financed share of health insurance.
2007 -	November 25, 2007	HDZ: 66 (43,1%) SDP: 56 (36,6%) HNS: 7 (4,6%) „Green-Yellow Coalition" (HSS/HSLS): 8 (5,2%) Others: 16 (10,5%) Turnout: 63,41%	HDZ, HSS	SDP, HNS	The financial crisis and associated deprivation intensified criticism of reforms from different sides. Opposition (led by SDP) compared the undertaken-reforms, in particular those in health sector with „American-ization". Unions expressed fear of increased privatization of the health system.	Health reform (2009) – adoption of mandatory supplementary health insurance. Labour Law (2009) –mainly aiming to increase the dynamics in the labour market once Croatia becomes a full member of the EU.

[66] Even though Croatia was still part of Yugoslavia in 1990, those elections are considered as the first multi-party election held in Croatia.

[67] The form of parliament was the same as constituted in 1974 and was consisting of three houses: House of Municipalities, House of Socio-Political Organisations and the House of Associated Labour. That is why elections lasted for two days.

[68] The number refers to total number of seats, including those obtained in coalition (SSH, ZAS, SSOH, SUBNOR).

[69] Most of the reforms implemented in this election period were already announced in the late 90-ies.

Political Parties in the Croatian Parliament, elections 2007

	Party	Ideology	Foundation	2007 Representation	2007 Seats
HDZ	Croatian Democratic Union (Hrvatska demokratska zajednica)	Conservatism, Christian Democracy, National Conservatism	1989	43,1%	66
SDP	Social-Democratic Party of Croatia (Socijaldemokratska partija Hrvatske)	Social Democracy	1990	36,6%	56
HNS	Croatian People's Party - Liberal Democrats (Hrvatska narodna stranka – Liberalni demokrati)	Liberalism, Social Liberalism	1990	4,6%)	7
HSS	Croatian Peasant Party (Hrvatska seljačka stranka)	Agrarianism, Christian Democracy, Conservatism	1989	5,2%	8
HSLS	Croatian Social Liberal Party (Hrvatska socijalno-liberalna stranka)	Conservative Liberalism	1989		
IDS	Istrian Democratic Assembly (Istarski demokratski sabor)	Regionalism, Left-wing Populism, Social Liberalism	1990	1,9%	3
HDSSB	Croatian Democratic Assembly of Slavonia and Baranja (Hrvatski Demokratski Sabor Slavonije i Baranje)	Regionalism, Nationalism	2006	1,9%	3
HSU	Croatian Party of Pensioners (Hrvatska stranka umirovljenika)	Single-issue politics: Pensioners	1996	0,7%	1
HSP	Croatian Party of Right (Hrvatska stranka prava)	Nationalism, Conservative, Populism	1990	0,7%	1
HLSR	Croatian Labourists - Labour Party (Hrvatski laburisti - Stranka rada)	Left-wing Populism, Workers' issues	2010	0,7%	1
Minorities representatives				5,2%	8
Total				100%	153

List of abbreviations

EU	European Union
GDP	Gross Domestic Product
HAGENA	Agency for Supervision of Pension Funds and Insurance (Agencija za nadzor mirovinskih fondova i osiguranja)
HDZ	Croatian Democratic Union (Hrvatska demokratska zajednica)
HNS	Croatian Peoples Party (Hrvatska narodna stranka)
HSLS	Croatian Social-Liberal Party (Hrvatska socijalnoliberalna stranka)
HSS	Croatian Peasant Party (Hrvatska seljačka stranka)
HSU	Croatian Pensioners Party (Hrvatska stranka umirovljenika)
HZZO	Croatian Institute for Health Insurance (Hrvatski zavod za zdravstveno osiguranje)
IDS	Istrian Democratic Assembly (Istarski demokratski sabor)
ILO	International Labour Organization
IMF	International Monetary Fund
KNS	Coalition of People's Accord (Koalicija narodnog sporazuma)
LCY	League of Communists of Yugoslavia
LS	Liberal Party (Liberalna stranka)
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic Co-operation and Development
REGOS	Central Registry of Insured Persons (Središnji registar osiguranika)
SAA	Stabilization and Association Agreement
SAP	Stabilization and Association Process
SDP	Social Democratic Party of Croatia (Socijaldemokratska partija Hrvatske)
SEE	Sout Eastern Europe
SSSH	Union of Autonomous Trade Unions of Croatia (Savez samostalnih sindikata Hrvatske)
SUH	Croatian Pension Union (Sindikat umirovljenika Hrvatske)
WB	World Bank

List of references

Anušić, Z., O'Keefe, P., &Madžarević-Šujster, S. (2003). Pension reform in Croatia. *Social Protection discussion paper series*, No. SP 0304. Washington D.C.: The World Bank.

Babić, Z. (2003). Uloga aktivne politike na tržištu rada u Hrvatskoj.*Financijska teorija i praksa*, 27 (4), pp. 547-566.

Baloban, S.,& Rimac, I. (1999). PovjerenjeuinstitucijeuHrvatskoj, *Bogoslovnasmotra, 68(4),* pp.663-672.

Bejaković, P. (2004). The Collection of Pension Contribution in Croatia. In:E. Fultz &T. Stanovnik (eds.).*The Collection of Pension Contribution: Trends, Issues and Problems in central And Eastern Europe*. Budapest: International Labour Office.

Bežovan, G. (2008): Analiza mjera socijalne politike u programu Vlade Republike Hrvatske za mandat 2008. - 2011. *Revija za socijalnu politiku* 15(2), pp. 257-268.

Büchs, M. (2007). *New Governance in European Social Policy. The Open Method of Coordination*, New York: Palgrave Macmillan.

Croatian State Election Commission (1990). *Election Results for the House of Socio-Political Organisations of the Parliament of the Socialist Republic of Croatia 1990*, Retrieved from http://www.izbori.hr/izbori/ipFiles.nsf/0/F8E512F6DD32462DC1257455003A8AF9/$FILE/1990_DPV.pdf

Croatian State Election Commission (1992). *Election Results for the Chamber of Deputies of the Croatian State Parliament 1992*, Retrieved fromhttp://www.izbori.hr/izbori/ipFiles.nsf/0/6FBD76086B900622C1257455003AA02F/$FILE/1992_zastupnicki%20dom.pdf

Croatian State Election Commission (1995). *Election Results for the Chamber of Deputies of the Croatian State Parliament 1995*, Retrieved fromhttp://www.izbori.hr/izbori/ipFiles.nsf/0/F8BF1E1A0813C7F9C1257455003AC3CA/$FILE/1995_zastupnicki%20dom.pdf

Croatian State Election Commission (2000). *Election Results for the Chamber of Deputies of the Croatian State Parliament 2000*, Retrieved from http://www.izbori.hr/izbori/ipFiles.nsf/0/E0BD2CFECC7C8272C1257455003ADD5C/$FILE/2000_zastupnicki%20dom.pdf

Croatian State Election Commission (2003). *Election Results for the Chamber of Deputies of the Croatian State Parliament 2003*, Retrieved fromhttp://www.izbori.hr/izbori/ipFiles.nsf/0/A0357A6F0F63B6FCC1257455003AF016/$FILE/2003_Hrvatski%20sabor.pdf

Croatian State Election Commission (2007). *Election Results for the Chamber of Deputies of the Croatian State Parliament 2007*, Retrieved fromhttp://www.izbori.hr/izbori/ipFiles.nsf/0/EEE1D5E6E334687CC1257455003AFF37/$FILE/2007_Hrvatski%20sabor.pdf

Črpić, G., &Zrinščak, S. (2010). Dinamičnost u stabilnosti: religioznost u Hrvatskoj 1999. i 2008. godine, *Društvena istraživanja 19(1-2).*

Đurić, D., Munjin, B., &Španović, S. (1990). *Stranke u Hrvatskoj*, Zagreb: NIRO Radničke novine.

Eurobarometer 63.4, (2005). *National Report – Croatia*, European Commission.

Eurobarometer 64 (2005). *National Report – Croatia*, European Commission.

Eurobarometer 72, (2009). *National Report – Croatia*, European Commission.

Croatia 2005 Progress Report, European Commission.Retrieved fromhttp://www.delhrv.ec.europa.eu/uploads/dokumenti/3a87bfc3ab7e5d6740a3a4b1aef3e26a.pdf

European Commission (2006). *Croatia 2006 Progress Report.*Retrieved fromhttp://www.delhrv.ec.europa.eu/uploads/dokumenti/c0a541b8faf795a3ae01d34df7be6104.pdf

European Commission (2007). *Croatia 2007 Progress Report.* Retrieved from http://ec.europa.eu/enlargement/pdf/key_documents/2007/nov/croatia_progress_reports_en.pdf

European Commission (2008). *Croatia 2008 Progress Report*.Retrieved from http://www.delhrv.ec.europa.eu/files/file/Progres%20report%202008%20engl.pdf

European Commission (2009). *Croatia 2009 Progress Report*. Retrieved from http://www.delhrv.ec.europa.eu/files/file/progres%20report/CROATIA%202009%20PROGRESS%20REPORT.pdf

European Values Study. Retrieved from http://www.europeanvaluesstudy.eu/

Guardiancich, I. (2007). Poliička ekonomija mirovinskih reformi u Hrvatskoj 1991-2006., *Financijska teorija i praksa* 31(2), pp. 89-150.

International Labour Organization (2005): *Social Security Spending in South Eastern Europe: A Comparative Review*, Budapest: International Labour Office.

Kasapović, M., Šiber, I., &Zakošek, N. (1998). *Birači i demokracija*. *Utjecaj ideoloških rascjepa na politički život,* Zagreb: Alinea.

Labor Law (OG 38/95, 54/95, 65/95, 17/01, 82/01, 114/03, 142/03, 30/04, 137/04, 68/05).

Law on Employment (OG 59/95).

Law on Health Care (OG 75/93, 121/03, 44/05, 48/05, 85/06, 117/08, 150/08, 155/09).

Law on Mandatory and Voluntary Pension Funds (OG 49/99, 63/00, 103/03, 177/04, 71/07).

Law on Mandatory Health Insurance (OG 150/08, 94/09, 153/09).

Law on Pension Insurance (OG 102/98, 27/00, 59/01, 109/01, 147/02, 117/03, 30/04, 177/04, 92/05 i 79/07).

Law on Social Care (OG 73/97, 27/01, 59/01, 82/01, 103/03 i 44/06, 79/07).

Law on Social Insurance (OG 75/93, 55/96, 1/97, 94/01, 88/02, 149/02, 117/03, 30/04 i 177/04).

Law on Voluntary Health Insurance (OG 85/06, 150/08).

Magdalenić, I. (1998). *Hrvatsko radništvo i socijalna pravda*, Zagreb: Centar za industrijsku demokraciju SSSH i Friedrich Ebert Stiftung.

Maldini, P., &Vidović, D. (eds.) (2007). *Transition in CEE Countries: Experiences and Future Perspectives,* Zagreb : Political Science Research Centre.

Maršić, T. (2004). Uloga Svjetske banke u tranziciji Hrvatske – ekonomska ili socijalna izvedba? *Politička misao* 41(4), pp. 72-91.

Matković, T., &Biondić, I. (2003): Reforma zakona o radu i promjena EPL indeksa, *Financijska teorija i praksa* 27(4), pp. 515-528.

Milardović, A. (1997). *Političke stranke u Republici Hrvatskoj: politologija stranaka, programi političkih stranaka*, Osijek – Zagreb – Split: Pan-liber.

Pauković, D. (2007). New Ideologies and Opening of Transition in Croatia and Serbia, in P. Maldini, &D. Vidović (eds.), *Transition in CEE Countries: Experiences and Future Perspectives,* Zagreb: Political Science Research Centre.

Pauković, D., &Vidović, D. (2008). Reflections of Globalization in Political Parties' Programmes in Croatia. In A. Milardović et al. (eds.).*Globalization of Politics,* Zagreb: Political Science Research Centre.

Puljiz, V. (1999). Crisis and Reform of the Pension System in Croatia, *South-East Europe Review 4*, pp. 9-18.

Puljiz, V. (2001). Reforme sustava socijalne politike u Hrvatskoj, *Revija za socijalnu politiku 8(2)*, pp. 159-180.

Puljiz, V. (ed.) (1996). Prilagodba javnog sektora u Republici Hrvatskoj. Analiza i prijedlozi Svjetske banke, *Revija za socijalnu politiku3(2),*pp. 135-147.

Rutkowski, J. (2003). *Does Strict Employment Protection Discourage Job Creation? Evidence from Croatia*, Policy Research Working Paper, The World Bank.

Stubbs, P., &Zrinščak, S. (2006.).*International Actors, "Driver of Change" and the Reform of Social Protection in Croatia*, Paper delivered at the International Sociological Association World Congress, Durban, South Africa, July 2006.

Škember, A. (1998): Hrvatska mirovinska reforma: tijek i dvojbe, *Revija za socijalnu politiku* 5(2-3), pp. 139-147.

Škember, A. (2002). Mirovinska reforma po modelu Svjetske banke - Čarobna formula za prevladavanje krize mirovinskog sustava i promicanje gospodarskog rasta ili strategija visokog rizika, *Ekonomski pregled53(7-8)*, pp. 720-737.

Svjetska banka (1997). Financiranje javnog sektora, reforma zdravstva i mirovinska reforma, *Revija za socijalnu politiku* 3, pp. 265-286.

Uvodno izlaganje Silvana Hrelje na tematskoj sjednici saborskog odbora (HSU, February 14, 2007). Retrieved fromhttp://www.hsu.hr/aktivnosti_detaljnije.php?id

Vidović, D. (2007). Welfare State in Post-Socialist Countries: Social Costs of Transformation. In P. Maldini, &D. Vidović, (eds.),*Transition in CEE Countries: Experiences and Future Perspectives,* Zagreb: Political Science Research Centre.

Vidović, D. (2008). Welfare State and the Issue of Equality in the Age of Globalization, MSc Thesis, Faculty of Philosophy, University of Zagreb.

Vukorepa, I. (2010). Novi zakon o radu, *Revija za socijalnu politiku*17(2), pp. 333-337.

Vuković, S. (2005). Budućnost mirovinskog osiguranja u privatnim ili javnim „rukama"?, *Mirovinsko osiguranje 10-11*, pp.62-7.

World Bank (1994).*Averting the Old Age Crisis,* Washington: The World Bank.

World Values Survey. Retrieved fromhttp://www.worldvaluessurvey.org/

Zakošek, N. (2002).*Politički sustav Hrvatske*, Zagreb: Fakultet političkih znanosti.

Zrinščak, S. (2000). Socijalna politika u programima političkih stranaka te Programu rada Vlade Republike Hrvatske za razdoblje 2000.-2004. godine, *Revija za socijalnu politiku 7(1),*pp. 63-77.

Zrinšak, S. (2007): Zdravstvena politika Hrvatske. U vrtlogu reformi i suvremenih društvenih izazova, *Revija za socijalnu politiku 14(2)*, pp. 193-220.

Newspaper articles

"Dossier: Bilanca Račanovih reformi". (Feral Tribune, April 4, 2003). Retrieved from http://feral.audiolinux.com/tpl/weekly1/article.tpl?IdLanguage=7&NrIssue=916&NrSection=1&NrArticle=3107

"HDZ uvodi porez na bolest i starost" (Dnevnik.hr, November 7, 2008). Retrieved from http://dnevnik.hr/vijesti/hrvatska/hdz-uvodi-porez-na-bolest-i-starost.html

"Milinović neće povući prijedlog reforme zdravstva" (Dnevnik.hr, November 7, 2008). Retrieved from http://dnevnik.hr/vijesti/hrvatska/milinovic-nece-povuci-prijedlog-reforme-zdravstva.html

"Milinovićeva reforma: napredak ili obmana?", Dnevnik.hr (November 7, 2008). Retrieved from http://dnevnik.hr/vijesti/hrvatska/zdravstvena-reforma-napredak-ili-obmana.html

"Mirovinski fondovi: ne damo da se ukine drug stup" (Jutarnji list, February 12, 2009). Retrieved from http://www.jutarnji.hr/mirovinski-fondovi--ne-damo-da-se-ukine-2--stup/286734/

"Odgađanje mirovinske reforme samo povećava njezinu cijenu" (Slobodna Dalmacija, May 17, 2000). Retrieved from http://arhiv.slobodnadalmacija.hr/20000517/prilozi.htm

"Ugrožena je mirovinska reforma", (T-portal.hr, January 22, 2009).Retrieved from http://www.tportal.hr/vijesti/hrvatska/6813/Ugrozena-je-mirovinska-reforma.htm

"Zakonom o povećanju mirovina ispravlja se nepravda prema umirovljenicima" (Monitor, July 14, 2000). Retrieved fromhttp://www.monitor.hr/clanci/zakonom-o-povecanju-mirovina-ispravlja-se-nepravdaprema-umirovljenicima/8238/

Socio-Economic Transformation and the Welfare System of the Republic of Macedonia in the Period of Transition

Vančo Uzunov

Introduction

The transition period in the Republic of Macedonia officially started in 1991, when the country gained its political sovereignty. Since then, among all other issues, the provision of social services in the country has also changed significantly. Before 1990, as part of the former Socialist Federation of Yugoslavia, Macedonia had universal and centralist model of provision of social services, based on legally guaranteed equal rights of all citizens to education, health and social protection. With the transition this was changed and a more selective model of social services' provision was created.

In very broad terms, those changes included privatization of the health care sector, introduction of a three-pillar pension system and conditional, targeted and means-testing provision of social protection services. On the other hand, the implementation of those reforms was a result of several factors, among which the following four can be outlined as the most important: (i) sluggish economic growth in the entire period since 1991, with few short periods of higher economic growth rates; (ii) abridged financial capability for financing universal provision of social services; (iii) increased influence of international financial institutions advocating greater targeting and reduction of unproductive public spending; and (iv) lack of a consensus on a preferred social policy model, coupled with changing patterns of social reforms which coincide with the changes of political parties in office.

One notable outcome from those changes was the trend of gradual decrease of social expenditures in Macedonia from 2001[70] until 2007, while in 2008 and 2009 that trend was reversed despite the declining growth of GDP (Table 1 below and Table 1.A. in Annex; the expenditures are derived from the general budget and are calculated as percentages of GDP). Nevertheless,Macedonia today is an average spender when it comes to social protection, whereas a comparative data shows that the level of social spending in Macedonia is comparable to Romania and Bulgaria (14 and 15 percent respectively), but is quite lower than in Slovenia and Croatia (22.8 and 23.4 percent respectively). By the same token, it is also necessary to add that the system of social protection in Macedonia, even after two decades of transition, still remains a very important protector of the welfare level of a huge portion of the population, and hence also of the sustainability of the transition process. Many of the reforms within the social protection framework of Macedonia have been undertaken more recently[71], so their ultimate impacts have yet to be exposed and discovered.

Table 1. Trends in social expenditures in Macedonia (as percentage of GDP)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Social expenditures	16.30	16.57	18.09	17.67	16.49	15.81	14.13	14.58	15.18
Old age & survivorship	9.10	9.12	9.55	9.47	8.79	8.66	7.97	8.37	8.96
Health & disability	5.04	5.09	5.58	5.44	5.22	5.14	4.55	4.80	4.6
Unemployment benefit	0.80	0.95	0.97	1.24	1.03	0.69	0.47	0.41	0.56
Social assistance (benefit)	1.37	1.41	1.58	1.51	1.46	1.33	1.14	1.00	1.06

Source: Annual Economic Reports 2006, 2007 and 2008 and Bulletins of the Ministry of Finance

[70] The trend presented here starts from 2001 because there is no comparability of this data and the data for the period prior to 2000 which is due to completely different classification of the data.

[71] During the first decade of the transition in Macedonia the main reforming activities were focused on changes of the legal framework and privatization, coupled with the efforts, especially characteristic for the first half of that decade, for overcoming the negative consequences from the political problems which the country faced at that time (non-recognition due to the "name-dispute"; embargo on the south border; abiding to the UN-imposed sanctions to the northern neighbouring country, etc.); more radical reforms of the social system actually started in the second transition decade, after 2002.

Having these general remarks in mind, this paper has an ambition to explain the outcome of the socio-economic and transformation of the welfare system in the Republic of Macedonia since the beginning of the transition. Following the Guidelines for preparation issued by Friedrich Ebert Stiftung, the paper includes calculations of all social and other indicators in separate tables within each chapter, while a table with the general social indicators can be found in the Annex. In terms of contents, the paper is structured into four chapters, of which the first one describes the Macedonian pension system; the second tackles the issues of the health-care system; chapter three turns to the unemployment protection; and the last chapter explores social welfare and assistance in Macedonia. Each chapter ends with conclusions.

The pension system in the Republic of Macedonia

Introduction

Since the beginning of the transition period, the country's state-owned pension system inherited from the previous regime experienced insolvency problems, coupled with high deficits and (sometimes) irregular payment of pensions. In general terms, one can argue that this was due to: (i) the permanent and extremely high unemployment; (ii) the intensifying demographic aging of the population; and (iii) the rather sluggish overall economic growth of the country.

It was soon revealed that it is unfeasible to sustain that situation, which brought to a series of reforms – most notably through the introduction of tightened eligibility criteria and thus reduced inflow of new beneficiaries – which gradually improved the insolvency of the state-owned Pensions and Disabled Insurance Fund. Parametric changes were introduced regarding: (i) the retirement eligibility criteria – through institutionalization of a higher retirement age; (ii) the estimation of pension base – through its institutionalization as the average of all wages from all years of service; and (iii) the lowering of the replacement rate. Besides that, the parametric changes also introduced calculation of valuations coefficients, minimum pensions, and calculation of maximum pensions according to the wages of the non-economic sector in order to provide compatibility of all factors that have an effect on the pension level. In addition, yet another set of restrictive changes was introduced, which included: (i) cancellation of the social elements from the pension and disability insurance system; (ii) allocation of the monetary allowances for workers with reduced working ability at the expense of their employers; and (iii) covering of the expenses for payment of pensions by the beneficiaries.

All those measures had positive effects upon the financial consolidation of the Fund through lowering the imbalance between revenues and expenditures. The inflow of new beneficiaries and the level of pensions were reduced, which lowered the expenditures for pension and disability insurance. Thus the payment of pensions was done on a regular basis (much the same way as the wages of employees are paid).

Additional parametric changes were introduced recently, including: (i) reduction of pension insurance rates to 21.2 percent in 2008 and then to 19 percent in 2009; and (ii) reduction of the lowest pension basis from 65 to 50 percent of the average salary. Those changes resulted with a lower share of income based on contributions from salaries in the Funds' total revenues, although the average gross salaries were increased by around 15 percent[72].

[72] One of the reforms introduced in Macedonia in 2009 was the shifting towards gross salaries – which included the basic/net salaries plus the remunerations for daily meals and transportation costs – as basis for calculation of social contributions; the assumption that this change would cover the negative effect of the lowered pension insurance rates proved to be wrong; hence, the decreased revenues of the Pensions and Disabled Insurance Fund in 2009 triggered the need to increase the inflow of budget transfers into the Fund in order to cover its current deficit and to balance the gap between its revenues and the expenses.

Table 2 presents data on the main issues and outcomes regarding the reforms of the Macedonian pension system.

Table 2.	2003	2004	2005	2006	2007	2008	2009
Number of pension beneficaries	254262	260075	265152	269681	272386	273281	273977
Number of insured employees	321105	348212	348500	394882	424338	451491	475780
Insured employees/pension beneficiaries ratio	1.26	1.34	1.31	1.46	1.56	1.65	1.74
Old age dependancy ratio in % (people above 65 years/ people between 15-64 years)	15.50	15.60	15.80	16.00	16.30	16.34	16.45
Contribution rates as percentage of earnings	21.20	21.20	21.20	21.20	21.20	21.20	19.00
Pension contributions (in mill. Denars)	17574	18040	18300	19948	21936	25586	26281
State budget financing (in mill. Denars)	7741	8486	8291	9385	10390	10180	14020
Pension revenues (in mill. Denars)*	27728	29028	28912	32409	34053	37621	41589
Pension expenditures (in mill. Denars)*	27764	29117	29029	31207	32769	38733	41393
General budget revenues (in mill. Denars)	84087	88176	100877	104044	119608	136411	128498
GDP- current prices (in mill. Denars)	251486	265257	284226	308772	353786	398491	406651
Pension contributions/general budget revenues ratio (in %)	20.90	20.46	18.14	19.17	18.34	18.76	20.45
Pension contributions/state budget financing ratio	2.27	2.13	2.21	2.13	2.11	2.51	1.87
Pension revenues/GDP ratio (in %)	11.03	10.94	10.17	10.50	9.63	9.44	10.23
Pension expenditures/GDP ratio (in %)	11.04	10.98	10.21	10.11	9.26	9.72	10.18
Average wage (in Denars)	11955	12534	13125	13854	15543	17363	19909
Average pension (in Denars)	7346	2 4	7463	7683	7848	9541	10057
Replacement ratio (average pension/average wage) (in %)	61.45	59.26	56.86	55.46	50.49	54.95	50.51
Number of old age pension beneficaries	133008	137840	142827	146852	150075	149682	150092
Number of disability pension beneficaries	52237	51589	50180	49364	48364	48562	47948
Number of survivors pension beneficaries	69022	70646	72145	73485	74257	75037	75937

**Note: The items on pension revenues and expenditures include the total pensions and expenditures of the Pension and Disability Fund*
Source: Pension and Disability Fund Annual Reports; www.piom.gov.mk

Institutional set-up of Macedonian pension system

The institutional set-up of the pension system in Macedonia is comprised of:

- The Ministry of Labour and Social Policy – as the policy-making institution;
- The Agency for Supervision of Fully Funded Pension Insurance – as the regulatory body and supervisory institution;
- The (state-owned) Pensions and Disabled Insurance Fund – as provider of pension and disability insurance, including collection of contributions for both pension system's pillars and allocation of contributions between all funds;
- Two (privately-owned) pension funds (New Pension Fund and KB First Pension Fund), managed by two banks (NLB and Komercijalna banka in Skopje)

Reforms of the Macedonian pension system

Apart from the mentioned parametric changes (reforms), in 2006 the Macedonian pension system also experienced a paradigmatic (model) reform, which was technically and financially supported by the World Bank. Those reforms introduced a new three-pillar pension system, with the following structure:

- First Pillar – a mandatory pay-as-you-go pension scheme;
- Second Pillar – a mandatory individually-capitalized saving scheme; and
- Third Pillar – a voluntary individually capitalized saving scheme.

The first pillar comprises the public (state-owned) Pensions and Disabled Insurance Fund, which is based on inter-generation solidarity. It is a mandatory system of pension insurance and is actually based on a pay-as–

you-go scheme of financing of pension expenditures and on in-advance defined benefits. This scheme grants old-age and disability pensions and encompasses all employees in the country, including self-employed, farmers and other beneficiaries covered by the pension scheme. Within this mandatory pension scheme a person is entitled to an old-age pension above the age of 64 (for men) and 62 (for women), and with a minimum of 15 years of service/ employment.

The expenditures of the first pillar of the Macedonian pension system in principle should be financed by current employees' contributions from their salaries. There is a minimal pension insurance contribution, with the last modifications, now calculated as 50 percent of the average wage paid per employee in the country (published in January for the current year). However, since the funds generated in this pillar of the Macedonian pension system are continuously insufficient to cover the expenditures, the excess amount of expenditures is financed by the central budget. The level of pensions is constantly adjusted: 50 percent by the growth of the cost of living index and 50 percent by the growth of the average salary in the country.

The second pillar of the contemporary Macedonian pension system is a mandatory individually-capitalized saving system. It was established in 2006 by the Law on Mandatory Fully Funded Pension Insurance. This pillar of the Macedonian pension system provides the right to insurance in case of old age (i.e. payment of old age benefits). It encompasses a mandatory basis for all newly employed persons after January 1st 2003, but a possibility for voluntary entrance of insured people which prior to January 2003 were insured under the first pillar scheme, also exists. After retirement (which is at the same age as in the case of the first pillar) the accumulated funds are due in form of annuities or scheduled withdrawals.

Within the framework of the reformed pension system the employees can opt between two choices (except those employed after January 2003 that only have the second option): to remain insured solely under the first pillar or, in addition to that, to join the second pillar. Under the first choice the beneficiaries are entitled to allowances granted solely by the first pillar, while the beneficiaries who decide to join the second pillar, in addition to the allowances granted by the first pillar (which are lower), are also entitled to allowances from the second pillar. The second pension system pillar is not obligatory for farmers, since their contributions are calculated according to their cadastral incomes which are too low to be meaningfully (effectively) separated into two pillars.

From the very beginning of the establishment of Macedonian pension system's second pillar until now, two pension funds are operational – the New Pension Fund and KB First Pension Fund – managed by two banks (NLB and Komercijalna banka).

The third pillar of the contemporary Macedonian pension system is a voluntary individually-capitalized saving system projected for all citizens who want to secure higher financial security than the mandatory pension insurance (the first two pillars), as well as all those who are not covered by the mandatory insurance. Any person aged from 18 to 70 yearscan participate in the voluntary insuranceand the funds from this pillar can be used for pension compensation for persons that are over 52 years of age for women and 54 years for men, or regardless of the age in case of a general inability to work. In case of insured person's death the accumulated savings are inherited. The KB First Voluntary Pension Fund and the NLB Pension Plus manage voluntary pension funds.

Number of pension beneficiaries and structure by pension levels

The calculations of the lowest (minimal) and the highest (maximum) pensions paid from the first pension system pillar are based on three basic categories, depending on whether the right to a pension by a beneficiary was apprehended: (i) prior to December 31st 1996; (ii) as of January 1st 1997; or (iii) as of January 1st 2002. Within each of those categories there are three additional categories of minimum pensions. A review of the number of beneficiaries within each category with the minimum and maximum amounts of pensions is presented in Table 3.

At the end of 2009 there were 475,780 insured persons under the first pension system pillar, and a total number of 273,977 beneficiaries. In 2009 there were also 2,209 beneficiaries who received minimal agricultural pensions, plus 2,277 beneficiaries who received pensions for military service. On the other hand, data on the total number of people who are not covered by pension insurance under this scheme is difficult to assess. A comparison between the estimated total number of the population aged 65 and above with the data on pension beneficiaries above 65 which use old-age and disability pensions reveals that over 30 percent of the pension-eligible population is not covered with a pension benefit.

At the end of 2008, 195,140 employees were insured under the second pension system pillar, of which 66,300 voluntary and 128,840 mandatory. In 2009 the number of second pillar members increased by 41,884 new beneficiaries as mandatory members, so at the end of the year there were 237,024 members in the second pension system pillar.

Table 3. Beneficiaries and amounts of pensions paid in 2008

Category	Number of beneficiaries	As percentage of the total number of beneficiaries	Min – Max amount of pensions	
			Denars	EUR
I	22,135	8.1 %	5,262	86
II	16,123	5.9 %	5,262 – 5,663	86 – 92
III	20,222	7.4 %	5,663 – 6,635	92 – 108
IV	75,425	27.6 %	6,635 – 8,000	108 – 130
V	91,822	33.6 %	8,000 – 13,000	130 – 211
VI	28,967	10.6 %	13,000 – 17,000	211 – 276
VII	11,477	4.2 %	17,000 – 20,000	276 – 325
VIII	6,832	2.5 %	20,000 – 29,700	325 – 483
IX	273	0.1 %	> 29,700	> 500

Source: www.piom.gov.mk

Conclusions

Based on the presented data and the reforms of Macedonian pension system the following conclusions are derived:

- the number of pension and disability beneficiaries is increasing, but the population has a changing structure:
  - the number of old-age pensioners is increasing (due to the process of population aging);
  - the number of disabled beneficiaries is decreasing (due to tightened eligibility criteria);
  - the number of survivors pension beneficiaries is also increasing;

- the ratio of insured employees/pension beneficiaries has improved;
- the old-age dependency ratio has deteriorated (due to the ageing process);
- the ratio of pension contributions/budget revenues improved until 2008, but in 2009 it deteriorated to the same level as in 2004;
- most pension beneficiaries receive relatively low pensions – 83 percent have pensions up to 200 EUR;
- yet, due to the high unemployment rate, the living standards of many families in Macedonia are highly dependent on those funds;
- part of the contributions of the increased number of insured employees after 2006 are paid in the second pension system pillar;
- the average pension has slightly increased in the last three years;
- due to the last two reasons, the share of general budget funds in the total revenues of the Pension and Disabled Insurance Fund has increased – and yet those funds cannot be shifted into an alternative use (e.g. investment) for the sake of preservation of the existing social welfare level;
- the full effects of the pension system reforms (first of all the introduction of the three pillar system) have yet to be revealed;

The health care system in Macedonia

Introduction

Statutory health care insurance in the Republic of Macedonia is established for all citizens based on the principles of comprehensiveness, solidarity, equality and effective use of the funds. Yet, some estimations point that around 150,000 citizens (about 8 percent of the population) remained out of the statutory health insurance because: (i) either the legal status of those citizens was not officially regulated; or (ii) they were almost completely excluded from all social networks in the country. Recently however, since June 2009, the right to health insurance was granted to all citizens who were previously unable to secure it. With this reform even the people who do not have any income and are not seeking employment through the State Employment Agency are also granted the right to health insurance and utilization of the services in health-care institutions that have signed contracts with the State Health Insurance Fund.

On the other hand, the general situation regarding the health status of the population shows improvement in the last two decades. Namely, the results of a recent Report[73] on the subject show: (i) declining infant mortality rate; (ii) significant drop in measles incidence; (iii) very high immunization coverage in children; (iv) improved maternal health; (v) lowered maternal death rate; (vi) increased number of births attended by skilled personnel; (vii) very low incidence rate of HIV/AIDS; (viii) positive development in combating tuberculosis with a significant drop between 1990 and 2007; etc. Moreover, the evidence shows that those positive results come out of the sound system of healthcare institutions that are almost equally distributed over the entire territory, particularly in primary healthcare. Over 95% of the preventive examinations are conducted in public primary healthcare institutions, while the rest are conducted in private healthcare institutions.

Table 4 below presents the basic structural data and the main issues and outcomes regarding the reforms of the Macedonian health care system.

[73] Report on the Republic of Macedonia on the Progress Towards the Millennium Development Goals, UNDP (November 2008).

Institutional set-up of Macedonian health care system

The institutional set-up in charge of creation, management and supervision of the health care system in Macedonia is comprised of:

- The Ministry of Health – as the policy-making institution;
- The Health Insurance Fund – responsible for collection and management of the funds within the statutory health insurance;
- Health Care Institutions – public and private health institutions responsible for delivering health-care services.

Health care institutions

The health care institutions in the Republic of Macedonia are dispersed over the territory of the country relatively evenly, which enables around 90 percent of the population to reach health care service in less than half an hour. The organizational structure of the health care facilities in the Republic of Macedonia is as follows:

- Primary level health care is carried out at health care stations and centres;
- Secondary level health care is carried out at specialty-consultative and inpatient departments; and
- Tertiary level health care is carried out at university clinics and institutes, with the latter also carrying out research and educational activities.

Table 4.	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Number of active insured persons	1015495	1027178	1054002	1080331	1042660	1053068
Number of family members	858341	871156	884758	879053	853352	840766
Total number of insured persons	1873836	1898334	1938760	1959384	1896012	1893834
Number of public health institutions		78	86	84	112	113
Total number of persons employed in public health sector	22884	21336	19765	18120	18960	18563
medical staff	17714	16412	14980	13951	14578	14180
non- medical staff	5168	4924	4785	4169	4382	4383
Number of contracts signed with private health institutions	551	1179	1532	2203	2312	2669
Life expectancy at birth (average estimate)	73.39	73.62	73.76	73.78		
Mortality rate (per 1000 people)	8.83	9.04	9.13	9.59	9.25	9.28
Health contribution rates (% of salaries)	9.20	9.20	9.20	9.20	9.20	7.50
Contributions to Health Insurance Fund on basis of salaries of employed insured persons (in mill. Denars)	8762	8982	9447	9998	10874	10711
Contributions to Health Insurance Fund from Pension and Disabled Insurance Fund (in mill.Denars)	3349	3417	3584	3718	4368	4290
Contributions to Health Insurance Fund from Employment Agency (in mill. Denars)[74]	1998	2062	2145	2144	1976	2462
Transfers to Health Insurance Fund from Ministry of Labour and Social Policy (in mill. Denars)	41	64	67	66	77	123
Transfers to health Insurance Fund from State Budget (in mill. Denars)	60	479	43	911	1562	828
Co- payments by insured persons (in mill.Denars)			286	367	390	311
Health Insurance Fund Revenues (in mill.Denars)[75]	14888	15249	16505	17491	20427	19720
Health Insurance Fund Expenditures (in mill.Denars)[76]	14724	15206	16280	16425	19630	19165
Expenditures for health care services in public health institutions	11887	12122	11270	10552	11585	10877
Expenditures for health care services in private health institutions	827	1328	2745	4156	5550	5443
Health contributions/general budget revenues ratio (in %)	16.00	14.34	14.59	13.26	12.62	13.59
Health contributions/state budget financing ratio	235.15	30.19	352.93	17.41	11.02	21.09
Ratio of Health Insurance Fund Revenues/GDP (in %)	5.61	5.37	5.35	4.94	5.13	4.85
Ratio of Health Insurance Fund Expenditures/GDP (in %)	5.55	5.35	5.27	4.64	4.93	4.71

Source: Health Insurance Fund Annual Reports; www.fzo.gov.mk

[74] In 2009 the obligation for the Employment Agency for payment of health contributions for unemployed persons was revoked and was transfered to the Ministry of Finance.

[75] The data presents total revenues and expenditures realised by the Health Insurance Fund realizirani on all grounds

[76] The data presents total revenues and expenditures realised by the Health Insurance Fund realizirani on all grounds

With the reforms implemented since the start of the transition period, the number of public health care institutions in Macedonia has increased, which, in the last few years, was also boosted by the transformation of the Public Health Institution Clinical Centre (the biggest health care institution in the country located in the capital Skopje). As of 2008 the health care services in the country are carried out in 112 public health care institutions. By the same token, at the end of 2008 a total of 18,960 people were employed in public health care institutions, of which the ratio between the medical and the non-medical staff was over 3:1. However, compared to the situation in 2006, the overall number of personnel in public health care institutions in the country decreased by almost 8 percent (1,645 employees) as a result of various reforms in primary health care. At the end of 2009 the total number of employees in the public health care sector was 18.563 persons, of which 76.4 percent were medical staff and 23.6 percent were non-medical staff.

Health care insurance and Health Insurance Fund

The statutory health care insurance in Macedonia covers the costs of insured persons for health care services in cases of illness, injuries at and outside workplaces and professional illness. The health care services covered are part of a basic health care services package. It enables access to services from all health care levels – primary, secondary, and tertiary health care. Moreover, funds from the statutory health insurance are also used for preventive health care measures and activities that are part of the basic health care package. These include: (i) protection against harmful influences on thepopulation's health; (ii) detection, curbing and prevention of contagious diseases; (iii) systematic check-ups of children and students; (iv) health protection related to pregnancy, childbirth, maternal leave and family planning; (v) protection of newborns and small children; (vi) protection against different types of addiction, and (vii) other preventive health measures and activities. On the other hand, that basic package of health care services is considered as overly comprehensive and hence very costly. In view of the Health Insurance Fund's low level of revenues it is deemed necessary to review the package by comparing it to international practices and by taking into account demographic and epidemiological characteristics of the population, as well as fiscal sustainability issues. The revision process is in progress and currently the design of a universal type of package is considered – an essential package for all citizens (including preventive check-ups, immunization, coverage of a part of the positive list of drugs and treatment of a range of communicable diseases). There will also be a clear definition of the negative list, i.e. health services that will not be provided under the statutory health insurance. For such services the patients have to pay user fees.

Health care services in the Republic of Macedonia are paid by the Health Insurance Fund and through direct payments (co-financing) by the patients for the services provided to them. Insured persons have an obligation for co-payment for health care services and medicines, while an exemption is permitted after reaching the maximum amount established by the Health Insurance Fund. The funds for statutory health insurance within the Health Insurance Fund are provided from several types of contributions, such as:

- contributions from gross salaries of employees, which are paid by their employers, and which in 2009 participated with 54.3 percent in the revenues of the Health Insurance Fund;
- contributions from pensions of retired per-

sons, which are paid by the state-owned Pension and Disabled Insurance Fund, and which in 2009 participated with 21.8 percent in the revenues of the Health Insurance Fund;
- allowances for unemployed, which until 2008 were paid by the Employment Agency and since 2009 are paid from the central budget, and which in 2009 participated with 12.5 percent in the revenues of the Health Insurance Fund;
- allowances for social protection, which are paid from the Ministry of Labour and Social Policy, and which in 2009 participated with 0.6 percent in the revenues of the Health Insurance Fund;
- transfers from the central budget, which in 2009 participated with 4.2 percent in the revenues of the Health Insurance Fund;
- other sources of revenues including co-financing by patients, which in 2009 participated with 2.6 percent in the revenues of the Health Insurance Fund; and
- extra revenues from previous year, which in 2009 participated with 4 percent in the revenues of the Health Insurance Fund.

Of the registered health care beneficiaries, 55.6 percent pay contributions as percentage of their gross salaries to the Health Insurance Fund, while 44.4 percent are beneficiaries as members of families of those who pay contributions. In the last few years the changes which have occurred in the structure of the Health Insurance Fund's revenues marked a decreasing share of contributions from gross salaries of employees (from 57.2 percent in 2006 to 54.3 percent in 2009), while the share of contributions, allowances and transfers from the Pension and Disabled Insurance Fund, the Employment Agency and the central budget has increased (from 35.6 percent in 2006 to 43.1 percent in 2009).

The Health Insurance Fund covers the expenses of public and private institutions for the provision of health care services from the basic package, provided they have contracts with the Fund. The Health Insurance Fund has 2,669 contracts with private health care institutions, of which 2,503 are contracts with primary and 166 with secondary level health care institutions. The Fund also has 492 contracts with private pharmacies, thus improving significantly the territorial distribution for providing pharmaceuticals. Overall, the private health care sector is constantly growing, as a result of the reforms implemented in the Macedonian health care sector. On the other hand, the Health Insurance Fund of Macedonia covers the expenses of public health institutions for the health care services provided, but up to a budget ceiling, regulated by an act by the Fund's Board of Directors. In 2009 the Fund paid a total of 10.877.057 thousand MKD (around 177 million EUR) to public health institutions. In the last five years, public health institutions' expenses have been decreasing.

Conclusions

Based on the presented data and the reforms in the Macedonian health care system the following conclusions are apparent:
- the number of health care insured people is increasing, whereas the number of dependants of those who pay health care contributions is declining;
- the number of public health care institutions is slowly increasing, while the number of private health care institutions is increasing very rapidly;
- the number of both medical and non-medical staff in public health care institutions is decreasing (medical staff more rapidly);
- health care insurance as a percentage of employees' gross salary has been decreasing;
- but as a result, in the last few years the changes which occurred in the structure of

Health Insurance Fund's revenues marked a decreasing share of contributions from gross wages of employees and increased share of contributions, allowances and transfers from the Pension and Disabled Insurance Fund, the Employment Agency and the central budget has increased;

- the full effects of the health care system reforms (most of all its privatization) have yet to be revealed;

Labour market and unemployment protection

The composition of unemployed persons, together with the basic data regarding the unemployment protection in the Republic of Macedonia, is presented in the Tables which follow (the data for Tables 5, 6, 7 and 8 is from the Annual Report 2009 of the Employment Agency of the Republic of Macedonia).

Table 5. Unemployment by age (in percent)

Age	2008	2009
15 - 19	2.3	2.4
20 - 24	12.0	11.7
25 - 29	13.4	13.2
30 - 34	12.4	12.1
35 - 39	11.7	11.3
40 - 44	11.6	11.4
45 - 49	10.8	10.9
50 - 54	10.6	10.7
55 - 59	9.3	9.7
Over 60	5.8	6.5

Table 6. Unemployment by qualifications and educational levels (in percent)

Level of education	2008	2009
Unqualified and Semiqualified	52.8	52.6
Qualified persons	16.1	15.7
With highschool diploma	24.0	24.0
With higher education	1.7	1.6
With university diploma	5.5	6.1

Table 7. Unemployment by the duration of unemployment status (in percent)

Duration of unemployment	2008	2009
Less than a month	2.2	2.6
1 – 5 months	8.1	8.5
6 – 11 months	7.6	9.1
12 – 17 months	7.0	7.7
18 – 23 months	5.8	5.1
2 years	11.3	9.3
3 years	6.4	8.7
4 years	6.5	5.1
5 – 7 years	14.4	14.1
8 and more years	30.8	29.7

Table 8. Unemployment by place of residence and gender (in percent)

Place of residence	2008	2009
Urban dwellings	66.5	65.8
Rural dwellings	33.5	34.2
Gender structure	**2008**	**2009**
Female	42.2	42.8
Male	57.8	57.2

Unemployment insurance

Starting from 1997 the rights to unemployment insurance in the Republic of Macedonia are reduced. The current eligibility criteria for unemployment protection in Macedonia are defined in the Law on Employment and Unemployment Insurance, and by this act the right to unemployment benefit is granted to: (i) unemployed persons who have previously been continuously employed for at least 9 months; (ii) in cases of ceased employment, unemployed persons who have been employed for 12 months within the last 18 months; (iii) persons who are unemployed but not by their own will (in cases of bankruptcies, etc.); and (iv) unemployed persons who were seasonally employed. Moreover, a necessary condition for acquiring unemployment benefit is that in the period of the employment the contribu-

tions from salaries (for health care, pension insurance, etc.) were paid regularly. The amount of the unemployment benefit for persons who have the right to such benefit for 12 months is 50 percent of the average monthly salary which the beneficiary has received in the last 24 months, while for persons who have the right to such benefit for over 12 months, the amount during the first 12 months is 50 percent of the average monthly salary which the beneficiary has received in the last 24 months, and for the period after that, it is 40 percent of the average monthly salary. In addition, the unemployment benefit cannot amount to more than 80 percent of the average monthly net salary per employee in the country paid for the last/previous month. Finally, to unemployed persons who have over 15 years of employment record and who lack up to 5 years to fulfil the conditions for old-age retirement the unemployment benefits are paid until an eventual new employment, or until any of the legal grounds for termination of the unemployment benefit payment occur.

Table 9.	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Number of unemployed persons	391072	359989	366551	357166	343363	341295
Number of recipients of unemployment benefit	45867	40124	30572	24686	23565	24648
Recipients of unemployment benefit/Number of unemployed persons (in %)	11.73	11.15	8.34	6.91	6.86	7.22
Number of recipients of health insurance through Agency for Employment	252612	242679	248564	244717	231508	*
Recipients of health insurance benefit/ Number of unemployed persons (in %)	64.59	67.41	67.81	68.52	67.42	*
Revenues from contributions for unemployment (in mill. Denars)	1155	1192	1259	1403	1687	1848
Revenues from the state budget (in mill. Denars)	6163	5616	4303	3514	2992	2515
Total revenues for unemployment protection (in mill. Denars)	7456	6940	5685	5049	4840	4363
Expenditures for unemployment protection (in mill. Denars)	7325	6938	5937	5065	4796	4509
Unemployment contributions/general budget revenues ratio (in %)	1.31	1.18	1.21	1.17	1.24	1.44
Unemployment contributions/state budget financing ratio	0.19	0.21	0.29	0.40	0.56	0.73
Revenues for unemployment protection/GDP ratio (in %)	2.81	2.44	1.84	1.43	1.21	1.07
Expenditures for unemployment protection/GDP ratio (in %)	2.76	2.44	1.92	1.43	1.20	1.11
Active labor market policies						
Funds for employment of unemployed people with disabilities (in mill. Denars)	58	114	220	114	104	155
Funds for supporting employment (in mill. Denars)	592	526	66	52	105	
Funds for training, qualification and re-qualification (in mill. Denars)	29	30	45	52	44	
Funds for active labor market policies/ general budget (in %)	0.77	0.66	0.32	0.18	0.19	

The number of beneficiaries of unemployment benefits in the Republic of Macedonia has been decreasing permanently, from 45,867 in 2004 to 24,648 at the end of 2009. This was equal to 7.22 percent of the total number of officially registered unemployed persons in the country in 2009. It is also important to emphasize that the decrease of unemployment benefit beneficiaries is a result of tightened eligibility criteria for receiving unemployment benefit, as well as of the smaller number of bankruptcies of companies in the recent period. Such decreasing trend is also evident in the retirement scheme category, from over 40 percent in 2003 to 33 percent in 2006. The number of unemploy-

ment benefit beneficiaries who receive allowances for a permanent period (retirement scheme category) in 2006 was 15,202 (out of which 11,322 were men over 59 years of age and 3,880 were women above the age of 57).

The funds for unemployment insurance, which are paid by the Employment Agency, are secured from three sources: (i) transfers from the central budget (over 61 percent in total); (ii) contributions from the salaries of employees; (ii) revenues of persons who have own businesses.

Active labour market policies

Active labour market policies regarding at-risk groups and their participation in the labour market were initiated in the Republic of Macedonia in 2009, through the following projects of the Government:

1. Support for self-employment to 600 unemployed persons (young unemployed persons up to the age of 27, unemployed women and long-term unemployed persons)through granting: (i) non-refundable financial assistance for purchase of equipment and raw materials; and (ii) subsidies for training, preparing business plans and for registration of business;
2. Formalization of unregistered employment in existing businesses through granting: (i) non-refundable financial assistance for registration of businesses; and (ii) for purchase of equipment and raw materials for250 unemployed persons;
3. Training, qualification and change of qualifications of unemployed persons: (i) training, qualification and change of qualification of unemployed persons for known employers, through monthly participation towards employers' costs for a period of three months and monthly financial assistance to 512 unemployed persons for a period of three months; (ii) training of 2,000 unemployed persons annually to gain knowledge of a foreign language and/or computer skills; (iii) training of 120 unemployed persons to get qualification and skills for deficient professions; (iv) training of 1,000 unemployed persons for starting up new businesses (creating new business ideas, preparing business plans and registration of companies); and (v) training of 60 unemployed persons for starting up the business on the territory on Gazi Baba municipality;
4. Employment of unemployed persons, including single parents, young single parents up to the age of 27, parents with 3 and more children, children without parents and older unemployed persons (from 55 to 64 years old) and people with disabilities, through granting financial subsidies to the employers; this measure includes a subsidy paid by the government-for a period of 6 months, after which the employer is responsible to keep the employees for at least 18 more months;
5. Supporting employment through public works;
6. Practical support for first employment of young unemployed persons, up to the age of 27, or students finishing their studies;
7. Financial support for self-employment of women - victims of family violence; and
8. Support for employment of unemployed persons from the Roma ethnic community.

The policy initiatives aimed at improving the labour market participation are focused mostly on some vulnerable groups, excluding others. But the upgrade of the market participation and employment of women, especially members of ethnic communities, is not present in any of the proposed actions. Thus, those policy initiatives can only have a symbolic or minor impact on the general improvement of labour market indicators. Also,

the initiatives are often used for a limited time to target groups that have not succeeded to enter and stay in the labour market on permanent basis.

The expenses on active labour market policies amount to under 0.2 percent of the general budget in 2007 and 2008. This is particularly low, regarding the very high (official) rate of unemployment in the country.

Conclusions

Based on the presented data and the reforms for unemployment protection in Macedonia the following conclusions are apparent:

- the number of beneficiaries of unemployment benefits is decreasing permanently and rapidly;
- the eligibility criteria for unemployment protection is relatively tight;
- the funds for unemployment protection are relatively low;
- although the officially registered number of unemployed is unrealistic, only 7.22 percent of the total number of unemployed persons in the country in 2009 is covered with unemployment protection;
- the results of the active labour market policies are almost negligible.

Social welfare/assistance in Macedonia

Institutional set-up for social welfare in Macedonia

The institutional set-up in charge of creation, management and supervision of the social welfare/protection in Macedonia is comprised of:

- The Ministry of Labour and Social Policy – both, as a policy-making institution and a supervisory body overlooking the work of the Centres for Social Work;
- Centres for Social Work – public entities, providers of both, professional services in the field of social assistance and administrators of social assistance payments.

The administration and the organization of the social welfare/protection in the Republic of Macedonia is a responsibility of the Ministry of Labour and Social Policy. The Social Protection Department within the Ministry is in charge of administering and supervising the work of the Centres for Social Work. The Centres for Social Work are the main units for social welfare/protection and they function as key public providers of professional services in social work (with individuals, groups and families), as well as administrators of the social assistance payments. Of all the municipalities in Macedonia, 27 have inter-municipal centres for social work, while 3 have integral units in municipal centres for social work with 1,007 employees.

Beneficiaries of social welfare

A beneficiary of social welfare is considered to be any person who utilizes some form, measure or service provided by social work centres, once or several times in the course of a reporting year. According to preliminary data of the State Statistical Office the total number of underage recipients of social welfare in 2009 was 21,836, which is an increase of 1.7 percent compared to 2008. The categories and the number of underage beneficiaries of social protection are: (i) 10,065 children who lack parental care; (ii) 4,053 children who demonstrate antisocial behaviour; (iii) 3,557 children with intellectual disabilities; 2,907 children with physical disabilities; and 1,254 others. The total number of adult recipients of social welfare in 2009 was 53,233 persons, which is an increase of 1.5 percent compared to 2008. The categories and the number of adult beneficiaries of social protection are (i)

1,421 persons with antisocial behaviour; (ii) 13,806 persons with physical and intellectual disabilities; (iii) 21,498 persons who are financially unprotected; (iv) 9,289 elderly persons who are financially unprotected; and (v) 7,219 others.

Types, measures and services for social welfare

The system of social welfare in Macedonia provides social services that, according to the Law on Social Welfare, are categorized as: (i) social prevention; (ii) institutional care; and (iii) non-institutional care. Those services are mainly organized and administered by the government but recently, with the trends of pluralization and de-institutionalization, there are other, non-residential forms of protection, also offered by NGOs and private organizations.

The services provided through institutional protection are divided into two categories: (i) training, working and productive activity; and (ii) placement in a social protection institution. Social protection institutions provide care services to the following vulnerable groups:

- children and youth without parents or without parental care; there are 3 institutions responsible for this activity, with 150 employees;
- persons with disabilities; there are 3 institutions responsible for this activity, with 325 employees;
- children and juveniles with educational and social difficulties; there are 2 reception centres and institutions responsible for this activity, with 78 employees;
- disabled and rehabilitated persons; there is 1 institution for professional training and employment with 42 employees, as well as 362 enterprises specialized in the employment of disabled persons, which employ 2,412 people;
- care for elderly people and adults; there are 5 institutions for adults, with 120 employees;

There are several types of non-institutional care. These include: (i) primary social service for users of social protection; (ii) assistance to individuals; and (iii) assistance to families. These three categories involve advice and counselling for overcoming social problems. Other forms of non-institutional care comprise of: (i) home care and assistance; (ii) daily and temporary care as assistance to individuals; and (iii) families and placement in foster families.

Tables 10, 11 and 12 provide data on types, measures and services of social welfare for underage beneficiaries in 2009.

Table 10. Types of social welfare	**Number of underage recipients**
Foster care	852
Adoption	72
Placement in foster families	231
Placement in social welfare institutions	410
Placement in other institutions	59
Financial assistance	712
- permanent and temporary	216
- one-off (occasional) payments	496
Other forms of assistance	2,195
- assistance for education	280
- assistance in kind	356
- home care and assistance	-
- assistance and care allowance	218
- rehabilitation allowance	358
- other supplements	983
Other forms of assistance	1,016
Total	5,547

Table 11. Measures of social welfare	Number of underage recipients
Assistance for housing in preschool institutions	8
Training and vocational assistance	84
Assistance for employment in workshops providing professional protection	-
Conflict resolution in family disputes	1,945
Disciplinary measures for underage persons	1,448
- reprimand (warning)	393
- increased care and supervision by parents or foster parents	600
- increased care and supervision by foster care institution	329
- assignment into disciplinary centres	11
- assignment to reformatory organization	38
- assignment to reformatory institutions	38
- assignment to juvenile prisons	37
- assignment to institutions for underage persons with intellectual disabilities	2
Other measures of social welfare	614
Total	4,099

Table 12. Social welfare services	Number of underage recipients
Marital counselling	501
Assistance in achieving certain rights	737
Categorization (distribution)	939
Social and professional work	7,736
Total	9,913

Tables 13, 14 and 15 provide data on types, measures and services of social welfare for adult beneficiaries in 2009.

Table 13. Types of social welfare	Number of adult recipients
Foster care	962
Placement in foster families	23
Placement in social welfare institutions	399
Placement in other institutions	16
Financial assistance	27,263
- permanent and temporary	7,319
- one-off (occasional) payments	19,944
Other forms of assistance	25,182
- assistance for education	2
- assistance in kind	1,017
- home care and assistance	634
- assistance and care allowance	21,463
- rehabilitation allowance	50
- other supplements	2,016
Other forms of assistance	2,904
Total	56,749

Table 14. Measures of social welfare	Number of adult recipients
Training and vocational assistance	4
Assistance for employment in workshops providing professional protection	64
Conflict resolution in family disputes	226
Other measures of social welfare	568
Total	862

Table 15. Social welfare services	Number of adult recipients
Marital counselling	2,649
Assistance in achieving certain rights	5,938
Social and professional work	28,072
Total	36,659

Social assistance allowances and other financial benefits

Provision of social assistance allowances is the most important part of the social welfare/protection system in the Republic of Macedonia, which secures numerous people with their sole source of existence. The social assistance (including all subcategories) and child benefits are non-contributory benefits financed through the central budget. In 2009, 4,305 million Denars from the central budget were allocated for social protection.

According to the Law on Social Protection, there are several categories of social assistance allowances:

- permanent financial assistance – provided to persons who are not capable to work and live in poverty;
- financial support – for assistance and care;
- one-off financial assistance;
- compensation of salary – for shorter working hours due to care of a disabled child; and
- financial reimbursement – to children without parents and parental care.

The amount of the permanent financial assistance is constantly adjusted to the average salary in the country, paid in the previous year. In 2009 the maximum levels for this type of social benefit were: (i) for a single person - 20 percent of an average monthly salary (3,219 denars, around 50 EUR); (ii) for a couple - 28 percent of an average monthly salary (4,507 denars, around 70 EUR); and for families with three or more members -40 percent of an average monthly salary (6,438 denars, around 100 EUR).

The financial support (for assistance and care) is also harmonized with the average monthly salary paid in the country in the previous year, and it amounts to: for a single person - 13.50 percent of an average monthly salary (2,173 denars, around 35 EUR); for a family of two - 17.46 percent of an average monthly salary (2,810 denars, around 45 EUR); for a family of three - 22.23 percent of an average monthly salary (3,578 denars, around 60 EUR); for a family of four - 28.58 percent of an average monthly salary (4,600 denars, around 75 EUR); and for a family of five - 33.34 percent of an average monthly salary (5,336 denars, around 85 EUR). In addition, the amount of the financial assistance is also adjusted according to the period in which the beneficiaries receive it: in the first two years, the benefit is paid in the total amount; in the third, fourth and fifth year the benefit is fixed to 70 percent of the above stated amounts for different categories of beneficiaries; and after the fifth year the maximum levels are fixed at 50 percent of the above stated amounts for different categories of beneficiaries.

The amount of the financial assistance in form of compensation of salary (for taking care of a disabled child) is also regulated as a percentage of the average monthly salary paid in the country in the previous year, and it is: 26 percent of an average monthly salary for beneficiaries of first category (4,185 denars, around 70 EUR); and 23 percent of an average monthly salary for beneficiaries of second category (3,702 denars, around 60 EUR). The amount of this financial assistance is further adjusted according to the number of members in a family, the average family income and the scope of care needed to be provided.

The one-off financial assistance can amount to a maximum two average salaries paid in the last three months in the country. The compensation of salary for shortened working hours due to care of a disabled child is 30 percent of an average salary paid in the country, while the amount of the financial assistance for children without parents and parental care amounts to 25 and 35 percent (for those in regular education) of an average salary paid in the country in the previous year.

The Law on Child Protection defines four different financial benefits aimed to contribute to child welfare and child well-being, such as:

- child allowances;
- special allowances;
- package for new-born children; and
- participation

Child allowances are a major form of child social assistance granted to children who live in families with low incomes. It depends on both, the age of the child and the income of the household. The income threshold for utilization of the right to child allowance for families with two parents is 16 percent of an average salary paid in the first half of the previous year, and 32 percent of the same amount for families with a single parent. The total sum for monthly child allowance can amount to a maximum of 1,800 denars (30 EUR).

Special allowances are granted for disabled children, and a special commission establishes the disability status for children up to the age of 26 years. The sum of the special allowance is 27 percent of an average salary paid in the country in the first half of the previous year.

Packages for newborn children are a one-off benefit provided to mothers who apply for this allowance only for their first-born babies. It also depends on family income.

Finally, participation is a form of assistance for covering the costs for care and education of children in public institutions.

Specified, according to specific types of benefits for children welfare, the number of recipients/beneficiaries in 2008 was: child allowances – 19.235 families with 35.774 children; special allowances – 5.175 families with 5.417 children and packages for newborn children – 6.007 families with 6.102 children.

Conclusions

Assessed in general terms, it appears that the existing mode and scope of social welfare/protection in the Republic of Macedonia fails to reach many categories of citizens in need of such assistance, mainly the unemployed. Namely, the comparison of the number of unemployed people in the country (341,295) with the number of social assistance recipients proves that over 80 percent of the unemployed are not covered by any part of the social protection scheme. The argument is that, while it certainly is not the case that all families with unemployed parent(s) are in a harsh social position, unemployment is one of the most important factors for poverty and social exclusion in the Republic of Macedonia and that the unemployed form the most abundant vulnerable group of people.

The national standard for calculation of poverty in Macedonia is a relative poverty line defined as 70 percent of the median equivalent consumption, adjusted for household size and composition. Since subsistence type of economic activities (often not officially recorded) and remittances generate a very considerable part of households' incomes in Macedonia, instead of the income, the methodology for statistical calculation of poverty is based on the consumption as an indicator for the standard of living. In this context, the share of households that survived under the poverty line in Macedonia in 2008 was 28.7 percent. Moreover, by measuring and monitoring the poverty according to a double method (relative and subjective poverty), the following profiles of households are identified as ones with the highest risk of poverty: (i) households with numerous members of the family; (ii) households without employed members; (iii) households where the head of the family has either no education or has low level of education and skills; and (iv) households with elderly people without pensions or with pensioners with very low pensions. The process of impoverishment of the population that has been noticed during 2009 resulted in a poverty rate of 31.3 percent. This condition affects the negative motivation and participation rates both generally in the society and in the labour market.

In addition, speaking about social exclusion in the Republic of Macedonia, three groups of socially excluded groups are defined: (i) drug addicts and members of their families; (ii) homeless children and their parents; and (iii) victims of family violence. The division of those categories as specific social groups is aimed at enabling higher effectiveness of the policy for accessing social protection services.

Finally, in Macedonia there is an evident trend of deepening of the 'classical' social problems, such as social deprivation, family disorder, delinquency and drug addictions. These are recently complemented with a growing number of new social risks and problems. Hence, this creates a need for the social protection system to be flexible and adaptable to enable absorption of those categories in the formal system of social protection.

Statistical Annex

INDICATORS	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP in million of US dollar (nomi nal)	3990	3728	3450	3386	3351	3390	3458	3581	3674	3588	3437	3769	4631	5368	5815	6373	7923	9519	9226
GDP in million of EUR (nominal)										3893	3839	4001	4105	4325	4676	5081	5791	6504	6637
GDP (per capita in US dollar)	1957	1813	1670	1740	1705	1709	1722	1783	1821	1771	1689	1866	2285	2641	2855	3124	3876	4647	4495
GDP (per capita in EUR)										1921	1886	1981	2025	2128	2296	2491	2833	3175	3233
Central government budeget balance (as % of GDP)	-6.2	-6.6	-7.5	-1.8	-1.1	1.2	1.4	3.4	4.3	4.5	4.5	0.9	2.8	4.1	4.1	4.0	5.9	4.8	-0.7
Consumer price index			-13.4	-2.9	-1.2	-0.5	-0.4	-1.7	0.0	2.5	-6.3	-5.6	-1.0	0.0	0.2	-0.5	0.6	-0.9	-2.6
Employment rate	211.0	1611.0	462.0	228.0	116.0	102.0	102.6	99.9	99.3	105.8	105.5	101.8	101.2	99.6	100.5	103.2	102.3	108.3	99.2
Unemployment rate						37,4*	34.4	35.9	35.9	35.8	38.6	35.8	34.5	32.8	33.9	35.2	36.2	37.3	38.4
Average gross wage - real growth						31,9*	36.0	34.5	32.4	32.2	30.5	31.9	36.7	37.2	37.3	36.0	34.9	33.8	32.2
Labour productivity rate of growth									3.0	0.2	-5.9	4.6	3.7	4.5	2.2	4.6	2.4	0.3	15.0
Relative poverty rate (Head Count Index)								-1.9	3.3	3.6	-12.4	7.7	5.9	8.5	-0.1	-0.6	2.5	1.7	-3.8
Inequality of income distribution (Gini Index)***				19,0**	20,7**	21,0**	19.0	20.7	21.0	22.3	22.7	30.2	30.2	29.6	30.0	29.8	29.4	28.7	31.1
Social expenditure (% of GDP)								28.21		34.44		38.75	38.95			42.80			
Old age & survivorship								0.00	0.00	0.00	16.30	16.57	18.09	17.67	16.49	15.81	14.13	14.58	15.18
Health & disability								9.09	8.50	8.37	9.10	9.12	9.55	9.47	8.79	8.66	7.97	8.37	8.96
Unemployment benefit								5.48	5.33	4.91	5.04	5.09	5.58	5.44	5.22	5.14	4.55	4.80	4.60
Social assistance (benefit)								1.06	0.84	0.79	0.80	0.95	0.97	1.24	1.03	0.69	0.47	0.41	0.56
Structure of the economy (GDP- production approach in current prices)								0.00	0.00	0.00	1.37	1.41	1.58	1.51	1.46	1.33	1.14	1.00	1.06
Industry																			
Agriculture	24.4	29.4	25.1	19.3	19.6	19.5	20.7	21.8	22.8	22.5	21.8	19.6	20.9	19.6	19.7	20.1	21.8	21.8	19.0
Services	11.4	15.2	10.6	11.1	11.1	11.2	11.2	10.5	11.0	10.0	9.8	10.0	11.4	11.3	10.8	10.8	9.3	10.4	10.2
Services	47.8	44.7	53.5	54.1	53.8	54.0	54.0	54.0	52.0	51.0	51.9	51.8	53.2	55.1	54.3	55.0	54.4	54.1	57.8
*Value added****	83.6	89.3	89.2	84.5	84.5	84.7	85.9	86.3	85.8	83.5	83.5	81.4	85.5	86.0	84.8	85.9	85.5	86.3	87.0

** Labour Force Survey in Macedonia was realised for the first time in April 1996*
** For the period 1994-1996 the poverty line was calculated as expenditures at 60 percent of the median equivalent expenditure, and from 1997 as 70 percent of the median equivalent expenditure;
Source: State Statistical Office, Household Budget Survey
*** Source: World Bank- World Development Indicators & Global Development Finance
**** The value in this row is not 100 percent because it should also contain the amounts for value added tax and za import duties; Source Statistical Yearbook of RM.
***** Note: the data on social expenditures is derived from the part of the General Government Budget of Ministry of Finance's Annual Economic Reports for 2006, 2007 and 2008
as well as from Bulletins of the Ministry of Finance whereas there is no comparability with this data and the data for the period 1991-2000 due to completely different classification of the data.

List of references

Agency for Employment of the Republic of Macedonia Annual Reports; www.avrm.gov.mk

Annual Economic Reports for 2006, 2007 and 2008, Ministry of Finance.

Bulletins of the Ministry of Finance.

Gerovska Mitev, M. (2010). Exclusion form Social Life and Social Services as outcome and process, 1st Draft, National Human Development Report "Social Exclusion and Youth", Chapter 4, UNDP, 2010.

Health Insurance Fund of the Republic of Macedonia, Annual Reports; www.fzo.gov.mk

Pension and Disability Fund of the Republic of Macedonia, Annual Reports; www.piom.gov.mk

Report of the Republic of Macedonia on the Progress Towards the Millennium Development Goals (November 2008). UNDP.

World Bank: World Development Indicators & Global Development Finance.

Development of the Social Protection System in Post-Communist Macedonia: Social Policy-Making and Political Processes

Suzana Bornarova

Introduction: Socio-economic Legacy and Consequences after Macedonia's Independence

The Republic of Macedonia functioned for 45 years as one of the constituent republics of the Yugoslav federation. On September 8th 1991, a referendum led to the independence of Macedonia from the Socialist Federal Republic of Yugoslavia and it was declared an independent and sovereign state on that date. The new Constitution passed on November 17 1991, determined the Republic not only as independent and sovereign but also as a civil and democratic nation-state, guaranteeing complete equality and coexistence of the Macedonian people with the Albanian, Turkish, Vlach, Roma and other ethnic communities living in the country.

The transition from planned to market economy has not been without its share of problems. Macedonia entered a post-communist system that demarked a separation from the previous communist regime and is well described by Ruzin (1998, pp. 13-14) as one of "anomalies, continuous crises and insecurity…the promising but insecure transition took longer than expected, being accompanied with intensified economic, political and social problems… the market rules showed its vigour, the trade union its limitations, the workers their powerlessness and the state its immaturity".

Prior to the disintegration of Yugoslavia, the social and economic situation in Macedonia was much more favourable. Although the number of unemployed was increasing in the 1980s (from 121.361 in 1980, to 141.140 in 1985, and 153.528 in 1989) it was still much lower than after 1990. In 1989, according to official statistics, 11.2% of the work-able population in The Socialist Republic of Macedonia was unemployed[77] (Republic Statistical Office, 1990, pp. 60-61).By 1991, as Macedonia embarked on independence and transition, and while open unemployment was virtually absent elsewhere in the region, about 24% of the labour force was registered as unemployed (World Bank, 2003, p. 2).

The socio-economic indicators after the breakdown of Yugoslavia were alarming. Unemployment levels rose sharply, living standards eroded in many sectors of the population, while poverty rates increased by some 40% (UNDP, 1998, p. 2). Perhaps the hardest impact came with the painful process of privatisation, restructuring and bankruptcy of state-owned enterprises that resulted in a mass of people being left redundant and out of the labour market. In only a few years many socially owned enterprises were privatised, and a huge proportion (over 200.000) of the population became unemployed. By 1997 over 1.000 of 1.307 enterprises were privatised (Zelenkov, 1997, p. 163). By 2002 their number reached 1.688 (Information Agency, 2004, p. 86).

Apart from the problems typically attributable to the transition process there were also other problems that prevailed long before transition and contributed to the overall deterioration of living conditions in the transition process. Among these is the generally low level of the country's economic development and higher unemployment levels, as well as lower investments compared to other Yugoslav republics. In addition, urban over-population, economic emigration, low levels of edu-

[77] Of the total of 1.367.000 work-able (population aged 15-59 for women and 15-64 for men), 153.528 were unemployed.

cation and training, as well as tensions and intolerance typical of a multi-ethnic country, all aggravated the transition process. In this respect, one should not disregard the consequences of the unfavourable events surrounding Macedonia, such as the Greek blockage, the Security Council embargo towards Yugoslavia, the loss of the socialistic markets, and later on, the spill over of the Kosovo conflict in 1999 and the armed conflict in Macedonia in 2001. The breakup of Yugoslavia in 1991 and the conflicts that followed resulted in the loss of a large protected market and key transport routes. This led to a period of economic decline with high inflation, large fiscal deficits, and almost no foreign investment.[78]

In summary, the cumulative effect of problems arising from underdevelopment and the socially stressful process of transition had a dramatic impact on the social status of the Macedonian population in general. The population became more socially vulnerable, while the victims of the transition and armed conflicts frequently referred to as the new poor (unemployed, redundant workers, internally displaced, disabled in the conflict and members of their families) had to be sheltered by the system of social protection that was in development itself and had to face this new challenge to preserve the social peace in the Country and mitigate the transition consequences. This task and the results of its accomplishment heavily depended on political processes throughout the transition and on the importance given to social issues in political parties' agendas, which will be further discussed in this article.

Political Milieu

Independent and sovereign Macedonia was established as a parliamentary democracy in which the executive power is exercised by the government, the legislative power is vested both in the government and the parliament (120 members), while the judiciary power is independent. The president is elected for a five-year term in national elections, while members of parliament are elected for a four-year term, by proportional representation.

As a multi-party system, numerous parties that were formed have had to work with each other to form coalition governments. Macedonia inherited a lack of experience in democratic political organisation and functioning. As a result, the political processes were frequently turbulent, violent and often far from free and democratic. Only in the last several rounds of political elections Macedonia has demonstrated that it has finally gained the minimum level of political maturity required of a country that is guided by and nurtures democratic values.[79]

In addition to elections, several other political events were of importance for the development of Macedonian economic and political systems since independence. In 1993 Macedonia joined The World Bank and the International Development Association (IDA). Since then, the World Bank has been heavily involved in the promotion ofprivate sector development, support to structural reforms through analytical inputs and adjustment lending, as well as the strengthening of the social safety net and improvements ininfrastructure.In**1994**, the blockade by neighbouring Greece and international trade sanctions on our neighbour Serbia affected the Macedonian economic system.

During the period (1994-1998) the Republic of Macedonia became a member of the UN, OSCE and the Council of Europe, signed agreements with the IMF and The World Bank. The first steps towards the Euro-Atlantic integration of the Republic of Macedonia were

[78] http://lnweb90.worldbank.org/ECA/eca.nsf/

[79] See Appendix 2 for extended data on Macedonian parliamentary and presidential elections.

also made during this period: Macedonia became a member of the Partnership for Peace. The SOFA agreement and the Agreement for Economic and Trade Cooperation with the EU were also signed. The Government's stabilization program, initiated at the end of 1994 with the assistance of international donors, including the World Bank and the IMF, led to macroeconomic stability by 2000.[80]

In 1999, the Kosovo crisis affected Macedonia. A large number of refugees were sheltered on Macedonian territory.

The eventsof 2001 considerably shook Macedonian political stability. In February 2001, conflict broke out between ethnic Albanian guerrillas and ethnic Macedonian security forces. In May 2001 the major political parties joined the "Broad Government Coalition" in order to stop the crisis in the country. At the request of the government, international facilitators brokered a cease-fire. With further facilitation by the United States and the EU, the ruling ethnic Macedonian and Albanian political party leaders signed a peace agreement, known as the Ohrid Framework Agreement, in August 2001. In November, the Parliament passed the constitutional amendments required in the Framework Agreement.

Irrespective of the mostly negative developments in this period, membership of the European Union (EU) remained Macedonia's overarching long-term goal and the country signed the Stabilisation and Association Agreement (SAA) with the EU in April 2001. The primary development challenge for Macedonia was to restore peace and stability so that efforts could be refocused on continuing democratic and economic reforms.

In March 2004, during the SDSM led government, Macedonia submitted an application for membership in the European Union, and was granted EU candidacy in December 2005.

With the change of party in power in 2006, the European integration of Macedonia has been showing downward developments. At the 2008 Bucharest NATO Summit, Macedonia did not join the Alliance due to the ongoing name dispute with Greece. Since then, Greece has been more intensively blocking Macedonian European integration aspirations. This fact, coupled with the lack of capacity of the Macedonian government to resolve the name issue, has resulted in a situation with Macedonia waiting for the start of negotiations date with the EU with no visible prospects for the future.

Major political parties in Macedonia

Major political parties in Macedonia are: Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity (VMRO–DPMNE), Social Democratic Union of Macedonia (SDSM), Democratic Union for Integration (DUI), Democratic Party of Albanians (DPA), Liberal Democratic Party (LDP), New Social Democratic Party (NSDP), Socialist Party of Macedonia (SP), New Democracy (ND).[81]

The Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity (VMRO–DPMNE) is a right political in the Republic of Macedonia. The party describes itself as a Christian Democratic party. The party's goals and objectives express the tradition of the Macedonian people on whose political struggle and concepts it is based. Namely, the party's name derives from the Internal Macedonian Revolutionary Organization, a rebel movement formed in 1893.

[80] http://lnweb90.worldbank.org/ECA/eca.nsf/

[81] Other smaller political parties are: Albanian Democratic Union, Democratic Alternative, Democratic League of Bosniaks, Democratic Party of Serbs in Macedonia, Democratic Party of Turks, Democratic Renewal of Macedonia, Democratic Union, Liberal Party of Macedonia, National Democratic Party, Party for European Future, PODEM, Union of Tito's Left Forces, United for Macedonia, United Party of Roma in Macedonia, VMRO-People's Party, Workers' Party.

VMRO–DPMNE claims ideological descent from the old VMRO. The party was founded under the name VMRO–DPMNE, on June 17, 1990 in Skopje. On May 15, 2007, the party became an observer-member of the European People's Party (EPP). The first President of the VMRO–DPMNE and its founder was Ljubco Georgievski, and the current president of the party is Nikola Gruevski. Within its Doctrine VMRO-DPMNE emphasizes the following ideological values: human being, nation, market, private property, rule of law, family, tradition and religion (VMRO-DPMNE, 2010, p. 3).

The Social Democratic Union of Macedonia (SDSM) is a left political in Macedonia. It is the successor of the League of Communists of Macedonia, the ruling party during the communist regime which ruled SR Macedonia as a constituent republic of SFR Yugoslavia from 1945 to 1990. Concerning its ideology, it can be said that although the SDSM is a successor of a communist party and claims to be social-democratic, the influential business lobby in SDSM is moving the party in a neoliberal direction. Consequently, the SDSM has fewer supporters in lower classes and more supporters in upper classes than one can expect from a social-democratic party. The SDSM is a full member of Socialist International and a PES associate member. The current party leader is Branko Crvenkovski. He was elected as President of SDSM in April 1991, at the first Congress of the Party (and re-elected in 1995, 1999 and 2003). In May 2009, after finishing the 5-year-term as President of the Republic of Macedonia, he returned to SDSM and was re-elected leader of the party. He reorganized the party profoundly. In its latest Programme SDSM outlines its basic ideological principles: the development of democracy and freedom; equality and solidarity; dialogue and tolerance; rights and responsibilities; corporative governance and new partnerships; a socially responsible market economy; and peace and security through regional integration and international cooperation (SDSM, 2010, pp. 10-12).

The Democratic Union for Integration (DUI) is the largest Albanian political party in Macedonia and the third largest political party in the country. It was formed immediately after the country's 2001 conflict between the National Liberation Army (NLA) and the Macedonian Security Forces. DUI succeeded the NLA, after the conflict, when the latter was dismantled and disarmed. The NLA leader Ali Ahmeti, became party president, while the para-militant wartime headquarters were transformed and legalized as the party governing body. However, after the conflict many Albanian intellectuals from Macedonia, that were not members of the NLA, joined the party. The political party was formed in June 2002.

The Democratic Party of Albanians (DPA) is an ethnic Albanian political party in the Republic of Macedonia. The DPA was created by a merger between the Party for Democratic Prosperity of Albanians (PDPA) and the People's Democratic Party (NDP) that took place in June 1997. The former party was formed in 1994 after some radical members of the Party for Democratic Prosperity, led by Menduh Thaçi and Arben Xhaferi, left the PDP and the latter party was founded in August 1990 as a more radical opponent of the PDP. Its leader is Menduh Thaçi.

Social protection development 1991-2010

The Macedonian Social Protection Model

The system of social protection in the Republic of Macedonia encompasses contributory and non-contributory services and benefits. The *Contributory* part of the system is referred to as social insurance and includes: pension and disability insurance, health insurance and unemployment insurance. The *non-contributory* or tax-financed part of the

system referred to as social welfare encompasses: social assistance (social financial assistance (SFA); permanent financial assistance; personal care allowance; one-off financial assistance and assistance in kind), child protection, residential and non-residential care and social prevention.

Given the political constellation in the post-communist period, Macedonia, that is political parties in power, was faced with the challenge to develop the social protection system in parallel with the political system. This required major shifts in the values and principles upon which the social protection system in Macedonia prior to the transition was based. Within the Former Yugoslavia, Macedonia had universal, though low quality, social protection. Social policy's aim was to achieve a social balance in a society in which equality and solidarity were highly valued and the gap between the haves and have-nots almost inexistent. There were higher living standards and employment, generous housing subsidies, free and universal health care and education. The role of the state was dominant in regulating every aspect of societal life, including social protection. The private sector was weak, which entailed a subsequent lack of cooperation practices and even antagonism between state and private institutions, which had to be gradually prevailed after independence. The non-governmental sector was also powerless, or under the strong influence of the socialist government. For example, then existent Women's and Pensioners' Organisations were politicized quasi non-governmental organisations, rather than independent and influential factors in policymaking. In addition, there was no social partnership in policy making, as the trade unions and chambers of commerce were also deeply politicized, resulting in a lack of experience in organised and strong employers' organisations and trade union movements. A huge disadvantage at the entry into the new post-communist system was also the lack of policy-making experience, as policy-making within Former Yugoslavia was by and large the responsibility of Belgrade institutions. Given this, Macedonia had to create the conditions for social protection development in which the state policy making capacities would be strengthened, all relevant players would be recognised and would have a role to play in this process.

In the beginning, social welfare was used as an instrument to preserve social peace in the country, to guard against the new poor (i.e. redundant workers) and to absorb the huge mass of people that fell into poverty due to the transition process. However, as benefits and subsidies have been scaled down by a market and cost dominated system, and as pressures from the international community to downsize social expenditures have intensified, many entitlements, services and institutions have been threatened. Some of the initial policy responses of this post-communist welfare state were: the ad-hoc development of services and benefits; appeals to philanthropy and voluntary efforts to fill gaps left by the withdrawal of state services; limited initial privatization of some health and social care services; encouragement of independent social initiatives in the sphere of social protection but with evident differential capacity of citizens to initiate and participate in these; deconstruction of the state social security system in favour of fully funded social insurance funds; the increase of local community control over local social provision but in an impoverished context where the state does not provide enough resources and the local authority has not yet established its own tax base etc. (Deacon et al., 1992, p. 170).

Consequently, as is typical for most post-socialist countries, Macedonia too, has developed a model of social protection that has kept many of the characteristics typical of

the Yugoslav model and amended those with others required in the process of transformation a social protection system in a new, democratic society. It developed into a hybrid model of protection that in most part has similarities with the social democratic model typical for the Nordic countries, but is also increasingly marked with residual elements of the liberal model of welfare. In addition, it shares similarities with the Southern European model of family care, in that it still heavily relies on informal care by the family. Universality and wide coverage preserved from the former system currently coexists with policies aimed at increased targeting of social benefits, activation of social welfare beneficiaries, gradual reduce of social expenditures, entry of the private sector along with the preservation of traditional non-formal family care for those in social risk. However, within this hybrid social protection model, although reforms encourage an increased involvement of private and non-governmental institutions, the social protection sector is so far still the domain of the Government.

Before we move into the actual reforms undertaken in the Macedonian social protection system, it is important to first accentuate some shortcomings of the policy-making practices applied during reforms.

Social Policy-making Practices: International Influences, Political Dialogue and Participation

As previously noted, a set of challenges have been inherited from the country's former dependence on the central government of Yugoslavia in terms of policy-making. Among them are: the lack of experience in policy analysis and strategic thinking and the development of national legislation and inexperience in following up international developments in approaches to social protection. Policy and legislative development since independence have often failed to address the specific needs and circumstances of the country. Thus, the country had to rethink policies as well as institutional, professional and community practices in the light of its own conditions and international developments in this field. Lacking capacity to take this path of independent and context-tailored development, the Country was prone to pursuing hasty, ill-informed and unsustainable solutions lacking both prior situation analyses and subsequent programme evaluation. In such a context, Macedonia was also susceptible to complying to imposed external influences.

In this regard, the role and influence of international organisations in the development of the Macedonian social protection system was and still is very strong. Macedonia began establishing relations with many international organisations after independence. Membership in international institutions was supposed to speed up reconstruction and adaptation of legal frameworks and administrative procedures and approaches according to internationally adopted standards. However, the impact of global financial institutions on social policy in Macedonia is characterised by coerciveness and conditionality in the process of developing national social policy goals, contents and instruments (Gerovska-Mitev, 2001, 2007).

First and foremost, the European integration process marked most of the key reforms that were undertaken. Many laws and regulations have been passed followingEU directives. Although most European directives in the domain of social welfare belong to the so-called "soft legislation", these directives have sometimes been unconditionally observed, failing to adjust them to the local circumstances. Herein, especially in cases when reforms are restrictive in nature, the government too often uses the EU integration process in their rhetoric to justify their policies and decisions,

as well as changes and amendments in laws, even when these are not specifically related to this process. Most often, the requirements for harmonisation of Macedonian with EU legislation are interpreted as something that Macedonia "must do" irrespective of the distinctive characteristics of the Country, rather than something that Macedonia "should attempt to do" in conformity with these characteristics.

Unlike the EU, the IMF activities in the area of social policy are indirect and limited. Its main interventions in Macedonia were focused on the reduction of the percentage of the total GDP spending on education, science, health care and social protection. The most visible sign of the IMF's more serious interaction with social policy was probably the renaming of the ESAF arrangement programme into the Arrangement for Poverty Reduction, a move conditioned by the development of national strategies for poverty reduction (Donevska & Trbojevik, 2009, pp. 33-34).

The strongest influence in social protection reforms relates to the World Bank (the reform chapters will exemplify this in more detail). It is undisputable that this organisation has supported Macedonia in the reform process and provided significant amounts of reversible financial resources indispensable in reform efforts. However, the modalities in which the support takes place are disputable, given the conditions imposed to its credits and loans. The loans are usually of enormous amounts of money that Macedonia has to negotiate and relate to reforms where the World Bank exercises strong influence on the development and actual implementation.Furthermore, the support of UN programmes in the development of the Macedonian social welfare system should not be disregarded. UNICEF collaborates with the MLSP in the earliest phases of system development, predominantly in the area of child protection. UNDP focuses its attention on the support of governmental employment programmes. The valuable contribution of these two organisations, whose involvement in the Macedonian social protection system reforms have been generally welcomed, acknowledged and esteemed will be described in more detail later in the text while outlining the key reforms in the domains of social welfare and labour market.

What is common for almost all foreign support programmes is that they insufficiently acknowledge and make use of Macedonian expertise and professionals who are best acquainted with the circumstances in the Country. In the rare cases when domestic expertise is used, it is devalued and underpaid. As a result, these programmes rely heavily on the engagement of foreign experts. In the initial development phase of the social protection system in Macedonia, when policy-making and strategic planning capacities of ministry personnel were weak, expert assistance was generally appreciated. However, the same practice is still maintained despite the significant improvements inhuman resources and policy making skills.

Participation in Policy Making. Participation and transparency in policy-making have been identified as weak points in the Macedonian policy-making arena by both domestic and international players, who recommend improvements in this direction in various research and evaluation documents. Indeed, policy-makers have complied with this recommendation, but the initial attempts were based on involvement of external third parties whose participation used to be more formal than substantial (for example the participation of NGOs in MLSP's policy-making and strategic planning). The NGO sector itself has been gradually developing, strengthening and fighting to shift the stand from an opponent to a recognised partner of the government. After the initial antagonism between the state

and non-governmental organisations, the latter are gaining importance within social policy development. In the last few years policy making practices in Macedonia have improved considerably. Policy making and strategic planning are becoming processes in which relevant players are increasingly involved and most importantly, their voices heard and their opinions considered to a larger extent than before. Relevant NGOs are consulted, asked to provide comments and inputs or serve as members of working groups established for the development of various legislative and strategic documents. Similarly, MLSP, increasingly after 2000, intensified its cooperation with universities and started to use domestic academic expertise for policy and strategic development, which was not previously the case.

Current political dialogue. Political dialogue between the major political parties considerably influences policy making. Unfortunately, political dialogue has not improved, but considerably regressed in the last several years, while the political rhetoric has become more aggravated. This is especially true for the major political parties from both Macedonian and Albanian blocks.

In addition to this, the constructiveness and cooperation in policy-making has also been heavily criticised by the international community. There is a persistent tendency of refusing the amendments of the opposition by default, even those of technical nature that do not considerably impinge on the contents of the laws being discussed. Similarly, there is a tendency by the opposition parties to criticise almost each piece of legislation being proposed by the political party in power, irrespective of their justifiability, importance and validity for the country's development. This situation considerably hinders policy-making and contributes to lowering of the efficacy of the Parliament.

Public Administration Capacities of Relevance to Social Policy Making. The issue of creating a professional and depoliticised public administration is particularly critical due to the central role of public administration in the planning, implementation, monitoring and evaluation of policies and programmes aimed at the reduction of social tensions in the society (Bogoevska, Nikolovska-Zagar, 2008, p. 106). To achieve this goal a Strategy for Reforms of the Public Administration was prepared in 1999 as well as a Strategy for Training of Public Officials in European Integration, in 2002 (Government of the Republic of Macedonia, 2004, pp. 16-18). However, reform of the public administration in terms of depolitisation, decreasing in size and increasing professionalism, has been a major challenge for Macedonia that no government has managed to achieve.[82] This is due to the fact that public institutions are where members of the successful party are given post-election employment.This results in a situation where loyalty to the political party is favoured over professionalism. This has been typical of each of Macedonian government that took power until today, although it seems that it has been most visible and excessive in the last several years. Perhaps the most detrimental practice in this process has been the assignment of inexperienced, and most importantly, unqualified political party members to highly important and vital positions, often by circumventing the existing assignment rules, thus contributing to the increase in dissatisfaction and demotivation of Ministry staff. The consequence is a public administration overburdened with corruption, nepotism and cronyism, rather than meritocracy.

[82] The total number of state officials continuously increases over the years: in 2006 - 11.830, in 2007 – 12.530, in 2008 – 13.203, while in 2009 - 11.113 (the later decrease was not a result of an actual reducing of the state officials, but due to legislative changes according to which the employees in the cadastre and courts lost their status as state officials). In line with the 2001 Ohrid Framework Agreement, the number of Albanian employees within the state administration almost doubled: from 1447 in 2006, to 2630 in 2009 (ADS, 2006, 2007, 2008, 2009).

Under pressures by the international community to reform the public administration and introduce clear lines of professional upgrading, a new Law on Civil Servants was passed in 2010. It was expected to bring changes in the manner people are employed and the promotion of those already employed. However, the Law has been strongly criticised by the opposition and experts as one that does not set clear and precise criteria, if any, for career development and employee promotion, but rather leaves gaps for continuation of the current harmful practices.

In the following subchapters, the description of the most significant reforms in the key domains of social protection: social welfare, pensions, labour market and health, will depict the cohabitation of the above elements in the development of the Macedonian system of social protection. The emphasis will be put on the procedures followed in the reform processes, players responsible for initiation and implementation of the reforms, internal and external influences, as well as supporting and opposing attitudes about the reforms, where relevant.

Social Welfare Reforms

Phases in Social Welfare Reforms

Ever since Macedonian independence, the Government has been in a process of developing and upgrading of the legislative framework for a socially regulated form of capitalism. To this end, the Law on Social Welfare has been amended on several occasions introducing changes in the legal, normative and administrative aspects of the provision. Given the pro-poor orientation of this Law, the changes in this sphere have not been subject to considerable dispute or disagreement among the opposition and parties in power. Reforms of the social welfare system may be grouped in three chronological phases (1) the foundation phase; (2) the institutional development phase; and 3) the reform process phase, and as such are going to be further discussed (MLSP, 2004, pp. 20-26).

1) The foundation phase (1992-1996). Reform initiatives during this period of political distrust and instability had to cope with the economic social and political constraints that shaped the early nineties institutional driving forces: rising unemployment and poverty, market imperfections, incomplete regulatory structures and limited administrative capacities. Enabling full social rights coverage through legal and financial means and gradually developing anti-poverty policy instruments provided the pathway to a sound Macedonian welfare state.

In this period the Macedonian Government's genuine commitment to anti-poverty policy was expressed through an immediate response to the mass unemployment-related poverty explosion during the privatisation process. The election programme of the SKM-Party for Democratic Renewal promised an extension of the social protection for the unemployed, provision of financial assistance for every Macedonian citizen who remained jobless, setting the level of social assistance to guarantee dignity and human existence, as well as the establishment of the right to social assistance as an individual right (SKM, 1990, p. 13). Indeed, the *Programme for Socially Endangered Population* as adopted in 1992, introduced social welfare benefits for vulnerable families with an overall income below to the subsistence level. The establishment of a national poverty line in 1996 was the outcome of a continuous World Bank technical assistance programme that set the conditions to regulate social policies from a macro-economic point of view. The level and type of benefits were amended according to the results of a World Bank Assessment Project that took place in 1997 (World

Bank, 1999, p. 60). In 1997 a new Law on Social Protection was passed which established a new approach in dealing with social problems and marked the entry into the next, institutional development phase.

In this period, the United Nations Preventive Development Force (UNPREDEP) heavily supported the social policy development and encouraged a study of the social developmental needs of the Country in 1996. "Action for Social Change" recommended various policy measures required to secure sustainable peace and social integration in the country (UNPREDEP, 1996). However, the report was not given proper attention at that time, although it did provide for well-founded recommendations and practically anticipated many of the changes that were introduced much later.

2) The institutional development phase (1997-2002). The Law on Social Protection passed before the Parliament in September 1997 was the cornerstone for the establishment of the new modern social welfare system. This Law contained a stipulation giving the Government the right to regulate the conditions for social financial assistance (SFA) by a Governmental Decree. Although this meant interference of the executive over legislative power, the first such Decree was still passed in 1998.[83]

In addition to the 1997 Law on Social Welfare, welfare measures were extended to children through the adoption of the Law on Child Protection in 2000. In the domain of the protection of children, in this phase UNICEF extensively promoted and supported the deinstitutionalisation process for children with disabilities.

One of the basic tasks in the macroeconomic policy of the country for 2001 and 2002 was accelerated economic growth and poverty reduction. The Government of Macedonia, in April 2000, adopted the "Framework Programme for Development and Reforms Macedonia 2003" which projected almost all relevant policies that were later on agreed and specified in the process of negotiations with the IMF and the World Bank. Encouraged by these objectives, under the leadership of the Ministry of Finance a working group, composed of representatives from relevant ministries, higher-education institutions and other organisations, was established to develop a Poverty Reduction Strategy (Government of the Republic of Macedonia, 2002a). Combating poverty however has remained a pressing issue for each of the Macedonian governments. The Poverty rate oscillates at around 20% before the year 2000 and increases significantly thereafter.[84] The depth of poverty between 1997 and 2007 rose steadily, suggesting that the poor were increasingly drifting away from the living and social standards of the rest of the population (Government of the Republic of Macedonia, 2009, p. 18).

The period 1997-2002 was also characterised by policy responses to the Kosovo crisis (March-June 1999) that shifted the focus away from social welfare reforms. Macedonia received more than 350.000 Kosovo refugees (more than 18% of the population), camps were set up to accommodate the refugees, while welfare institutions provided support in kind or services (MLSP, 2004, pp. 24-25). Maintaining political, security, economic and monetary stability in such circumstances entailed unprecedented challenges. Having weathered the Kosovo crisis in 1999, Macedonia maintained relative political and economic stability throughout 2000. However, in late February 2001, the conflict that erupted between ethnic Albanian armed groups and

[83] This discrete power of the Government to change the SFADecree upon suggestions by the MLSP without any influence from the opposition parties was abolished in 2007 by the Constitutional Court, thus returning back the legislative function to the Parliament.

[84] Poverty rates in Macedonia:

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
19.0	20.7	21.0	19.0	20.7	21.0	22.3	22.7	30.2	30.2	30.0	30.0

(State Statistical Office, 2006)

Macedonian security forces, leaded to displacement of some 170.000,00 persons both within the country and into neighbouring territories (UNDP, 2001, p. 5).[85]

3) The reform process phase (2002-). Welfare reform in this phase pursued by the new government (in power since 2002) was laid down in the governmental programme for the Period 2002-2006. The creation of an efficient system of social protection and productive engagement of social assistance beneficiaries was outlined as an overall objective (Government of the Republic of Macedonia, 2002). During this phase, under pressure from international organisations, residual elements were introduced to the social welfare system that made the social democratic political party in powerundertake a more liberal orientation during this period.

The beginning of this phase was marked by the EU supported Project managed by the European Agency for Reconstruction "Institutional Capacity Building and Social Care and Welfare Development" (January 2002-December 2003), which provided assistance to MLSP in developing policies, strategies and organisational restructuring; and institutional revision, training and equipping of the CSWs and Social Welfare Institutions (European Profiles, 2002, p. 3). This project was assessed as beneficial and elementary for the reforms that took place at a later date.

The social assistance instrument used as a mechanism to preserve social peace had to absorb the huge population of the new poor (redundant workers and those left unemployed due to privatisation, restructuring and bankruptcy of enterprises). Under pressures to downsize social expenditures, the social assistance system was under reform as well, mainly aimed to reduce the number of beneficiaries, to improve the targeting, to reduce the length of receipt of benefit, to engage beneficiaries in public jobs and active labour market programmes, as well as to reduce administrative obstacles in the system.[86] There was a provision to limit the duration of receipt by the introduction of discontinuity in receipt (cessation of assistance for a period of one year after the 5th year of receipt), but it was abolished by the Constitutional Court. The possibility for work engagement of social financial assistance beneficiaries in public jobs (seasonal work, temporary work engagement) in cooperation with the local self-government units, public enterprises and public institutions (CSWs and employment centres) was also in place. However, due to insufficient cooperation of these relevant players, the engagement of social welfare beneficiaries in public jobs has remained week until today.[87] In line with the embraced policy path to reduce SFA beneficiaries, in 2003 a change in the Governmental Decree regulating SFA introduced a condition that the household has to have a registered electric meter or rental agreement to be able to effectuate the right to SFA. Indeed, over 20.000 beneficiaries lost their entitlement to SFA following the implementation of this measure. However, the measure resulted in enormous critiques by the opposition and the public in general. Soon after, the Constitutional Court abolished this stipulation and the 20.000 beneficiaries were returned to the SFA system. We may conclude that despite the orientation of the Macedonian social policy towards the reduction of the number of SFA beneficiaries through improved targeting, the total number of beneficiaries is still very high. The condition today is even worse

[85] Previously, Macedonia also offered protection to 1180 persons from Albania in 1991 and around 35.000 refugees from Bosnia in 1992, in shelters and collective centres (MLSP, 2008b, p. 8).

[86] Public expenditures for social welfare continuously increased: from 5 billion mkd in 1994 to slightly below 20 billion in 2007 (UNICEF, 2007, p. 19).

[87] Research targeting SFA beneficiaries carried out in the course of 2007 showed that even 97.61% of the beneficiaries (543) have never been involved in public works (FOSIM, 2009, p. 39).

than in 1998, when 9.7% of the total numbers of households were recipients of social financial assistance (MLSP, 2010, p. 91).[88]

The most significant reforms in the area of social welfare commenced in 2004 with the changes and amendments made to the existing Law on Social Welfare. In this period there was a broader re-orientation towards social inclusion, wider range of services and services based on individual needs for care (Spasovska, 2008, p. 170). The 2004 Law was passed with no considerable critics by the opposition parties. On the contrary, it gained the support of the opposition as it was appraised as a contemporary Law that promised modernisation and improvements in social welfare in the country. It introduced the following principles that strengthened the adaptation of the Macedonian system to European and international principles:[89]

- Welfare pluralism. The principle of pluralism in welfare based on the mix of public and private sectors (for and not-for profit, charitable, religious) has been widely promoted, but its transformation into practice has remained weak. With the 2004 Law on Social Welfare non-governmental organisations were given the possibility to engage in service delivery with state financial support, a solution whose introduction in the welfare legislation was strongly influenced by PHARE. However, the budget for projects managed by NGOs has decreased to only 3,000,000,00 million MKD for 2010 (MLSP, 2010), meaning that the development of this form of partnership should be paid increased attention in the following years.
- Decentralisation. Efforts have been directed towards decentralisation in social welfare as well, but so far only public homes for older people (3 out of 4) and kindergartens (44) have been decentralised to municipalities. The 2004 changes and amendments to the Law on Social Welfare also encouraged municipalities to prepare Development Programmes and to initiate decentralisation of existing day-care centres currently operating as units of the local CSWs, but without obligatory elements. Due to this and the fiscal decentralization that is lagging behind in many municipalities, local governments still remain ill-prepared for their new roles, social functions of municipalities are not developed and local social services networks as a result are very scarce.[90] World Bank supported several projects following 2004 for enhancement of municipal capacities for preparation of action plans and development of cooperation at the local level, but these also have not considerably contributed to changes in this direction.
- Deinstitutionalisation. The process of deinstitutionalisation in the system of social protection has been marked by the introduction of measures and programmes for social services that would serve as

[88] The number of households recipients of SFA constantly increased: from 64.160 in 1998, 74.126 in 1999, 78.170 in 2000, 80.334 in 2001 and 82.670 in 2002 (Government of the Republic of Macedonia, 2005, p. 22). In 2003 the total number of beneficiaries (households) of social benefits started to decrease and it was 61.813, in 2004 - 64.804, while in 2005 - 67.115 (MLSP, 2005). Slight decrease was evidenced in 2006 when the number of SFA beneficiaries was 64.970 and 2007 with 63.882 beneficiaries (MLSP, 2008). A more considerable reduction was noticed in 2008 when the total number of households recipient of SFA was 53.105 (MLSP, 2008a), and then went further down to 52.266 in 2009 (MLSP, 2010a).

[89] The National Strategy for European Integration of Macedonia (2004, p. 9) announced the orientation of the reforms in the sector of social welfare towards deinstitutionalisation, decentralisation and development of different partnership modalities between the private and the public sector.

[90] In 2007, with a Governmental Decree, CSWs were given the possibility to sign contracts with municipalities for establishment of public kitchens. So far, 36 public kitchens have been established in cooperation with municipalities and kindergartens serving a total of 3457 beneficiaries of permanent financial assistance (MLSP, 2010, p. 98). Given the high expenses (around 70 mkd or 1.1 Euro per meal), the central establishment of public kitchens cannot be justified. In addition, this step was fully contrary to the principle of decentralisation and local development of social services that the Government has been promoting. The establishment of public kitchens on the local level, using local resources, would certainly reduce national budget expenses and would be much more cost-effective.

an alternative to the low quality and often too costly institutional protection, among which special attention has been dedicated to the development of community-based services (day care centres) and foster care services as alternatives to institutional protection, predominantly for disabled children. Since the adoption of the changes and amendments of the 2004 Law on Social Welfare the network of non-institutional social services has continuously expanded and developed.[91]

During subsequent years the reform process continued with subsequent changes and amendments to the Law on Social Protection, introducing: the mechanism for compensation by persons who had been receiving social assistance unjustly and the social inspection institute in 2005 (Spasovska, 2008, pp. 176-177); the stipulation for prohibition of racial and ethnic discrimination in 2007; licensing, right to deliver social services to religious organisations and groups and obligatory element for municipalities to submit their Development Programmes to the MLSP for opinion, in 2009[92]. In 2010 the Law on Energetic Poverty entered into force, providing financial assistance of 600 mkd (around 10Euro) to SFA beneficiaries. In addition to the public kitchens referred to previously, this Law on Energetic Poverty was just another in the line of measures introduced in this period, which are assessed as populist in the first place, more typical to a social democratic rather than a conservative party, and contrary to the established policy of reducing social expenditures.

International Influences in Current Social Welfare Reforms

There are two ongoing projects in whichinternational influence is most visible.The SPIL Project (Social Protection Implementation Loan), a World Bank Project implemented with 9.8 million dollars credit to support pensions and social welfare system reforms. The CCT Project (Conditional Cash Transfers), a World Bank Loan to theamount of 19.300.000,00 Euro which anticipates financial cash transfers to families,beneficiaries of social financial assistance[93] whose children attend secondary school and the strengthening of the administration of the social protection network.

Overall, the CCT Project has been subject of much debate and disapproval, especially among practitioners and the academic community. As Gerovska-Mitev (2008, pp. 97-98) points out "...before the initiation of such a programme in Macedonia, it seems necessary to take into account a few factors, such as: the impact of such programmes in other countries, an assessment of the needs for its introduction in Macedonia, detailed analysis of overall effects that this policy will have, both upon individuals and on the system of social protection, as well as the potential risk of excluding the most vulnerable categories of citizens from the social protection system".

Pension Reforms

Parametric Reforms

Due to deficits in the Pension and Disability Insurance Fund (PDIF), low fertility rates, demographic aging and high unemployment

[91] 22 day-care centres for people with disabilities, 2 for drug addicts, 7 shelter centres for victims of family violence, 2 for children on the streets, 1 for homeless people, 1 for asylum seekers, have been established in Macedonia so far (MLSP, 2010).

[92] In compliance with the pro-active opposition attitude that SDSM has strengthened in the last few years, there were 130 amendments to this Law, many of them of technical nature and not interfering with the essence of the Law, around 30 of which were accepted.

[93] In 2009 a Programme for Conditional Cash Transfers for Secondary Education was developed by MLSP. The annual amount of the cash transfers for secondary education per student fulfilling the conditions was set to 12.000,00 mkd or around 195 Euro (MLSP, 2009). However, the implementation of this Programme was postponed.

rates, the Government of The Republic of Macedonia initiated the process of reforms of the PAYG pension and disability insurance system early in 1993. With the enactment of the new Law on Pension and Disability Insurance and a series of subsequent changes and amendments, in the period until 2000 a policy of growing restrictions in the management of the state pension system was in place. To improve the solvency of the PDIF and to tighten eligibility criteria, a set of parametric reforms were implemented, mostly of a restrictive nature: instituting higher retirement age, estimation of the pension base by the average of all wages of all years of service, instead of the 10 most favourable ones; lowering of the replacement rate from 85% to 80%; as well as the repeal of the possibility to "buy" years of contributions as an option for fulfilling the eligibility criteria for retirement, revoking of the right to using social standard funds by the beneficiaries (1994 and 1995), minimum pensions (1996), payment of unpaid past contributions with 70% discount or in instalments (1997) (European Commission, 2007, p. 113).

These changes provided the desired effects in the short run, in terms of the balance between income and expenditure in the pension system, reduced influx of new pensioners and pension levels, regularity in pension payments and budget transfers towards the PDIF. However, solving the challenges in the long run imposed the need to deepen the reform of the pension system in thedirection of its gradual privatisation, which was emphasised in many relevant documents and reports prepared in this period. The National Development Strategy for Macedonia prepared with UNDP support, refers to the need for Macedonia to pass over to a three-level pension and disability insurance system by emphasising that "The process of "tightening" the public fund that has been having deficit problems for a long time should go along with the spreading of private pension schemes..." (Macedonian Academy of Sciences and Arts, UNDP, 1997, pp. 100-101). The same year, the document "Pension System in Macedonia: Recommendations for Reforms" prepared by the CARANA Corporation for USAID also recommended privatisation of the pension system to reduce the financial burden of the PDIF (CARANA, 1997, p. 9).

As a result, starting from 1996, the approach towards the reform of the pension system was twofold: on one side, a continuation of the measures for strengthening of the stability of the state pension system through the parametric reforms, and on the other side, activities were initiated for the establishment of a new pension system that would provide for long-term solvency.

Paradigmatic Reforms

The introduction of the paradigmatic pension reform was initiated with the technical and financial support of the World Bank within the 9.8 million dollar SPIL loan. One of the two components in the SPIL refers to the reforms in the pension and disability insurance system. The 2000 Law on Pension and Disability Insurance established the legislative framework required for the new pension system based on the three pillars: 1) mandatory defined benefit pillar (reformed pay-as-you-go system); 2) mandatory fully funded pillar (2006); and 3) voluntary fully funded pillar (2008).

Prior to the introduction of this reform there was a campaign period (2002-2006) when several public opinion surveys on the new pension system and pension reform were carried out. The World Bank's social assessment (as part of the SPIL project), focus groups which included employers and public officials were positive towards the planned reform. The pensioners' focus groups were sceptical of the reform, mainly because of the previ-

ous negative experience with 'private pyramidal schemes', as well as the prevailing trust towards the state as pension provider rather than the private sector. The MLSPconducted a public awareness campaign under the name „Inform Yourselves about your Rights – The Decision is yours" in 2006 comprising of TV commercials, publishing ads, newspaper banners, billboards and dissemination of informative brochures for employees and leaflets for employers, in both Macedonian and Albanian. The media campaign was followed by PR activities, such as press conferences and open events. However, it should be noted that the public campaign did not involve an expert-based debate regarding social risks in the new reformed pension system. Lack of such a debate reduced the space for alternative country basedsolutions in regard to the pension specifics and characteristics. The prevailing general impression was that the reform was 'imposed' by IMF and World Bank arrangements, without taking into consideration the social concerns of the population. Among the few who challenged this reform were the trade unions, but their impact can be described as 'too little, too late'. Trade unions were in favour of a voluntary, rather than mandatory second pillar. Despite the trade unions' efforts to point out these problems by organizing a general strike in 2000, their activities did not have an impact on the political will and decisions (European Commission, 2007, pp. 123-124).

Expected Benefits and Challenges from Pension Reforms

Expected benefits from the reforms at a national level are the improved solvency of the pension system, influence on the development of capital, labour market and a reduction in public expenditures on the long run. *At an individual level*, increased pension security is expected,[94] as capitally financed pension systems are more resistant to demographic changes. This will provide a reduction and diversification of risks. Transparency and insight into individual accounts is an additional benefit.

However, experts claim that it is too early to assess the returns from the pension system reform investments. Probably the best benefit of the undertaken pension reform can be seen in improved institutional functioning, in terms of the transparency ofinstitutions involved, as well as the contribution collection. Unfortunately, positive outcomes of the new pension system are not visible in the other aspects of the reform (European Commission, 2007, p. 117). According to Gerovska-Mitev (2008, p. 95) the emergence of the private sector in pension insurance in principle was supposed to improve the possibilities for better and more secure old age pensions. However, the compulsory private pension pillar is equally risky, both for the individual and for society, especially due to: a) high administrative costs charged by pension companies, amounting to 7.9% from the contributions paid by the recipients;[95] b) extensive (inadequately projected) flow of transfers from the first to the second pension pillar that result in a significant increase in transition costs for this pension reform, which would be again a burden for all tax payers in the country;[96] c) insufficiently developed financial instruments on the domestic markets where the pension fund could make investments. So far, access to the pension system and exclusion of some vulnerable population groups from the second

[94] In 1992 average pension was 79% of the average salary, while in 2007 only 55,5% of the average salary. With the governmental intervention in 2008 the average pension was slightly increased to 57.2% of the average salary (MLSP, 2008c, p. 22).
[95] Comparatively, the administrative charges in Macedonia are high (i.e. Croatia up to 0.8%, in Hungary 5-6%) (European Commission, 200, p. 13).
[96] There was an increase of the initially planned transitional costs (2.2% from the GDP in case of 86,000 switchers i.e. 25% of the insured persons). As the numbers of switchers in the second pillar doubled the expectations, it implies that the transitional costs will also double, peaking to 4.5% from the GDP in 2025-2030 (European Commission, 2007, p. 13).

pillar are emphasised as key shortcomings in the reforms. Among those excluded are: older people, agricultural workers,unemployed people, redundant workers (laid-off workers), those working only with short-term employment contract for which the employees pay only personal tax, those working on the grey market (European Commission, 2007, pp. 122-123). UNDP experts warned of this risk in 1999 emphasising that the strength of the lobby for privatisation and funded schemes to replace pay-as-you-go state pensions should be tempered by acute concern about the implications for low-income earners and for income distribution as the three pillar schemes tend to erode the role of the state-guaranteed social protection and generate inequalities (UNDP, 1999, p. 62).

A future challenge for the sustainability of the pension system is the reduction of contributions due to the rising number of pensioners and constantly decreasing work force. The number of employees to 1 pension beneficiary shows a continuous decrease: from 3 in 1991, 2.0 in 1995, 1.5 in 2000 and 1.3 in 2005 (European Commission, 2007, p. 128). Dependency ratio (number of employees per 1 pension beneficiary) in 2004, 2005 and 2006 was 1.3, 1.3 and 1.6 respectfully (MLSP, 2008, p. 67). The dependency ratio in 2007 was 1.4:1 (Vucev, 2009, p. 266).

Labour Market Reforms

Labour Market Challenges

The transition process in Macedonia entailed extremely high unemployment rates, in the last couple of decades, circulating around 30%. The unemployment problem has been largely generated by inadequate macro-economic policy (UNDP, 1999a, p. 38). The market restructuring of enterprises, the liquidation of a considerable number of industrial entities, as well as the public sector reforms, have all contributed to the unemployment growth in Macedonia.[97] Although there are no official estimations, the high rate of unemployment can be attributed to the large informal economy existing in the country (Bornarova & Gerovska-Mitev, 2009, p. 27).

The unemployment rate started to grow immediately after Macedonian independence: 19.2% in 1991, 19.8% in 1992, 28.3% in 1993, 31.4% in 1994, 37.7% in 1995, and 31.9% in 1996 (UNDP, 1999a, p. 39). In the subsequent years the situation remained similar: namely 36% in 1997, 30,5% in 2001, and even 34,9% in 2007, with a visible increase in the period after 2000[98]. Women in Macedonia are less represented in the labour market than men, what reflects the employment rate among women: in 1997 women participated with 35.9% of the total number of employed, in 2001 with 40.4% and in 2007 with 39.2%. The largest unemployed group are young adults aged 15-24, with 74,2% unemployed in 1997, 56,1% in 2001, and 57,7% in 2007. From the total number of unemployed in 2007, 84,9% have been waiting out of work for more than a year (State Statistical Office, 2008, pp. 18-19). In the following years the unemployment rate has not considerably decreased. It was 33.8% in 2008 and 32.2% in 2009 (State Statistical Office, 2010, p. 66). In the last several years the Ohrid Framework Agreement and the introduction of the principle of equitable representation, resulted in improvements of the employment status of ethnic communities mostly in the public sector (MLSP, 2008c, p. 21).[99]

[97] In 1996 workers from bankrupt firms totalled 54.94% in the structure of payment of material rights for unemployment Technological surplus totalled 10.25%, while 3.79% of payments were for workers from firms bankrupt for the second time (Macedonian Academy of Sciences and Arts, UNDP, 1997, p. 96).

[98] Unemployment rates in Macedonia:

2001	2002	2003	2004	2005	2006
30.5	31.9	36.7	37.2	37.3	36.3

(European Commission, 2007, p. 59)

[99] See Chapter on Public Administration Capacities for additional statistical data.

Reform Paths

The above situation made the employment policy one of the top priorities on the social policy platforms of all Macedonian Governments. VMRO-DPME promised employment for 10.000 persons from the most socially vulnerable families in 1998, while SDSM practically won the elections using the slogan "one employed per family" during the parliamentary elections in 2002. The Macedonian orientation towards combating unemployment was additionally emphasised in 2004 within the National Strategy for European Integration of Macedonia. The Strategy emphasises that the policy for advancement of human resources and the labour market should be predominantly oriented towards generating new employment and points out that the eradication of the remaining institutional inflexibility on the labour market and social protection should contribute to increased labour mobility, in parallel with measures to reduce illegal employment (Government of the Republic of Macedonia, 2004).

However, none of the governments so far has managed to considerably improve the situation of unemployment in Macedonia that remains a pressing issue today and certainly in the future.

A more significant shift in the modalities for combating employment was noticed after 2006. Within the Working Programme of the Government of Macedonia for the period 2006-2010, increased employment was outlined as a target of policies and reform activities for more dynamic economic development. A number of measures anticipated in the programme were designed to create conditions for new employment, in particular the active labour market measures (ALMM) (Government of the Republic of Macedonia, 2006a). Based on this programme, in 2006 the National Employment Strategy 2006-2010, a more comprehensive strategic document for combating unemployment, was prepared by the Ministry of Labourand Social Policy as the leader of the group working in partnership with relevant ministries, including the Employment Agency of Macedonia, the Association of Local Self-Government Units (ZELS) and social partners. Within the Strategy, Macedonia set rather ambitious objectives, with the employment policy to be achieved by 2010: a general employment rate of 48% by 2010; female employment rate of 38% by 2010; older workers (55-64 years of age) employment rate of 33% by 2010 (Government of the Republic of Macedonia, 2006). A considerable contribution to the development and implementation of the ALMM was provided by the UNDP Office in Macedonia. In the period from 2004-2007, the UNDP in Macedonia had implemented 5 active labour market programmes. A central element of UNDP support in employment and unemployment mitigation has been in piloting measures with a view to subsequent replication and up scaling. Increasingly, this was being done in collaboration with the MLSP and EA, while the UNDP's support to self-employment has been provided at the direct request of the Ministry (Dimovska & Maddock, 2008, pp. 142-143).[100] However, the implementation of these measures shows gaps and ineffectiveness, especially when it comes to public works and the subsidised employment of socially vulnerable population groups. Welfare-to-work programmes are nearly non-existent, and as a result the long-term dependency on unemployment benefits is common. The whole concept of „welfare-to-work" is yet to be developed in the country (Bornarova et al., 2007, pp. 61-64).

[100] Between 1996 and 2002 expenditure on active labour market measures was only 0.05% of GDP, as compared to 0.7% in OECD countries. This has increased since 2002, largely due to funding from donors (Dimovska& Maddock, 2008, p. 135).

In addition to the activities to reduce the unemployment rate, over the years the grey economy has posed numerous barriers to governmental reforms. Despite the proclamations of all Macedonian governments to shrink the grey economy in the country, it still exists as a sort of social safety net in the face of diminishing economic activity, declining employment and other unfavourable economic indicators. This sector is still quite "lively" and attempts to overcome the most severe economic and social crises Macedonia has suffered.[101]

Tripartite Social Dialogue

The official arena where social dialogue takes place is the Socio-Economic Council within the MTSP established as a tripartite body based on the agreement between the Government of Macedonia, the Association of Trade Unions and the Chamber of Commerce of Macedonia. Overall, social dialogue takes place within this Council, as well as part of the negotiations between the social partners relative to socio-economic issues of interest to the country (Law on Working Relations, 2005). The Council has advisory and consultative functions and sits at least once per quarter.[102] Established under pressures of the international community, initially, the Socio-economic Council was just a formally established body that was not functional and was seldom in session. In the last several years the Council has gained some weight and is slowly undertaking the assigned functions, in part because of the criticism by the international community, although the need for improvements in its functioning still remains.

Outside of the Socio-economic Council, the trade unions' situation deserves additional attention. The need for a free and independent trade unions' movement was recognised two decades ago. The government that led the country in the first years after independence declared an intention for full liberation of trade unions from state tutorship and political party domination and to make it a real partner of the government in regulating labour market issues, building societal consensus and maintaining social peace (SKM, 1990, p. 6). However, 20 years from then, trade unions are still weak, poorly organised and in continuous competition instead of partnership with each other over the years. The political influences within the trade union movement cannot be overlooked, as they are often criticised by their own membership and the general public of being on the side and defending the interests of the government instead of the workers. To exemplify this, in April 2010 the current government was publicly and directly accused by the former president of the Association of Trade Unions of Macedonia Vancho Muratovski, of interfering in his replacement. Similar accusations directed towards the current government of Macedonia came from the leader of the Association of Defenders of Macedonia during the 2001 conflict, who claimed that the Government is trying to disintegrate the Association by putting pressures and giving false promises to its members.

Health Protection Reforms

Phases in the Health Care Reforms

Since independence, the Republic of Macedonia has embarked on a number of reform initiatives in the field of health care. Lazarevic and collaborators (2010) in the latest analysis of the health care reforms in Macedonia for the period 1991-2010, based on the shifts in the decision-making power over allocation of

[101] A study by a group of independent economic experts, the National Bank of Macedonia and the National Statistical Office, estimates that the grey economy constitutes 30% of the GDP (UNDP, 1999a, p. 46).

[102] http://www.mtsp.gov.mk/?ItemID=969CD34E1317714293CEA31204D3628B

resources and political influences as criteria, identify three main periods in the development of the health system reforms: post-socialistic (1991-1998), pro-market (1998-2006), and manifesto driven (2006-ongoing). Further in the text the key reforms in the health care system will be presented based on these phases.

Post-socialistic reform phase (1991-1998). The reform efforts in this phase were generally in line with the proclamations for efficient and human health care system outlined in the election programme of SKM (SKM, 1990, p. 11). Immediately after independence in 1991 a Health Care Law was adopted. It introduced compulsory health insurance; it set the basis for privatisation of the health care services[103], and established the HIF as an integral part of the Ministry of Health.

After the country's independence was established, the health care system was forced into a state of ad hoc adjustment to the dramatic fall in public health finances,whose real fall from 1991-1993 amounted to approximately 40% (Macedonian Academy of Sciences and Arts, UNDP, 1997, p. 97). This fall was a consequence of the closure of enterprises and increasing unemployment in this period. The health care system was in jeopardy due to evasion in payment of contributions, which resulted into financial debts of health care providers of up to 40 million US$ by 1997. As a response to the funding crisis of the system, the government introduced the co-payment for health care services instrument for the first time in 1993. In this phase, the possibility for patients to select a personal doctor and a new referral system were also introduced. The governmental support to the initiated process of privatisation and competition in the health care sector continued, as reiterated in the 1994 election programme of SDSM (SDSM, 1994, p. 11). In 1996 the government signed the first Loan Agreement with the World Bank for the health sector reforms.

Overall, the health sector reforms in this post-socialistic phase focused on the prevention of the collapse of the system, maintaining some of the features of the system from the previous period, such as strong prevention, free access and solidarity in financing. The government in this crucial period did live up to the expectations related to these challenges.

Pro-market reform phase (1998-2006). The beginning of this second phase of health sector reform coincides with the shift in political power in the country, from left-oriented social democrats lead by SDSM to centre-right oriented conservatives leaded by VMRO-DPMNE. This phase was marked by intensive structural and financial reforms, predominantly initiated and guided by the World Bank and the Health Sector Transition Project. It was up to the VMRO-DPMNE led government to implement what was set as a base by the SDSM led government when it signed the Loan Agreement of about 16 million US$ with the World Bank in 1996.

In 2000 a new Health Insurance Law was adopted with which the HIF was established as an autonomous health insurance agency. This took away the power from the Ministry of Health. In 2004 basic health care was decentralised to municipalities, but health insurance remained under central government control. Health Care Law was changed to allow privatisation of segments of the public health care system – dentistry clinics and pharmacies (Health Care Law, 2004). With the additional amendments of the Health Care Law in 2005, privatisation of primary health doctors was initiated (Health Care Law, 2005). By October

[103] With an intention to improve the efficiency and the quality of the health services through the creation of competitive relations between the private and the public sector, the privatisation reform led to a subsequent rapid growth of private doctors' and dental offices and private pharmacies (UNDP, 2001, pp. 76-77). As of April 1996 the growing private sector consisted of 877, mainly small surgeries and pharmacies (Macedonian Academy of Sciences and Arts, UNDP, 1997, p. 113). In 1999 there were a total of 516 private doctor's offices registered in Macedonia and a total of 377 private dental offices.

2007 a total of 3521 health workers (doctors, dentists, pharmacists and nurses) were privatised, while former salary based payment of doctors was replaced with capitation.[104] The doctors established private practices in the rented premises of the Health Centre where they used to work prior to privatisation (ownership of the clinics remained public). However, in this period there seemed to be a wide spread dilemma among the general public regarding the question: how can the establishment of private profit-oriented practices within public health centres be justified?

The private health care sector expanded with the establishment of three big private hospitals.[105] Of these, mostly due to the lack of cardio surgery in the public health sector, HIF signed a contract to cover part of the expenses for the services provided only with the cardio surgery hospital in 2000. This was at the same time the first public-private partnership example. Since then there have been lots of discussions and proposals for additional partnerships, but "Philip II" until today remains an isolated success case.

After the completion of the first agreement, in 2004 a new loan agreement was signed with the World Bank for a Health Sector Management Project of about 10 million US$. The ultimate objective of the project is to make the health system more sustainable in the long-run by implementing policies and programs that contribute to a cost-effective, equitable and efficient health care system (World Bank, 2004).

Manifesto driven reform phase (2006-ongoing). The third wave of the health sector reforms in Macedonia started at the end of 2006 after the parliamentary election and changes in the government. The promotion of new health system reforms was an integral part of the political platform of the VMRO-DPMNE as elected party. Key features of this manifesto were aimed to decrease out-of-pocket expenses (OPE) for health, to improve efficiency and transparency at the level of health care providers, to advance patients' rights in all medical interventions, and to strengthen the position of the HIF as a strategic purchaser of health care services. Moreover, the government promised to decrease the price of the pharmaceuticals, and to introduce a referent pricing system by providing more choice to patients (VMRO-DPMNE, 2006). As a first step in realizing its objectives, in the fall of 2006 the previous system of traditional appointment of medical doctors as directors, was replaced with system of two directors with an equal level of responsibility, but different backgrounds - one a medical doctor, and the other an economist (Health Care Law, 2007). Health management was officially introduced as part of the government strategy to improve the performance of the public health providers, but direct interferences of the political parties blocked all mechanisms for successful reforms. The politicization of the health system in Macedonia became a symbol of the transition with direct negative consequences to the health system in stimulating inefficiency, nepotism and poor management that lead to the systematic degradation of the public hospitals (Lazarevik et al., 2010, p. 11).

In 2006, the Government also promised a new investment of 40 million EUR in medical equipment for the purposes of the state owned health care facilities (European Commission, 2007, p. 158). However, this project seriously lags behind, as the first contracts with suppliers of medical equipment were signed several years later, in 2010. In the meantime, the political opposition has been

[104] Doctors receive quarterly payments based on signed contracts with the HIF depending on the number of patients enrolled to their lists.

[105] Cardio surgery hospital "Philip the Second" in 2000, Gynaecology hospital "Sistina Medical" in 2002 and General hospital "Remedica" in 2005.

highly critical of these "false" governmental promises, doubting the capability of the government to actually fulfil them. A similar critique was related to the failure to introduce the payment system for hospitals based on diagnostically related groups (DRG). Although the period for preparations lasted for three years, the financing is not yet linked to DRG performances of the hospitals.

In 2008, early elections were called; the running government party won again, and increased its majority in the parliament. This was a new opportunity to update the health manifesto and to add new promises. The updated program divided health reforms in four main components: aimed to protect the values of solidarity, equity and participation of the citizens in the decision making process; to advance and preserve the social health insurance system; to strengthen public health services; and to continue with the investments in the health care sector (VMRO-DPMNE, 2008). This period in the health system reforms will be remembered by a promising start, high levels of enthusiasm andpolitical promises aimed to improve the health system delivery, many of which have not been achieved yet. The failure to fulfil the given promises contributed to the opposition criticising the party in power for the deterioration of the health care sector and its consequences for citizens. The majority of criticism surrounds the unpredictable and unsustainable governmental policies that give the opposition material to claim that the government has poor analytical, strategic and policy-making capacities.

The most recent 2009 changes of the Law on Health Protection introduced compulsory health insurance for all citizens of Macedonia who did not have any grounds for obtaining health insurance before these changes had been adopted (Rulebook, 2009). As the Prime Minister Gruevski reiterated in the media, "the new law targets these marginalised groups". The government enabled newly eligible patients to receive health care services on the same footing as those who are employed and pay for health insurance. While society generally welcomed the expansion of medical care, experts criticised the impending burden on the federal budget[106] (Trajkov, 2009). While in 2008 the HIF budget was at its historically highest levels, as of 2009 the health system again went under serious financial constraints. The local media is full of negative coverage of the conditions in the public health care system. The OPE increased for all citizens. In early 2010 many hospitals started to acquire new debts, this was followed by many scandals in the local media on the provision of poor quality health care, several of which related to fatalities.

The Health Care System in Macedonia following the Reforms

The health care system in Macedonia following the reforms still faces considerable problems and challenges emphasised in a series of reports, articles and other documents. Externally, the most influential factor in the health care reforms were policy pressures and project activities financed from the World Bank loans. Internally, the most important factor for pursuing or obstructing the reforms was the interest of the political parties. Over politicization of the system and populist political motives to gain more votes almost caused the public hospital sector to collapse (Lazarevik et al., 2010, p. 12). A 2004 International Monetary Fund report also points out that inefficiency and corruption in the state HIF and state owned healthcare institutions are a major cause of poor performance (UNICEF, 2007, p. 26).

[106] According to initial financial projections, this new health care system will cost more than 5million EUR to implement.

Kjosev and Nedanovski (2008, p. 73) point out that the health care system suffers from obsolete equipment, a lack of medicines, low levels of patient satisfaction and high referral rates to higher levels of care, high expenses for drugs and hospital care, and a general focus on hospital health protection, instead of primary and preventive protection.

Other authors call attention to some different challenges to the health care system: emphasis on the predominant focus of the reforms on the primary health care and lack of efficient system of health data management (Tozija & Gorgev, 2009); stigmatisation, discrimination, stereotypes and prejudices among medical personnel in the delivery of health services, inappropriate involvement of target groups (patients) in planning and implementation of health care policies and programmes, insufficient information of rural population in the existing health care programmes, lack of health education for the population (Stevanovic, 2008, pp. 136-137); the need for rationalisation and proper management of the public services and setting health contributions according to the income and socially determined participation levels (Gerovska, Spaseva, & Gorgev, 2007, pp. 5-9).

Citizen's views and perceptions

There is an overall dissatisfaction of the public with the social protection policy in the country. Starting soon after Macedonian independence, the process of transitionmade theheaviest impact on the citizens. It faced thousands of people with unemployment and poverty and widened the gap between the rich and the poor, which resulted in social exclusion and inequality. Despite the reforms aimed at bringing social services closer to citizens and increasing their accessibility and availability, the perception among the wider public is that every government that was has run Macedonia has failed to fully meet social protection needs of the population in general and vulnerable groups in particular. With the global recession in 2009, social and economic conditions in the country further deteriorated. MIA reported on the IRI poll results showing that the effect of global crisis on the economic situation at home raises most serious concern among the citizens of Macedonia. IRI Regional Director for Europe Lindsay Lloyd informed the Voice of America that there is a tendency of growing pessimism among Macedonians related to economic developments, but that the vast support of Macedonia's accession to NATO and the European Union has been steady for several years (the latest result being at 90 percent).[107]

Macedonia's democratic institutions and practices are weak and highly centralized, which is why Macedonian citizens do not have a high degree of confidence in their democracy. The democratic process is further distorted by the patronage systems, used by political parties to win elections, which involve the distribution of key resources under their control (i.e., civil service jobs or jobs in state-owned enterprises). The inactivity or lack of pressures on state bodies from the electorate, mass media, various professional associations, trade unions, scientific community and other social factors contributes to the indolent attitude of the government. The existing pressures exerted by citizens are chaotic and disorganised, because of the lack of powerful civic or professional organisation that would articulate the needs of citizens (UNDP, 2001).

There still remains a high level of distrust in the political parties and their promises to improve the social situation of the population, supported by the belief that political parties' programs are just a way to attract citizens' affection in the pre-election period. Practice has

[107] http://www.mia.com.mk/default.aspx?vld=62143290&lld=2

indeed shown that much of what has been promised within political party programs remains only paper-based. The belief is that political parties frequently forget their promises after getting in power. However, of all political parties VMRO-DPMNE still has the highest reputation among the Macedonian citizens. In 2007 their level of support by citizens was 30%, while SDSM's only 8%. The same year DUI's standing was at 9% citizens' support, compared to 6% for DPA.[108] In 2010, the IRI poll reported an increase in support for the SDSM political party to 12%.[109]

Currently the affiliation of the population with the state is also weakening due to the process of particisation of the society. The practices of particisation and politicisation in employment have attracted part of the citizens to become members of political parties, hoping that it will be a way out of poverty when the "golden time" for their party comes. This whole situation resulted in citizens being unusually politically active. The division between those in sympathy with SDSM or VMRO-DPMNE among Macedonians, and with DUI or PDP among Albanians, is common and frequently results in conflicting communication in people's daily lives marked with mutual blaming of the policies and practices of political parties for people's sufferings.

Contrary to the present weakening of trust in the state and its institutions, primary and extended social relations are getting stronger. Unfortunately, the social role ofchurches has not been developed, almost at all. Instead, there is an overall perception among the population that churches in Macedonia have been on the opposite side of the continuum, in other words - profit oriented, disregarding the needs of the needy, poor and marginalised groups. As a result, the orthodox population groups can rarely rely on the churches as a potential help resource. Among the Muslim ethnic groups, the situation is quite different. The larger social role of the mosques among this ethnic group in terms of helping those in need is a well-known practice.

Furthermore, civil society has not developed to the point where it can exert significant control over the actions of political players or function in a proactive way to meet the needs of its own citizens. The NGO sector is still undergoing development and is unable to be a cohesive factor among citizens in these processes.

As to the business sector, it has considerably increased in Macedonia in the period of transition. However, the trust in the business sector is very low, as the corporate responsibility of businesses is not yet sufficiently developed. Businesses as predominantly profit and market oriented, only sporadically engage in supporting social programmes.

Given the fact that, trust in the state and other relevant social support networks is very low, while their role in providing social security frequently ineffective for the majority of the population, the family and immediate social networks remain to serve as primary resources for meeting the needs of protection and care.

Remaining issues to be addressed and future challenges

Since 1991, Macedonia has been faced with the challenge of replacing the system of exceptionally low economic efficiency but with a great sense of social security of people, with a system that offers high economic efficiency but with substantial shortcomings with respect to the social security of the citizens. Notwithstanding considerable positive results of the reforms of the social protection system in Macedonia, the system itself and the modalities in

[108] http://www.utrinski.com.mk/?ItemID=9845E31E70FFB342A48100BCA96188AA
[109] http://www.a1.com.mk/vesti/default.aspx?VestID=118565

which reforms have been created and implemented necessitate further advancement.

Policy-making and strategic planning capacities of relevant ministries are still inadequate. Too often, changes in legislation and in practice have been introduced without prior cost-benefit and cost-effectiveness studies, and subsequent programme evaluation. To avoid this, the process of policy-making should be made more transparent, participative, attainable and sustainable. Situation analysis, empirical research and evaluation should be given a much higher priority. Although participation of relevant third parties in policy-making has improved over the years, it should be made more substantial and genuine than formal. Civil society organisations, human rights' movements, labour market organisations (i.e. trade unions) should be strengthened to be able to influence policy-making and gain real power to participate in the decision-making processes.

One of the most important challenges is the need for Macedonia to reduce the reliance on foreign financial and technical assistance in the implementation of projects and programmes. This is especially true for conditioned loans and credits. To be able to achieve this, project preparation and fund-raising capacities within ministries must be strengthened.

Politicisation in all domains of the social protection system remains the most pressing problem that must be dealt with. A professional, party-neutral, effective and efficient public administration is still an objective that hasn't been reached. There is also a need to increase the consistency of governmental actions with the pre-election programmes, shifting the priority from the populist towards realistic and fundamental programmes and projects that are essential to meet the social needs of citizens. Political and social dialogue that can be crucial for introducing high quality and sustainable improvements in the social protection system is still weak and immature. Political coordination, consultation, constructiveness and joint decision-making are currently replaced by often unjustifiable conflicts, mutual blaming, disagreements and disapprovals between the political parties in power and in opposition. Additionally, ruling parties over this entire period have been characterised by a lack of clear vision or a clearly profiled concept of comprehensive social development of Macedonia.

Specific sets of challenges may be emphasised for each of the social protection domains. In the domain of social welfare, reforms have been based on the promotion of the principles of decentralisation, deinstitutionalisation, pluralism and social inclusion. However, the process of decentralisation is lagging behind, which contributes to the poorly developed social functions of the municipalities and local networks of social services at present. Because of this, decentralization efforts should be intensified in future, as decentralisation will also allow for the creation of a more horizontal, integrated form of planning and new social systems of "local social development" through inter-sectoral, inter-organizational coordination. Such systems will be capable of reflecting on "local" needs and problems and take into account local culture, traditions and aspirations of people in their natural habitat. In addition to decentralisation, a plural welfare mix should be further developed. Public-private partnership with NGOs should be improved and extended over religious and profit oriented organisations. The ongoing processes of deinstitutionalisation and development of local networks of social services for non-residential care should be paid increased attention in future. As to the social financial transfers, to avoid long-term dependency on the social welfare system, efforts should be intensified to improve the targeting, activation and re-attachment to the labour market of the SFA beneficiaries.

The **pension system** has been subject to the most profound changes since 1991. The changes have been of both parametric and paradigmatic in character, and restrictive in essence. However, the main aspect of change has involved the modernization of the pension system, but with very little or no real concern about its sustainability and adequacy. The reform should not have been undertaken without sufficient projections of the pension reform outcomes on different client groups, their future level of living standard, as well as its impact on different genders, ethnicities and economic sectors. One of the main fears is related to the sustainability of the reformed pension system.This is due to the shortage of financial instruments in which pension funds can invest and the dependency ratios. The question is whether the system can bear the burden of the transitional costs, which in the environment of a high rate of unemployment and increased number of switchers to the second pillar can jeopardize the sustainability of the whole pension system as well as gradually threaten the country's fiscal sustainability.

Labour market reforms have been among the least effective, given the high unemployment rates that have circulated around and above 30% for two decades. The shift towards the ALMM was positive, but the effectiveness of these measures, especially for the social welfare beneficiaries, has remained at a very low level. The absence of cooperation between the EA, CSWs, municipalities and local businesses on the implementation of welfare-to-work programmes, has considerably contributed to this current state. Extending ALMM towards social welfare beneficiaries through improved targeting and linking the sectors of employment and social welfare remain the key challenges in this domain.

Despite many reforms and initiatives, political promises and actions, health sector reforms in Macedonia have been rather fragmented and overall do not present a success story. In general there has been a trend to user payments. Private clinics and private services are spreading and conventional social insurance does not entitle citizens to such services. This led to the fragmentation of health services with those thriving in the market economy having access to reasonable care and with those not thriving having residual, lower-quality care. The key problems are poor efficiency and quality ofservices provided in the public health facilities; distortion of the social health insurance system and politicisation of the health sector. Public health facilities should be made more autonomous, efficient and more independent from the direct influence of politics. The generosity of the publicly financed health care system is not affordable and creates significant inefficiencies.It is ridden by corruption and balanced by expenditure cuts that are affecting the primary health care system, and the maintenance of facilities that are important for the poor. The quality of health care has also deteriorated due to lack of materials, with wages and salaries absorbing most of the health budget.

Overall, the whole system of social protection in Macedonia should be improved. It should move in the direction of provision of affordable and accessible higher quality services tailored to the social, economic and health care needs of the service beneficiaries.

List of abbreviations

ALLM	Active labour market measures
CCT	Conditional cash transfers
CSW	Centre for Social Work
DA	Democratic Alternative
DOM	Democratic Renewal of Macedonia
DP	Democratic Party
DPA	Democratic Party of Albanians
DPP	Democratic People's Party
DUI	Democratic Union for Integration
EA	Employment Agency
EC	European Commission
EU	European Union
HIF	Health Insurance Fund
IDA	International Development Association
IMF	International Monetary Fund
ISA	Institute for Social Activities
LDP	Liberal-Democratic Party
LP	Liberal Party
MAPAS	Agency for Supervision of Fully Funded Pension Insurance
MLSP	Ministry of Labour and Social Policy
NDP	National Democratic Party
NGOs	Non-governmental organisations
NSDP	New Social Democratic Party
OPE	Out-of-pocket expenses
PAYG	Pay as you go
PEF	Party for European Future
PDIF	Pension and Disability Insurance Fund
PDP	Party for Democratic Prosperity
SAA	Stabilisation and Association Agreement
SDSM	Social Democratic Union of Macedonia
SFA	Social Financial Assistance
SPM	Socialist Party of Macedonia
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNHCR	United Nations High Commissioner for Refugees
UNPREDEP	United Nations Preventive Development Force
USAID	United States Agency for International Development
VMRO-DPMNE	Democratic Party for Macedonian National Unity
VMRO-NP	VMRO-People's Party

List of references

ADS. (2006, 2007, 2008, 2009). *Annual Reports.*

Bogoevska, N., &Nikolovska-Zagar, B. (2008). Status of the Employees in the Centres for Social Work in the Republic of Macedonia: Civil Servants – Yes or No?. In Bornarova, S. (ed.). *Contemporary Developments in Social Protection and Social Work: Professionalisation, Deinstitutionalisation and Reforms.* Faculty of Philosophy. Skopje.

Bornarova, S., Brkic, M., &Habul, U. (2007).*From Welfare to Workfare States on the Balkans - Promotion of the Role of the Private Sector in Providing Employment Opportunities in Macedonia, Serbia and Bosnia".* Faculty of Philosophy – Skopje. Academic Training Association (ATA), Amsterdam, Netherlands.

Bornarova, S., &Gerovska-Mitev, M. (2009). *Social Exclusion, Ethnicity and Older People in Macedonia.* Faculty of Philosophy. ERSTE Stiftung.

CARANA (1997). *Pension System of Macedonia: Recommendations for Reforms*. USAID. Skopje.

Deacon, B. et al. (1992). *The New Eastern Europe: Social Policy Past, Present and Future.*

Dimovska, M., &Maddock, N. (2008). Active Labour Market Policies: Activities of UNDP in Macedonia. In Gerovska-Mitev, M. (ed.) *Reframing Social Policy: Actors, Dimensions and Reforms.* Faculty of Philosophy, Friedrich Ebert Stiftung.

Donevska, M., &Trbojevik, S. (2009). The Influence of Global Financial Institutions on the Development of Welfare in South Eastern Europe and their Impact on Social Work. In. Leskosek, V. (ed). *Theories and Methods of Social Work-Exploring Different Perspectives.* Faculty of Social Work, University of Ljubljana.

European Commission. (2007). *Social Protection and Social Inclusion in the FYRM.*Directorate-General for Employment, Social Affairs and Equal Opportunities.

European Profiles. (2002). *Institutional Capacity Building and Social Care and Welfare Development*. European Agency for Reconstruction.

FOSIM (2009). *Analysis of the Good Governance Potential in the Republic of Macedonia.* Final Report.

Gerovska-Mitev, M. (2001). *The Role and the Contribution of International Institutions in Organisation of Social Policy in Macedonia.* Doctoral dissertation. Faculty of Philosophy. Skopje.

Gerovska-Mitev, M. (2007). Macedonia. In: Deacon B., &Stubbs, P. (eds.). *Social Policy and International Interventions in South East Europe.* Northampton: Edward Elgar Publ.

Gerovska-Mitev, M., Miovska-Spaseva, S., &Gorgev, D. (2007). *Priorities of the Social Inclusion Policy in Macedonia.* Friedrich Ebert Stiftung.

Gerovska-Mitev, M. (2008). Reform Processes and Challenges in the Social Policy in Macedonia. In Gerovska-Mitev, M. (ed.) *Reframing Social Policy: Actors, Dimensions and Reforms.* Faculty of Philosophy, Friedrich Ebert Stiftung.

Government of the Republic of Macedonia (2002). *Working Programme of the Government of the Republic of Macedonia (2002-2006).*Government of the Republic of Macedonia (2002a). *National Poverty Reduction Strategy.*

Government of the Republic of Macedonia (2004). *National Strategy for European Integration of the Republic of Macedonia.*

Government of the Republic of Macedonia (2005). *Report on the Progress Towards the Millennium Development Goals.*

Government of the Republic of Macedonia (2006). National Employment Strategy 2010.

Government of the Republic of Macedonia (2006a). Working Programme of the Government of R. Macedonia for the period 2006-2010.

Government of the Republic of Macedonia (2009). *Report on the Progress Towards the Millennium Development Goals.*

Health Care Law (2004). *Official Gazette of the Republic of Macedonia 38/91, 46/93, 55/95, 10/04.*

Health Care Law (2005). *Health Care Law. Official Gazette of the Republic of Macedonia 38/91, 46/93, 55/95, 10/04, 84/05.*

Health Care Law (2007). *Official Gazette of the Republic of Macedonia 38/91, 46/93, 55/95, 10/04, 84/05, 111/05, 65/06, 5/07.*

Health Care Law (2008). Official Gazette of Macedonia 38/91, 46/93, 55/95, 10/04, 84/05, 111/05, 65/06, 5/07 and 77/08.

Kjosev, S., &Nedanovski, P. (2008). Health Care System in the Republic of Macedonia – Current Situation and Development perspectives. In *Economic Theories – International Economic Relations.*

Information Agency (2004). *Facts about Macedonia.* Skopje.

Law on Health Insurance, Official Gazette of Macedonia No.25/2000, 34/2000, 96/2000, 50/2001, 11/2002, 31/2003, 84/2005, 37/2006, 18/2007, 36/2007, 82/2008, 98/2008 and 6/09.

Law on Mandatory Fully Funded Pension Insurance. *Official Gazette of the Republic of Macedonia*No. 29/2002; 85/2003; 40/2004; 113/2005; 11/2006; 29/2007.

Law on Pension and Disability Insurance. *Official Gazette of the Republic of Macedonia* No: 3/94, 14/95, 71/96, 32/97, 24/2000, 96/2000, 5/2001, 50/2001, 85/03, 50/04, 4/05, 84/05, 101/05; 70/06; 153/07; 152/08; 161/08.

Law on Social Welfare. *Official Gazette of the Republic of Macedonia No. 50/97, 16/2000, 17/2003, 65/2004, 62/2005, 111/2005, 40/2007, 98/2008, 161/08, 79/09*.

Law on Voluntary Fully Funded Pension Insurance. Official Gazette of the Republic of MacedoniaNo. 7/2008; 88/2008; 48/2009.

Law on Working Relations. *Official Gazette of the Republic of Macedonia 62/05.*

Lazarevik, V., Kasapinov, B., &Gudeva- Nikovska D. (2010). *Health System Reforms in the Republic of Macedonia (1991-2010).* Panel on Comparative Health Reforms in CEE.

Macedonian Academy of Sciences and Arts, UNDP (1997). *National Development Strategy for Macedonia: Development and Modernisation*.

MLSP (2004). *The Social Welfare System in FYRMacedonia.* European Agency for Reconstruction.

MLSP (2005). *Review of Social Benefits for 2003, 2004 and 2005.*

MLSP (2008). *Social Situation in Macedonia.*

MLSP (2008a). *Statistical Data on Social Assistance Beneficiaries in 2008.*

MLSP (2008b). Strategy for Integration of Refugees and Foreigners in the Republic of Macedonia 2008-2015.

MLSP (2008c). On the Path towards the EU: The Contribution of the Civil Society in the Creation of Social Inclusion Policy in Macedonia. Austrian Development Cooperation.

MLSP (2009). *Programme for Conditional Cash Transfers for Secondary Education*.

MLSP (2010). *National Strategy for Reduction of Poverty and Social Exclusion in the Republic of Macedonia. Draft 2*.

MLSP (2010a). *Data on Social Welfare Services and Benefits.*

Republic Statistical Office (1990). *Statistical Yearbook of SRMacedonia 1990.* XXV.

RIC (1995). *Resource Information Centre*.

Rulebook (2009), Rulebook for Changes and Amendments of the Rulebook for the Contents and Methods of Realising the Rights and Obligations related to the Compulsory Health Insurance, Official Gazette No.73/2009.

Ruzin, N. (1998). Social Policy in the Post-communist Society. In Friedrich Ebert Stiftung, Institute for Sociological and Political-legal Research, *Social State between the Concept and the Practice.*

SDSM (1994). *Programme for the Parliamentary Elections 1994.*

SDSM (2010). *Programme: Solutions for Macedonia.*

SKM (1990). *Elections Programme. With us the Future Starts Today.*

Spasovska (2007). *Social Protection Reform in Macedonia: Current State, Reform Processes and Challenges.* In Bornarova S., (ed). *Contemporary Developments in Social Protection and Social Work - Professionalisation, Deinstitutionalisation and Reforms.* Faculty of Philosophy, MLSP, FOSIM.

State Statistical Office, (2003), Statistical Yearbook of the Republic of Macedonia, XXVIII, Skopje.

State Statistical Office (2006). *Poverty in the Republic of Macedonia 2003-2005.* Report 4.1.6.50.

State Statistical Office (2008). *Macedonia in Numbers.*

State Statistical Office (2010). *Monthly Report.* 1.2.10.03.

Stevanovic, M. (2008). Health Care Report. In Government of the Republic of Macedonia, Austrian Development Cooperation. *On the Pathway towards EU: The Contribution of the Civil Society in the Development of the Social Inclusion Policy in Macedonia.*

Tozija, F., &Gorgev, D. (2009). Assessment of the Impact of the Global Financial Crisis on the Socio-economic Determinants and Health of the Macedonian Population. In *Social Policy Journal*. 2/No. 4. Friedrich Ebert Stiftung. Skopje.

Trajkov, G. (2009). *Macedonia Turns to Universal Health Insurance.* Southeast European Times in Skopje.07/05/09. Retrieved May 7, 2010, from http://www.setimes.com/

UNDP (1998). *Support to Capacity Building in Social Development.* Project document MCD 97002.

UNDP (1999). *Human Development Report for Europe and the CIS*. Transition 1999.

UNDP (1999a). *National Human Development Report – Macedonia 1999.*

UNDP (2001). *National Human Development Report 2001. Social Exclusion and Human Insecurity in FYRM.*

UNDP (2001). *FYRM Annual Report.*

UNICEF (2007). *Child Poverty in FYRMacedonia*. Review.

UNPREDEP (1996). *Action for Social Change*.

VMRO-DPMNE (2006). *Rebirth in 100 Steps. Programme for the Parliamentary Elections in 2006.*

VMRO-DPMNE (2008). *Rebirth in 100 Steps – Upgraded and Extended Programme 2008-2012.*

VMRO-DPMNE (2010). *Doctrine: Values of VMRO-DPMNE.*

Vucev, Z. (2009). Inequalities in the Coverage and Pension System Rights in the Republic of Macedonia. In Gerovska Mitev, M. (2009). *Social Policy Journal*. *2/No3*. Friedrich Ebert Stiftung.

World Bank (1999). *Focusing on the Poor-Main Report.*

World Bank (2003), *FYR Macedonia – Country Economic Memorandum: Tackling Unemployment*, Report No. 26681-MK, World Bank, Washington, D.C., 2003

World Bank (2003a). *Health Sector Transition Project - the Former Yugoslav Republic of Macedonia*. Implementation Completion, (Report No. 25735), Washington, DC, USA.

World Bank (2004). *Project Appraisal Document on a Proposed Loan to the Former Yugoslav Republic of Macedonia for a Health Sector Management Project*", (Report No. 27760-MK), Washington, DC, USA.

World Bank (2010). *Data and Statistics for Macedonia.* http://www.worldbank.org.mk/ (accessed May 2, 2010).

Zelenkov, B. (1997). *The Economic Crisis and Reforms in the Republic of Macedonia.* Faculty of Law. Skopje.

http://www.ipu.org/parline-e/reports/arc/2313_94.htm

http://lnweb90.worldbank.org/ECA/eca.nsf/

http://www.mtsp.gov.mk/?ItemID=969CD34E1317714293CEA31204D3628B

http://www.mia.com.mk/default.aspx?vId=62143290&lId=2

http://www.utrinski.com.mk/?ItemID=9845E31E70FFB342A48100BCA96188AA

http://www.a1.com.mk/vesti/default.aspx?VestID=118565

http://www.sec.mk/

http://www.sobranie.mk/

http://en.wikipedia.org/

Opportunities and Challenges of Social Security Transition in Montenegro

Drenka Vuković,
Natalija Perišić

Introduction – economic framework

After the disintegration of SFRY, Montenegro was a part of FRY by 2003, and after that of the State Union of Serbia and Montenegro.[110] In June 2006, Montenegro became an independent country. A year later, Montenegro signed an Agreement on Stabilization and Association with the EU, and in December 2008, became a candidate for EU membership.

The disintegration of ex-Yugoslavia, political problems and economic crises marked the first period (1990s) of transition changes, especially until 1994, when economic activity, expressed through GDP, was halved compared to 1989. Until 1997, economic recovery was recorded, but in the following two years, it was decreased again, due to "political crisis in the FRY and disagreements between the Montenegrin and Serbian Governments. This situation culminated after the war on Kosovo in 1999, when the Government of Montenegro made a complete distance from the policy of the federal state and started its own reforms" (EC, 2008, p. 4).

One of the first measures was an introduction of the German mark (instead of dinar), which had a positive impact on inflation rate reduction. At the same time, this period (the 2000s) has been characterized by constant growth in GDP, albeit relatively low, until 2006. After that, the growth was higher, primarily due to foreign investments and increased activities in the services, tourism and real estates sectors.

Average salaries have been increasing since 1999, and especially after 2006, but despite that, they are still relatively low.

The labour market has been characterized by a drop in employment, rising unemployment and work in the grey economy. During the period 1991-2003, the number of employed decreased, and in the following years, its rise was recorded (in 2005 – 144 340) (The National Employment Strategy for 2007-2010).

"At the end of 2006, 38,869 unemployed people were registered with the Employment Office of Montenegro. Compared to 2003, when 70,499 people were registered as unemployed, this is a reduction of 31,630 or 44,86%. Compared to the end of 2005, when 48,845 unemployed people were registered, unemployment decreased by 9,976 people or 20.42%. The unemployment rate, presented as a ratio of the number of unemployed and the number of active population, was 14.72% (13.9% and 15.8% in the male and female population respectively) in 2006. Compared to the previous years, a constant decrease of unemployment was registered, from 26.7% in 2003 to 14.72% in 2006. However, based on Labour Market Surveys conducted by MONSTAT in 2004 and 2005, unemployment rates were 27.7% and 30.3% respectively". (Ministry of Health, Labour and Social Welfare, 2008, p. 9)

In the years after independence, Montenegro recorded satisfying levels of macro-economic stability and economic growth per average rate of 8.7% (2006-2008). The world economic crisis decelerated economic development and resulted in the aggravation of overall economic indicators, as well as labour market situation.[111]

[110] The Serbian and Montenegrin social security systems have many important characteristics in common. However, they have never been identical, even in the period of co-existence within the same state(s).

[111] "Based on date of Labour Force Survey in 2009 213,600 persons were employed, i.e. 3.7% less compared to the previous year. At the same time, unemployment rose by 12.5%. The average number of employed in the three months of 2010 was 171,707, which is 1,846 persons or 1.1% more compared to the same period of 2009 (169 861). At the end of March 2010, 33,117 unemployed persons were recorded with the Employment Office (out of which 14,705 or 44.4% were women). Compared to March 2009, number of unemployed increased by 3,947 persons or 13.5% (Ministry of Finance, 2010).

Pensions

Pension system in transition

The Montenegrin pension system[112] has been developing pursuant to economic prerequisites and political objectives of having an independent country. Pension reforms started in 2001 with discussions about difficulties in the system functioning and the need to introduce a multi-pillar model.[113] Problems in the realization of legally prescribed rights and their insufficient financing were a consequence of high unemployment rates, a high volume of unregistered employment (grey economy), declining fertility rates, population aging and slow economic recovery. In 2003, a new *Law on Old-Age and Disability Insurance*[114] was enacted and its implementation started in 2004. The basic changes were made in terms of reforming the mandatory insurance (PAYG) and introducing voluntary insurance (II and III pillars).

In the first transition years, there were parametric changes of the 1st pillar, and later, the three-pillar system was introduced. In the consultations with the WB, the Government opted for the introduction of the 3rd pillar, before the introduction of the 2nd pillar.

The *Strategy of Old-age and Disability System Development* (2005) suggested the changes aimed at contribution "to the construction of financially sustainable, fair, stable and efficient pension system."[115]

The three-pillar pension system model was projected so as to enable financial stability of the system, increased levels of national savings, capital market development through increased levels of investments and decreased pressures on the budget. The transition period was also characterized by efforts directed towards the reorganization and increasing efficiency of the Old-age Fund, improving quality of the services, strengthening administrative capacities, the modernization of information technology system and harmonization of legislation with the EU standards.

Structure of the pension scheme

The pension system in Montenegro is organized in the form of a multi-pillar model, comprising of the following (article 1):[116]

1. mandatory old-age and disability insurance based on pay-as-you-go system;
2. mandatory old-age insurance based on individual capitalized savings;
3. voluntary old-age insurance based on individual capitalized savings.

Mandatory old-age and disability insurance based on employment (solidarity between generations) is based on current financing. Depending on the length of contribution years and amount of the basis for paying contributions, the insured people effectuate their rights in case of old age, disability and physical defects, and members of their families have certain rights in case of a death of an insured person. Funds for paying pensions from the 1st pillar are provided from contributions paid by employees and employers, and also the state in certain circumstances.

The 2nd pillar will be regulated by a special law.[117] Strategic documents envisage the foundation of this part of obligatory insur-

[112] *General Property Law* of 1888 contained certain provisions regarding social insurance. The first *Law on Pensions* was enacted in 1902 during the rule of the Duke Nikola I Petrovic. The right to pension belonged to civil servants, Montenegrin archbishop, teachers, widows and children of retired civil servants in case of their death.

[113] The system has been reformed with USAID (Bearing Point) consultations and later under the direct impact of the World Bank.

[114] The Law on Old-Age and Disability Insurance, "Official Gazette of the Republic of Montenegro", no. 54/03.

[115] Increasing economic efficiency and following the principle of fairness were supposed to contribute to the realization of social aims "including certain level of minimal protection in case of old age, disability and death, higher levels of information for beneficiaries, enabling an open and transparent system".

[116] The Law on Old-Age and Disability Insurance, "Official Gazette of the Republic of Montenegro", no. 54/03, 39/04, 61/04, 79/04, 81/04, 29/05, 14/07, 47/07 and "Official Gazette of Montenegro", no. 12/07 of December 14, 2007, 13/07 of December 18, 2007, 79/08 of December 23, 2008.

[117] The Ministry of Finance and the Ministry of Labour and Social Welfare are obliged to prepare a normative framework.

ance on capital coverage, i.e. individual capitalized savings of insured persons and paying contributions into private pension funds. Huge transition costs, lack of resources in the mandatory insurance Fund and an underdeveloped capital market[118] resulted in non-existence of the 2nd pillar in the practice.

The *Law on Voluntary Pension Funds* was implemented in 2007, regulating the conditions for establishing managing societies, organizing funds based on individual capitalized savings and their business dealings. Funds collected in the voluntary pension fund are contributions paid by the fund's members and their investing for the purpose of increasing value of the fund's property. The Commission for Securities is a supervising body and by the middle of 2010 three societies for managing voluntary pension funds had obtained permits, but the number of members is modest.[119]

Coverage

The mandatory insurance system covers three groups: employees, self-employed people and farmers (article 9). *Employees* (article 10) are classified into ten categories, presenting the majority of insured people in Montenegro. *Self-employed* (article 11) and *farmers* (article 12) are specific categories precisely mentioned in the law.

Table 1 - Beneficiaries of rights from old-age and disability insurance (2004-2008)

	2004	2005	2006	2007	2008
Old-age pensions	39 479	40 852	41 314	41 314	43 360
Disability pensions	25 685	25 185	25 455	24 607	24 560
Survivor pensions	25 269	25 771	26 549	26 247	27 557
Benefit for physical defect	7 771	7 713	7 399	7 072	6 806
Benefit for care and assistance of another person	2 064	2004	1 828	1 696	1 579

Source: Monstat, 2009.

The *rights* from old-age and disability insurance (article 16) are such as follows: 1. in case of old-age – the right to old-age pension; 2. in case of disability – the right to disability pension; 3. in case of death – the right to survivor pension and funeral costs; 4. in case of physical defect caused by work injury or professional disease – the right to cash benefit for physical defect.

The right to old-age pension (article 17) can be effectuated by men and women at the age of 65 and 60 respectively and with at least 15 years of service, with a gradual age increase from 2004 to 2012. The Law also allows years of service with increased duration of 14 to 18 months, in case of which the age limit for the effectuation the pension right can be decreased so as to be 55 years of life. Insured men and women have the right to old-age pension also with 40 and 35 years of service respectively and at least 55 years of life.

The right to full disability pension can be effectuated by an insured with a complete loss of working capacity, and in case of a partial loss of working capacity, one can effectuate the right to a partial disability pension. The Law also prescribes in more detail conditions for acquiring the right to a disability pension

[118] In its Economic and Financial Program for 2009-2012, the Ministry of Finance of Montenegro envisages the creation of adequate analysis and making comparisons between legal experiences of countries which have already introduced the 2ndpillar by the end of 2010, in order to make a law on this pillar after that.

[119] At the end of 2009, a voluntary pension fund named "Penzija plus" had 375 members and the other one named "Market Penzija" 46 members.

in case of a work injury or a professional disease, i.e. disability at work.

The right to survivor pension can be effectuated by members of the family of a deceased insured with at least 5 years of service or 10 years of pension contributions or who fulfilled conditions for old-age and disability pension.

Mandatory insurance covers all employees in Montenegro and there is no data about the number of people without the right to pension. The elderly are also exposed to a higher than average poverty risk. This points to the fact that benefits based on insurance are low and that a certain number of people did not fulfil conditions for effectuation of rights. The *Strategy of Elderly Protection Development* envisages the introduction of the 0 pillar, i.e. "social pensions."

Old age dependency ratio

Population aging and negative trends on the labour market (falling employment and rising unemployment) are determinants of a pension system functioning.

At the beginning of the 1990s, the dependency ratio presenting the ratio of employed and pensioners, was about 2.05. In 2002, it dropped to 1.3. According to data from the Fund of Old-age and Disability Insurance, in 1995 there were 125,089 employed contributors and 73,988 pensioners so that the dependency ratio was 1.69. Five years after, the number of employed dropped to 114,076, while the number of pensioners increased to 84,761 so that the dependency ratio was 1.35. A further drop in employment and rise in the number of pensioners, resulted in changing the ratio, so that in 2010 there were 97,000 pensioners and the number of employed amounted to around 169,000 resulting in the dependency rate of 1.8 (Dan, March 23, 2010). In March 2010 there were 97,867 pensioners: 45,462 (46.5%) of them were old-age pensioners, 24,251 (24.7%) disability pensioners and 28,155 (28.85) survivor pensioners.

The Montenegrin pension system is under strong pressure of demographic changes expressed in terms of more prominent population aging. According to data from the population census of 2003, out of a total 620,145 inhabitants, 103,393 or 16.67% were over 60 years, and 74,160 or 11.96% inhabitants were over 65 years. In 1953, person over 60 years presented 10.42% of total population and in 1991 – 12.78%. Based on current projections, the population will increase to 643,844 in 2021 but in 2031 it will decrease to 537,761, i.e. 596 693 by 2050 (Monstat, 2009).

Table 2 - Age structure of the population (2001-2031)

Year	*2001*	*2011*	*2021*	*2031*
0-14	126,911	120,817	116,976	106,288
15-64	412,856	429,983	426,148	414,113
65+	76,529	85,072	100,720	117,360
Total	616,296	635,872	643,844	637,761
Year	*2001*	*2011*	*2021*	*2031*
0-14	20.60%	19.00%	18.20%	16.70%
15-64	67.00%	76.60%	66.20%	64.90%
65+	12.40%	13.40%	15.60%	18.40%
Total	100%	100%	100%	100%

Source: Bacovic, 2006.

Demographic aging has resulted in a decrease in the working age population (15-64 years) in the overall structure, so that their share drops from 67.0% in 2001 to 66.2% in 2021 and 64.9% in 2031. Contrary to that, people over 65 years presented 12.4% of the overall population in 2001 and in 2011 their share will be 13.4%. This percentage will rise to 16.5% and 18.4% in 2021 and 2031 respectively. In 2001, the dependency ratio of persons over 65 years and working age population (15-64 years) was 5.4% but in the following decades it will decrease (Bacovic, 2006).

Financing

Contributions are the basic source of financing the rights belonging to mandatory old-age and disability insurance in Montenegro.[120] However, increasingly important are budgetary donations, due to deficit in the Fund.[121] Contribution rates have been changing during previous years with a view to decreasing the burden on salaries and in 2010 total contributions for old-age and disability insurance have amounted to 20.5% (employees 15% and employers 5.5%).[122] For years of service with increased duration, employers pay additional contributions varying from 6% to 18%.

Table 3 - Tax rates and contributions on salaries

	2009	2010
Income tax for physical entities	*12%*	*9%*
Untaxable part of salary (monthly)	70 €	0 €
Total contributions paid by employers	14,5%	9,80%
Total contributions paid by employees	17,5%	24,0%
Total contributions for mandatory pension insurance	20,5%	20,5%
Total contributions for mandatory health insurance	10,5%	12,3%
Total contributions for unemployment insurance	1,0%	1,0%
Total contributions for mandatory social insurance	*32,0%*	*33,8%*

Source: Ministry of Finance, 2010.

Contribution based revenues cover an increasingly important part of pension expenditures, albeit one third of necessary funds is still paid from the budget. In 2007, contribution based revenues were 73.2% of total revenues; EUR 61.15 million or 25.7% of total revenues was donated from the budget and also EUR 2.54 million or 1.0% of total revenues was donated from other sources. The deficit in the pensions system was about 2.5% of GDP, while total expenditures of the system were 9.61% of GDP. In 2008, contribution based revenues presented 75% of expenditures of the Fund of Old-age and Disability Insurance and in the first ten months of 2009, they were 4% smaller compared to the same period of 2008. In 2009, EUR 1 of total pension expenditures was covered with about EUR 0.60 of contributions, while EUR 0.35 was provided through budgetary transfer and the remaining EUR 0.05 from the privatization funds.

[120] The Law on Contributions for Mandatory Social Insurance, "Official Gazette of the Republic of Montenegro", no. 13/07 and 78/08 establishes contribution basis. In 2009, they were 20.5%, 10.5 and 1% for old-age and disability, health and unemployment insurance respectively.

[121] Planned transfers for social protection in the budget for 2010 participate with 34.56% in totally planned expenditures. The major expenditures belong to the rights from old-age and disability insurance (EUR 321 million); after that for social welfare (EUR 43,534 million), technologically redundant employees (EUR 20,534 million), health care (EUR 14,055 million) and health insurance (EUR 7,320 million) (Ministry of Finance, 2010).

[122] In 2008, contribution rates borne by employers and employees were 8% and 12%.

In 2001 and 2003, pension expenditures presented 11.44% of GDP and 10.69% of GDP respectively. In the following years, their drop was recorded so that they amounted to 9.49% GDP and 9.10% GDP in 2005 and 2006 respectively, with an increase in 2007 (9.61%) (EC, 2008: 96). According to data from the Ministry of Finance, in the current budget and in the budget of state funds in 2008, there were EUR 251 million (8.13% GDP) for the rights belonging to old-age and disability insurance. The budget rebalance in 2009 enabled EUR 332 million or 10.79% GDP for old-age and disability insurance.

The structure of revenues and expenditures in the Fund of Old-age and Disability Insurance points to a deficit increase. In 2006, 2008 and 2009, deficit of the Fund was 2.6% GDP, 2.2% GDP and 4.4% GDP respectively. The difference between revenues and expenditures is financed from the budget, through different subventions (ISSP, 2010).

Pension benefits

Pension amount is determined so that "personal points of an insured person are multiplied with the value of pension for one personal point on the day of the right effectuation" (article 20). The maximum pension is determined in such a way that the personal point of an insured person can be 4 at the most (article 28). The minimum pension (old-age, disability and survivor) is determined so that personal coefficient is 0.5. Pensions are adjusted twice a year (January 1st and July 1st of a current year) pursuant to an average salary and costs of living in Montenegro (article 58).

In the middle of 2010, the average pension in Montenegro[123] amounted to "55% of an average salary (EUR 465). The minimum pension[124] based on a new law amounts to EUR 92, and the pensions below EUR 100 have been received currently by less than 1,300 pensioners (January 2004 – 39,242,January 2007 – 31,494, January 2008 – 4,183). According to previous regulations, the minimum pension amount was dependent upon years of service and it has varied from EUR 143 (below 20 years of service) to EUR 235 (35-40 years of service) (Pobjeda, 2010). In 2008, the poverty rate in pensioners with minimal pensions was 15.7% and social exclusion index was 8.9. Only 4.3% pensioners with minimal pensions have received material support for families to the amount of EUR 73.3 per month (UNDP, 2009, p. 49).

In 2010,[125] the average pension amounted to EUR 255.34 which is 110% higher compared to December 2003 (EUR 121.59) (the new *Law on Old-age and Disability Insurance* came into force on January 1, 2004). Compared to December 2004, 2005 and 2007, pension benefits have been higher by 98%, 86% and 38% respectively.

In the year of the economic crisis in Montenegro, 2009, pensions were raised by 7.35% (pensions for January were increased by 4.9% and pensions by July 2.45%). A pension in July 2009, (EUR 256.67) was 18% higher compared to a pension in July 2008 (EUR 217.17). In January 2010, as a consequence of the impact of the economic-financial crisis on the growth of salaries in the second half of 2009 compared to the first one, pensions were decreased by 0.55% (Pobjeda, June 6, 2010).

[123] At the beginning of 2010 there were 2,997 military pensioners in Montenegro with an average monthly pension of EUR 360. Average military pensions are for about EUR 100 higher than the civil pensions. According to the President of Military Pensioners' Association, this is due to higher educational levels of military pensioners (the lowest achievement is secondary school) and more than 92% military pensioners went to pension with complete years of service (Dan, February 8, 2010).

[124] The Law on Old-age and Disability Insurance has set the minimal pension to 45 EUR. However, in the following years, that amount has been raising so that in 2008 it achieved 71 EUR.

[125] According to the quotation of the Manager of the Fund of Old-age and Disability Insurance as of June 6, 2010, pensions in Montenegro are highest in the region. Average pension of EUR 255 is higher than the Serbian average (EUR 210), Bulgarian (EUR 145), Romanian (177), B&H (EUR 171), Albanian (EUR 55). Montenegrin average is on the level of the EU member states – Estonia (EUR 285), Lietuva (EUR 258), Litvania (EUR 220).

Health care

Achievements and challenges of the past

Twenty years after the breakdown of socialism, the Montenegrin health care system is dominantly public. Private practice exists and it has been developing, but generally clear regulations are absent.

Health insurance is mandatory and it was founded on Bismarckian principles of paying contributions. It is universally available in practice. In terms of that, the only discontinuity with the socialist period is an introduction of a voluntary health insurance in 2004.

Some general social barriers (and among them: the financial ones), but also problems in the functioning of the health system itself, disabled and deferred reforms during the 1990s. On the one hand, health system reform was not prioritized because of the existence within a wider social system, the basic characteristics of which were literal collapse of economy and society as a whole and poverty and war in its immediate vicinity. On the other hand, in such circumstances of constant and multiple deprivation and a lack of basic material (and almost every other form of) security, proclaimed generous health care presented one of the few compensatory mechanisms to the population. It was this system to which politicians had frequently referred to (and relied upon) in the pre-election campaigns, but its shortages in practice were almost flagrant. Therefore, original rhetoric about the need to make a complete and immediate disconnect with socialist heritage was replaced by public discourse about the necessity of maintaining continuity with the good practice of socialism. These ambiguous views, among other things, disabled creation of a clear vision of health reforms. Finally, orientation to the EU membership gave much needed impulse for short-term and medium-term changes.

Legal reforms in health started in 2004 by enacting regulations presenting an innovated framework of the health system (the *Law on Health Care* and the *Law on Health Insurance*). Essential reforms were made only after that – "real operational reform processes started later, with the support of credit arrangements of the WB" (RFZO, 2008, p. 3) and it is not possible to completely evaluate their scope at the moment. The crisis of the health care system was manifested also through aggravated indicators of health status of the population and disturbances in health insurance stability. The most serious diseases of the health system were the following: "over-dimensional public and total consumption, lack of improvement in the quality of services, lack of information about health and bad managing. Primary health care does not play a significant role in the process of prevention, detection and treatment, employees in the health sector have low salaries, network of public hospitals and health centres is not efficient, prices of medicines are significantly above world standards" (EC, 2008, p. 9).

Structure of health care system – infrastructure and management

The structure of health institutions[126] comprises of health services, organized on three levels of care: primary, secondary and tertiary. Public ownership over health care institutions and unchanged organizational division during the twenty-year transition period have presented a part of the tradition and more forced, than favourable solutions. Privatization of dental practices and the introduction of the concept of a chosen medical doctor are innovations directed towards savings and increasing efficiency in the health system structure. Prob-

[126] The network of public health institutions comprises of 18 health centres, an Institute for urgent medical care, seven general hospitals, three special hospitals, a Clinical centre, an Institute for public health and a pharmaceutical institution (FZO, 2009).

lems of territorial unavailability and inaccessibility, as well as unequal quality of services, along with unregistered but supposedly high expenditures for private health sector, have not been solved yet.[127]

Primary health care is realized within health centres, which contrary to the period before the reforms, now have three parts: ambulances of chosen medical doctors, i.e. teams of chosen medical doctors, centres for chosen medical doctors' support (at the local and regional levels) and support units (for visiting-nurse service, physical therapy at the primary level and medical transportation). These changes were motivated by the need to establish the primary level as a basis of the health system. It is envisaged that 80-85% of health needs should be satisfied at the primary level (FZO, 2009).[128]

Secondary health care is provided by specialist out-patient departments and hospital beds, and *tertiary* health care is provided by sub-specialist out-patient departments, diagnostic centres and hospital departments. The basic intention of secondary and tertiary health care reforms is improving the quality of health care and services.

Encouraging private initiative, as well as the inclusion of the private sector in rendering health services at the cost of funds realized based on mandatory health insurance is currently on the level of unclear and abstract (sub)aims of the health policy.[129] It is motivated by widening the scope of individual responsibilities for their own health status, i.e. savings for the state but clear, strategic directions of connecting private and state health institutions are absent.

A mandatory system of health insurance is managed by the Fund of Health Insurance. It is the only bearer of mandatory health insurance but it also provides and conducts the voluntary health insurance. Contrary to mandatory insurance, which is based on the principles of obligation, mutuality and solidarity, voluntary insurance envisages rights which are absent from the system of mandatory insurance.[130]

Coverage

The right to health care has been extensively defined, so that the coverage of the population with mandatory health insurance is 100% - universal. All categories of the population, i.e. all legal residents of Montenegro realize the rights of the health care system. The Law establishes that "citizens of the Republic of Montenegro are completely equal regarding effectuation the right to health care" (RFZO, 2006, p. 34), as well as that "health care is conducted on the principles of availability, accessibility and complete approach to primary health care and specialist-conciliar and hospital health care" (RFZO, 2006, p. 34).

[127] At the same time, the unfavourable structure of employees in the health sector is a persistent problem: out of total number of employees (8,154), 73% are health professionals and associates and the remaining 27% are non-medical workers (FZO, 2009).

[128] "Good organization of the health system favours primary health care, which in turn impacts positively on efficiency of the total health system. Changes in the health centres will gradually remedy developmental disproportions which have been a problem in the health system development" (EC, 2008, p. 9).

[129] The exception is strict privatization of dental service.

[130] The first implementation phase of the Project of Voluntary Health Insurance Introduction is realized, but the realization of the second phase is dependent first of all on legal changes of current legislation regulating health insurance.

Table 4 - Insured persons

Basis of insurance		2008	%
Employed	Holders	182,397	28.38
	Members	121,546	18.91
	Total	303,943	47.29
Unemployed	Holders	97,006	15.09
	Members	63,053	9.81
	Total	160,059	24.90
Retired	Holders	97,762	15.21
	Members	29,461	4.58
	Total	127,223	19.79
Farmers	Holders	9,832	1.53
	Members	7,292	1.13
	Total	17,124	2.66
Refugees		18,584	2.89
Others	Holders	12,104	1.88
	Members	3,707	0.58
	Total	15,811	2.46
Total		642,744	100.00

Source: FZO(2009)

The declared principle of availability of health care to all citizens is realized.[131] However, qualitative aspects of researching social exclusion do not present a completely uniform picture. For example, data about the coverage of beneficiaries of social welfare benefits and child allowances are consistent with the data about universal health care coverage. However, they are also an evidence about the factual inability of the rights' effectuation because of huge (territorial) distances, long waiting or simple lack of financial sources for covering health care costs (UNDP, 2009). Additionally, vulnerable groups have problems in effectuation of certain rights that cannot be realized in the state sector and they are directed towards the private. Their financial position disables their approach to private health sector.

Health status of the population

In the period 1999/2000, the life expectancy rate was 73.56 years (76.27 and 71.05 for women and men respectively). According to data from 2004, this indicator showed a slight aggravation (73.1 years) (RFZO, 2006) and after that an improvement, but also a slight one. The life expectancy rate in 2007 was 73.77 years (76.06 and 71.22 for women and men respectively) (FZO, 2009).

The mortality rate indicator in Montenegro has been aggravated. A general mortality rate of 7.4 from 1994 increased to 9.2 in the ten-year period that followed. After that, there was a slight rise, replaced by slight drop of mortality rate, which became stable at 9.51 in 2007 (FZO, 2009).[132]

[131] Almost half of beneficiaries are employed and members of their families (47.9%). Unemployed are the second largest category (24.9%), and pensioners (19.79%) after them. Farmer represent only 2.66%, as well as refuges (2.89%) and the so called other categories (2.46%) (funds are provided from the budget) (FZO, 2009).

[132] However, in the same period (1994-2004), infant mortality rate decreased by double, so that it was 7.8 to 1000 live born infants in 2004 (RFZO, 2006). From the following year (2005), this indicator has shown extreme variations. It experienced a dramatic rise compared to 2004, since it amounted to 9.52 and in 2006 even 11.02. In 2007, it was decreased to 7.40. An explanation is small number of infants in Montenegro "where a small number of cases dramatically increases, i.e. decreases this rate" (FZO, 2009, p. 32).

Financing

By 2007, when important legal changes regarding contribution rates were introduced, mandatory health insurance was financed per rate of 13.5% (6% and 7.5% of earnings were paid by employers and employees respectively).[133] After that period, contribution rates were decreased, with the tendency for further decreases. Therefore, in 2008, contribution rates for health insurance amounted to 12%, in 2009 – 10.5% (5.5 and 5% by employers and employees respectively), and it was envisaged to be 9% in 2010 (5% and 4% by employers and employees respectively). At the moment, despite decreased contribution rates, revenues have not decreased. The main reason for that is improvement of the system of contributions' collection.

Apart from the contribution based revenues, health insurance is financed also from other sources.[134]

Expenditures for mandatory health insurance in the Montenegrin GDP were increasing in the period of 2000 and 2001, after which a trend of their decrease followed. With 5.68% GDP in 2000, they increased to 7.08 GDP in 2002, which was the highest percentage of expenditures for health in GDP during the decade. Since 2003, apart from the decreasing trend, it is worth noting that they have been below 7% GDP (RFZO, 2006, 2008). The percentage of expenditures for mandatory health insurance within public consumption was 13.68%, 14.58% and 14.35% in 2004, 2005 and 2006 respectively (RFZO, 2006).

Cost containment measures

There exists a co-payment of insured people in the costs of using health care in Montenegro (article 59 of the Law on Health Insurance). Its amount varies depending on the type of disease, diagnostic, treatment and rehabilitation costs as well as health care level (article 60). The Law also prescribes some exceptions, i.e. categories of the population to which this obligation does not refer to – children, pregnant women, women during delivery and one year after that, the elderly over 65 years, social welfare beneficiaries, as well as people with certain diseases (article 61).

Since the circle of beneficiaries without an obligation of paying participation has been extensively defined and its amount is more than symbolic, co-payment is not a significant source of revenues for health insurance. "Regarding private funds in the health system, there is only a co-payment measure – participation of insured people in bearing costs of using health care, covering less than 1% of total revenues for health care" (FZO, 2009, p. 46).

Many of the Government's financial plans envisage raising and widening of co-payment measure, as one of the alternatives for the creation of a sustainable health system. However, practical steps towards that aim have been absent.

A strategic orientation toward the introduction of new models of paying on all three levels of health care has been present. At the level of primary health care, there were projects dealing with methodology of determination capitation value and costs of health services, with a view to optimizing health consumption and improving quality of services. These new models of payment were not known during the socialist period and the 1990s, but there was a significant resistance to their introduction during the 2000s. Only since January 2009, calculations based on this principle have begun in the primary health care.

[133] The Fund of Old-age and Disability Insurance paid contributions for health insurance of pensioners per rate of 19% of pension benefit.

[134] One fifth of the revenues of the Fund of Health Insurance are budgetary resources (for health care of unemployed who do not receive cash benefits and refugees as well as for covering minuses).

On the other hand, there are no official and organized data about private payments for health in Montenegro, so that it is not possible to evaluate and compare them precisely. It seems that under-the-table payments still exist, but despite occasional affairs, these "transactions" are still out of the public scope.

Health benefits

The rights of citizens based on mandatory health insurance are the right to health care; the right to benefit during temporary inability to work and compensation of travel costs incurred in connection with health protection (article 15).

The right to health care has been extensively defined and includes preventive measures, medical check-ups and treatment (within the Republic and abroad), medicines and medical agents, as well as medical-technical devices. The Law additionally highlights and quotes categories of special importance – children, the elderly over 65 years, pregnant women, disabled.

The right to benefit during temporary inability to work is realized by insured persons in all cases of temporary inability to work, due to an illness, injury, medical examinations, etc. and in case of taking care of an ill member of their immediate family or accompanying an ill member of their immediate family during medical treatment or examination. During the first 60 days of the leave, the benefit is paid at the cost of the employer, and after that at the cost of the Fund. The benefit amount is dependent on the previous salary and it varies from 70-100% salary, while it is paid from the first day of the leave. If a person is unable to work for more than 10 months, then his/her working capacity is to be evaluated.

The right to compensation of travel costs incurred in connection with health protection is realized by an insured person, but also by their companions. It is effectuated in cases of directing them into another place, regarding the effectuation of the right to health care or evaluation temporary inability for work.

Unemployment protection

Employment and strategic orientations

The basic elements of the employment policy have been defined in strategic documents and action plans. As the basis for the period 2001-2010, the following was defined "comprehensive approach to solving labour market problems" through realization of priority measures and activities. In 2008, the Strategy[135] was updated with a view to "increasing the level and quality of employment" to the general rate of 60% at least and decreasing unemployment to 10%. The strategic priorities of 2011 are: 1. raising employment and reducing unemployment; 2. increasing productivity and quality of work; 3. strengthening social cohesion.[136]

The rights of the unemployed were defined by a special *Law on Employment* which had been changed several times in the previous period.[137] Insurance based rights could be effectuated by people eligible based on conditions regarding previous years of service and payment of contributions in a certain period. Eligibility conditions became stricter during the time and there were changes regarding the calculation method of cash benefit amount and duration of payment. The number of beneficiaries of the rights belonging to passive measures has been increasing, even though the preferred method for solving the unemployment problem is via prioritizing active measures. At the beginning of 2010, a *Law*

[135] The *National Strategy of Employment and Human Resources Development* for the period 2007-2011.
[136] The Action plan presents specific measures per periods.
[137] The Law on Employment, "Official Gazette of the Republic of Montenegro", no. 5/02, 79/04, 21/08.

on Employment and Realizing Rights Based on Unemployment Insurance was enacted.[138]

Coverage

"An unemployed person is a person between 15 and 65 years, who is a Montenegrin citizen or a foreigner with a personal working permit, registered with the Employment Office of Montenegro, capable or partially capable of work, without a job and actively seeking it" (article 3).[139]

Unemployment insurance requires from employees and employers to pay contributions in order to provide funds for the realization of rights (article 4).[140] The insurance does not cover people working in the grey economy.

Unemployment insurance rights can be effectuated by people meeting conditions in terms of employment duration, causes of losing a job[141] and registering with the competent service (within 30 days).[142] The right to cash benefit can be realized by an insured person who has 12 months of service in continuity or 12 months of service with interruptions during the last 18 months, prior to losing a job (article 47).

Financing

The realization of unemployment insurance based rights is within the competence of the Employment Office and they are financed from contributions, Employment Office resources, donations, interests, gifts.[143] The *Law on Contributions for Mandatory Social Insurance* determines the circle of contributors (article 7) and establishes the contribution rate of 1%.[144]

Table 5 - Projection of social contributions in the consolidated budget balance (2011-2013)

	Projection for 2011		Projection for 2012		Projection for 2013	
	mil. €	% GDP	mil. €	%GDP	mil. €	%GDP
Source revenues of the budget	1,182.55	35.59	1,278.4	35.75	1,380.90	35.76
Taxes	753.00	22.66	817.85	22.87	887.51	22.98
Contributions	342.16	10.30	365.24	10.22	391.00	10.13
Contributions for old-age and disability insurance	207.58	6.25	221.28	6.19	238.09	6.17
Contributions for health insurance	120.41	3.62	128.36	3.59	136.12	3.53
Contributions for unemployment insurance	10.51	0.32	11.21	0.31	12.06	0.31
Transfers for social protection	424.32	12.77	428.56	11.99	435.85	11.29

Source: Ministry of Finance (2010)

[138] The Law on Employment and Realizing Rights Based on Unemployment Insurance, "Official Gazette of Montenegro", no. 14/2010.

[139] Full-time pupils, students, pensioners and farmers registered with the Registry of Farmers also have the status of unemployed persons.

[140] Before the latest legal changes, it was provided that also people employed in a foreign country can effectuate these rights, provided that they are not insured on the basis of inter-state agreements (article 46 and 47 of the Law of 2002).

[141] With the consent of an insured person and without their fault.

[142] The Law prescribes the following rights: the right to cash benefit, old-age and disability insurance and health insurance (during the effectuation of the right to cash benefit).

[143] The state is a guarantor of the effectuation of the Office's obligations (article 18).

[144] It is equally divided between employee and employer.

Funds for the realization of legally prescribed rights are provided in the budget.[145]Based on data from the Ministry of Finance in 2009, contributions for old-age and disability insurance were 6.62% of GDP while the contributions for unemployment insurance were 0.30% of GDP. The 2010 budget has envisaged the collection of more than EUR 10 million or 0.32% of GDP on the basis of unemployment insurance. Expenditures for "the funds for technologically redundant employees" in the 2010 budget have been planned to the amount of EUR 20.95 million, out of which EUR 5,214,000 is to be used for severance payments, EUR 15,179,880for unemployment benefits and EUR 201,000 for other costs.

Unemployment benefits

The duration of paying cash benefits depends on the duration of previous employment and varies from 3 to 12 months. For an insured with 1-5, 5-10, 10-15, 15-20, 20-25 and over 25 years of service it is paid for3, 4, 6, 8, 10 and 12 months, respectively (article 51).

The number of beneficiaries of cash benefits based on temporary inability for work has been significantly increasing: in 2004, it was 4,310 (on average per month), in 2005 – 6,137, and in 2006 – 7,535 unemployed individuals realized this right. This has resulted in an increase in annual expenditures for the purpose of paying this benefit from EUR 1.3 million in 2003 to EUR 5.3 million in 2006. In 2007, 8,240 persons or 21.1% of those unemployed effectuated the right to cash benefit, which was an enormous rise compared to the situation in 2002 (2,325) (Ministry of Finance, 2010). In the following years, the number of beneficiaries of insurance based rights increased, primarily as a consequence of laying off employees in privatized companies.[146]

Women and men with more than 30 and 35 years of insurance, respectively, have the right to cash benefit as long as they are without a job, i.e. until they find a new employment. In case an unemployed has more than 25 years of insurance and is a parent to a child realizing the right to disability allowance, then he/she has the right to cash benefit until finding a new job or any of the reasons for the cessation of this right.[147]

Based on the Law of 2002, the *amount* of unemployment cash benefit was determined as 65% of minimal salary plus contributions for old-age and disability insurance. By a draft of the new Law (2009), it was envisaged to increase the amount from EUR 33 to EUR 55, having in mind that this amount has not been changed for seven years, while the salaries rose by 215%. By the middle of 2002, unemployment cash benefit amounted to 20% of the average salary, and by the middle of 2009, only 7%. The new Law of 2010 determines the cash benefit as 40% of the minimal salary established by the General Collective Agreement (article 57).

[145] Evaluation of necessary funds for unemployment insurance based cash benefits have been planned based on the number and structure of the beneficiaries on the occasion of preparing law on budget for the following year and expected labour market trends.

[146] "In September 2009, there were 12 278 beneficiaries of cash benefit: 6 981 of them effectuated the right to an increased cash benefit (which was equal to an amount of the lowest pension of EUR 92,52 net, i.e. EUR 116,11 gross) and 5 297 of them effectuated the right to a regular cash benefit (EUR 33 net, i.e. EUR 41.41 gross). EUR 1.121.365,57 was directed toward paying the mentioned cash benefits (EUR 872.542,87 for increased cash benefits and EUR 248.630,08 for regular cash benefits) amounting to about EUR 13.500.000 on the annual level. It is estimated that the number of beneficiaries to an increased cash benefit will decrease from current 7 000 to about 5 000 in 2012, while the number of beneficiaries to a regular cash benefit will increase from current 5 000 to about 6 500 in 2010, i.e. about 9 000 in 2012. Based on the abovementioned, it is estimated that in the period from 2010-2012, about EUR 15.000.000 will be necessary for paying cash benefits per year" (Explanation of the Law on Employment and Unemployment Insurance, 2010, p. 6).

[147] The Law prescribes conditions for the continuation, standing and ceasing the right to cash benefit (articles 52-54).

Active labour market measures

Active employment policy comprises of "plans, programs and measures directed towards increasing employment, i.e. decreasing unemployment" (article 28). The *National Strategy of Employment and Human Resources Development* establishes active employment policy, its priorities and aims. The action plan is the basic instrument of active employment policy in a one-year period.

Active policy measures are such as follows (article 31): 1. informing about possibilities and conditions for employment 2. mediation in employment 3. professional orientation 4. financing trainees 5. support to self-employment 6. subventions for employment 7. education and training of adults 8. professional rehabilitation of persons with difficulties to find employment 9. public works 10. grants and other measures directed to increasing employment, i.e. reducing unemployment.

Within the framework of measures directed towards increasing employment, the majority of the funds[148] have been directed towards paying insurance based rights and severances for redundant employees. Active measures programmes are not adequately present in the work of the Employment Office and only a small proportion is intended for them.[149]

Based on records of unemployed persons in the first trimester of 2010, until April of the current year, there were 10,092 interviews with unemployed individuals, while 16,488 employment plans were made and 23,118 employment plans were realized.

Measures against undeclared work

The crisis and transition in the last decade are characterized by a significant engagement of labour force in the grey economy. In Montenegro, as well as in other Republics of ex-Yugoslavia, earnings outside the regular market became the basic survival strategy for redundant employees, refugees and IDPs, retired and low-paid workers. Along with officially registered earnings, employers used to pay certain funds to employees in person. During the last few years, the majority of activities on the grey market have been performed through seasonal work of labour force from Montenegro and neighbouring countries.

Research[150] shows that in 2007, 22.6% of those employed worked in the grey economy.[151] Out of the total number of employed in the period, a partially registered salary was received by 17.5%, and employer or employee paid contributions for only one part of the salary, most frequently on the minimal guaranteed salary. The majority of those engaged within the grey sector are 20-29 years old, most frequently they work in hotels and restaurants (19.1%), agriculture (18.0%) and wholesale trade or trade (15.7%) (ISSP, ZP, 2007).

Losses due to evading an obligation of paying taxes and contributions are enormous.[152] The state has reduced fiscal obligations for employers and in 2010 they are about 40% lower compared to 2004, with a view to better participation of employees in the regular labour market. There are estimations that

[148] There is no precise data about expenditures for the active labour market measures, but the coverage of unemployed with certain measures can be seen from the Report on the Work of the Employment Office.

[149] The Law on Budget does not provide for special funds for active measures, so that it is difficult to estimate their share in GDP. "In 2009, the Institute organized 102 public works, in which 1,531 unemployed persons were engaged, which is 262 persons more compared to 2008. The plan for 2009 envisages realization of 70 public works that would employ 1,200 unemployed persons registered with the Office. Process of professional informing includes 466 clients" (ZP, 2010).

[150] The Institute for Strategic Studies and Forecasts and Employment Office of Montenegro (2007).

[151] The Grey economy in Montenegro has three main forms: employment in the grey economy sector, unregistered employment in the official sector and employment in the official sector with "partial" registration.

[152] The state has lost EUR 150 per employee every month or EUR 1,800 every year. Research shows that on each EUR 400 paid in the grey sector, EUR 207 is lost (EUR 2,484 on the annual level) and that for its 5,000 employees in the grey sector (estimation in 2009), the state loses between 9 and 13 million EUR.

about Ľ of those unemployed in Montenegro in 2010 have worked on the grey market.[153]

Labour inspections have controlled the activities of companies with modest results.

Social assistance

Poverty

The genesis of poverty in Montenegro dates to significantly prior to the 1990s. Even within the socialist state, Montenegro belonged to the club of underdeveloped and poorer regions. The transition period from the beginning of the 1990s additionally intensified poverty scale, depth and severity. In the shadow of transition to the multi-party system and market economy, the whole last decade of the 20th century was marked by (hyper)inflation, sanctions by the international community and war in the immediate vicinity. In such unfavourable conditions, a sharp decrease of the living standard was reported as early as 1992, remaining almost without any significant improvement for the next ten years.

Along with those categories that can be usually marked as vulnerable, in that period poverty specifically jeopardized those whose existence was dependent on incomes based on social insurance rights (pensioners) and officially employed in the so-called state/social companies.[154] The state activities directed towards the poor were neither of an adequate scope nor of a systemic character, but improvised, as a result and necessity of the scope of the problem in the situation of impoverishing of the state itself. Consequently, the results of poverty eradication were extremely modest.

The period after the bombing in 1999 was the beginning of Montenegrin reforms, among others, in social assistance. Regarding that, on the occasion of creation of the *Strategy of Development and Poverty Reduction* of 2003, poverty in Montenegro was profiled based on data obtained in the HCMS in 2002. It was established that 12.2% of the population was poor, and that even more then 1/3 of the population was economically jeopardized and an extremely large group of the population was concentrated around the poverty line.This meant that only minor changes of criteria or in economic trends would result in big differences in the number and percentage of the poor. Two years later, in 2004, the poverty rate decreased to 10.8%, and the rate of economically jeopardized population decreased to 28%, leading to the conclusion that "poverty remained stable, despite registered economic growth and increase in salaries" (UNDP, 2009, p. 23). Based on the latest data from 2007, the poverty rate in Montenegro amounted to 10.9%. Regional differences, however, have remained stable, as well as above the average exposure to poverty of certain vulnerable categories. However, concern is brought by data based on which poverty risk is 24.3% (UNDP, 2009), compared to 16% of EU27 (i.e. 16% in EU25 and 17% in EU15).

Structure of social assistance system – management and institutions

The state system of the help for the poor, with its prominent characteristics of centralization, is coordinated by the competent Ministry, in which jurisdiction, social and child assistance institutions are. Regarding social assistance institutions in its stricter meaning, they are as follows: social welfare centres (SWCs), institutions for accommodation of children and

[153] The *Strategy of Professional Vocation Development 2010-2014.*

[154] "The needs of the population were reduced to satisfying the needs for food, most frequently the cheapest kind, clothes and shoes. People were trying to find different solutions and the state did not have an adequate solution for the situation. Queues for bread and milk, empty shelves in super markets, union aid in terms of flour, sugar, and oil, were the main characteristics of the time. Many people tried to find salvation through returning to villages and producing basic articles in order to meet the basic needs" (Jankovic, 2010, pp. 57-58).

youths, as well as institutions for accommodation of disabled and elderly adults[155] (The Law on Social and Child Assistance, 2005).

SWCs are the basic segment and the first line of social and child assistance with authorizations at the local level. "However, the organization of SWCs is inadequate and insufficiently stimulating for development of services at the local level, and finally, not rational. Out of ten SWCs, only three are independent municipal centres, while the others are for several municipalities" (Ministry of Health, Labour and Social Welfare, 2007, p. 10). Decentralization trends have recently commenced, in such the dominant orientation of centres toward cash benefits has not been overcome yet.

The number of institutions for accommodation of children and youths complies with previous and current needs, but they are not adequately territorially distributed.[156] This problem, existent also during the 1990s, has not been adequately solved up to day, and institutions for accommodation of disabled and elderly adults[157] do not satisfy the needs of the Montenegrin population even quantitatively. Deinstitutionalization is seen as a favourable trend in the development of the system but there have been no important steps taken in that direction so far.This means that institutional accommodation is present also in those circumstances in which it would be a less favourable option if there were alternative forms of care.

Since the beginning of the 1990s, many national and international non-governmental organizations have been engaged in different, frequently isolated areas, belonging to social assistance, creating a certain addendum to the state system. Their dominant humanitarian character during the crisis of the 1990s (aid in food, fuel, clothes, shoes, etc. for the most vulnerable population) has been gradually transformed into providing some specific services – legal aid to refugees and internally displaced persons and psycho-social assistance to victims of domestic violence, etc. However, this segment has been underdeveloped, without access to budgetary funds and is lacking in cooperation between the state and informal sector. The exception is the Red Cross, more because of its traditional roots and existence.

Coverage

Generally, social assistance, as a system of organized activities of the state, directed towards offering benefits and services for providing basic existence, has not been based on the principle of paying contributions, as an eligibility precondition. In terms of that, all citizens of Montenegro can effectuate the rights to social assistance; with limitations regarding satisfying certain legal requirements (the rights to cash assistance are means-tested).

Along with the general formulation about the provision of the minimal social security to the citizens unable to work and without funds for living, the legal changes of 2005 acknowledged additionally special assistance of children,[158] disabled, elderly and families in so-called special circumstances requiring thus different forms of social assistance. These changes have pointed to a better recognition of specificities of certain needs, as well as the

[155] Based on regulations of 2005, also centres for counselling, researching and professional activities in the area of social and child assistance were supposed to be established. Their tasks are to vary from monitoring, studying, analysing, to proposing measures and activities in the area of social and child assistance (The Law on Social and Child Assistance, 2005). At the same time, institutions for holidays and recreation of children, envisaged by the Law, cannot be considered social assistance institutions, bearing in mind their orientation to the whole population of children, but child assistance institutions in its wider meaning.

[156] Only two institutions are not in the capital.

[157] There are only two institutions of this type: Home for pensioners and other elderly "Grabovac" in Risno and Institute for Schooling and Rehabilitation of Persons with Hearing and Speaking Disturbances in Kotor.

[158] Children without parental care, children with physical, mental and sensory disturbances, abused and mistreated children, children with behavioural disorders.

necessity for more adequate reactions when they occur. Along with the non-discrimination principle, they were put into the law, as a part of efforts and aspirations of the Montenegrin state to approach to the EU in the near future.

Financing

Benefits and services from the social assistance system are financed centrally from the budget, contrary to disproportionately smaller part of funds provided by local communities (mainly for lump sum benefits, in the last five years). Even though local communities have been (normatively) encouraged to provide funds for social assistance, those funds are not sufficient, and their motivation has been frequently exhausted due to bad financial positions. Generally, funds from the Republic budget, which have been stable during the last several years, contrary to constant deficits during the 1990s "are insufficient for cash benefits, maintaining the quality of existing services and the development of new ones" (Ministry of Health, Labour and Social Welfare, 2007, p. 13). In that context, a special problem regarding providing the minimal social security is lack of funds for the extension of programs, i.e. population scope and modernization of services in the institutions and out of them. Certainly, the main support of the Montenegrin social assistance system is traditional family with its prominent protective functions. However, a decade long crisis at the end of the previous century has impoverished and exhausted (material and other) resources of Montenegrin families. Despite previous prominent patriarchal patterns, Montenegrin families are in the processes of changing and nuclearization, but economic threats are an important barrier to that. In that context, recommendations about greater engagement of beneficiaries do not look very realistic.

Table 6 - Share of social expenditures in the Republic budget 2003-2008 (total amounts and shares)

	2003	2004	2005	2006	2007	2008
Child allowances	3,151	3,414	3,420	3,812	4,273	4,515
Protection of war veterans and disabled	3,685	8,209	7,518	7,507	8,314	9,050
Material support to families	8,971	8,277	8,857	10,302	12.911	13,346
Maternity leave	5,400	5,997	6,135	6,562	6,332	7,850
Care and help of another person	2,600	2,280	2,557	3,160	4,664	5,492
Expenditures for accommodation institutions	2,485	2,515	2,517	2,442	2,416	2,700
Other social services	843	863	1,152	291	-	200
Sub-total	27,135	31,555	32,156	34,076	38,910	43,153
Distribution of funds for severance payments of employees declared as redundant during the privatization and restructuring of companies	12,844	10,123	7,623	4,350	1,579	21,400
Total	39,979	41,678	39,779	38,426	40,489	64,553
% of current Republic budget	*9.0%*	*9.5%*	*7.9%*	*6.5%*	*6.9%*	*8.6%*
% of national GDP	*2.9%*	*2.7%*	*2.3%*	*2.0%*	*1.9%*	*2.7%*

Source: National Human Development Report(2009)

"Data about consumption for social assistance pursuant to ESSPROS methodology is not available and the only source of data about consumption for social assistance is data from the central budget (budget laws)" (EC, 2008, p. 5). However, it is not classified consistently and it would have to be broken down further, in order to be able to have an insight into its wholeness, but also into its structure (separate items). Therefore, much necessary (but missing) data hinders acquiring holistic and realistic insights, among other things, when talking about social assistance consumption.

Based on data for this decade, expenditures for social assistance as a percentage of GDP have been decreasing steadily, and as a percentage of current republic budgets, they have been decreasing with certain variations from 2003 to 2007. A registered increase in 2008, however, was the result of paying severance payments to employees declared as redundant during the privatization and restructuring. This does not reflect a realistic and essential increase of expenditures for existing items (for material assistance and social service). An additional reduction of expenditures for social assistance, based on current rates, has certainly especially bad consequences in the situation of the economic crisis that did not avoid Montenegro in 2009 and 2010.

Social assistance benefits

The field of social assistance that at the beginning of the transition was regulated by previous socialist law was originally regulated by the *Law on Social and Child Assistance* of 1993.[159] Three years after the transition beginning, when all shortfalls in the law were seen, "certain changes in social and child assistance based rights occurred, in order to enable better direction of help to those who really needed help" (Arandarenko, Djurovic, 2004, p. 13). This The Law of 1993 provided for the following rights:

- rights to cash assistance (right to provision for families, benefit for care and assistance of another person, compensation of funeral costs and child allowance)
- rights to institutional and non-institutional accommodation (accommodation in institutions of social assistance and other families)
- combined services (right to training, right to health care and right to social work services) (The Law on Social and Child Assistance, 1993).

A new Law of 2005, of the same name, enacted two years after the beginning of the implementation of the Strategy of Development and Poverty Reduction in Montenegro of 2003, maintained all previously existing rights, while the rights to material assistance were amended so as to include also the right to a lump-sum benefit and personal disability allowance (The Law on Social and Child Assistance, 2005).

[159] The Law on Social and Child Assistance "Official Gazette of the Republic of Montenegro" no. 45/93, 16/95 and 44/01.

Table 7 - Survey of current social assistance rights

Right (benefit)	Purpose	Eligibility	Number of beneficiaries (individuals, families), 2008	Expenditures, EUR 000, 2008
Material support for families	To provide a minimum of income	- amount of current monthly income is below EUR 50, 60, 72, 85, 95 for one-member, two-member, three-member, four-member, five-member or more member families, respectively; - an applicant is not an owner of business premises or he/she does not use them; - an applicant is not an owner or he/she does not use an apartment or a building in urban or sub-urban construction area bigger than one-room, two-room, three-room apartment for one-member, two or three-member, four or more-member families respectively; - an applicant is not an owner or he/she does not use an agricultural land, i.e. forests in the area bigger than 2000m^2, 3000m^2, 4000m^2, 5000m^2, 6000m^2 for one-member, two-member, three-member, four-member, five-member or more member families respectively or he/she is not an owner or he/she does not use another land in the area bigger than 20000m^2; - members of the family were not offeredemployment or training; members of the family are not owners of movable property.	12,756	12,729.21

Disability allowance	To provide an income to persons unable to earn a living	- persons who were unable to work prior to their 18 years and persons unable to lead an, independent life and work.	1,347	853
Allowance for providing assistance and care of another person	To provide an income to persons who undertake the care of another person	- persons with severe disturbances needing constant care and assistance by another person, in case they are not married or they do not have children or a child is unable to work or is below 15 years; - an insured person who was blind prior to his/her employment or become blind during employment; - an insured person with dystrophy (or a similar muscle disease) or a disease occurred during employment.	1,624	3,806.62
Accommodation in social assistance institution	For accommodation of children without parental care, children with special needs, juvenile delinquents and elderly	- children without parental care and children whose development is disturbed or aggravated by family conditions. Children realize the right to make decisions after completion of full-time secondary schooling; children and youths with physical, mental and sensory disturbances; children with behavioural disturbances; persons with physical, mental and sensory disturbances who cannot (due to housing, health or social circumstances) get another assistance; adult disabled persons and elderly who cannot (due to housing, health or social circumstances) get appropriate assistance;	668	1,407.50

Accommodation in another family	For accommodation of children without parental care, children with special needs, juvenile delinquents and elderly, pregnant women and single parents	- children without parental care and children whose development is disturbed by family conditions; - children and youth with physical, mental and sensory disturbances; - children with behavioural disturbances; - persons with physical, mental and sensory disturbances who cannot (due to housing, health or social circumstances) get another assistance; - adult disabled persons who cannot (due to housing, health or social circumstances) get appropriate assistance; - pregnant women or single parents with a child up to 3 years who due to social circumstances need accommodation.	275	765.49
Assistance to children and youths with special needs	Assistance for children and youths unable to take care of themselves and earn a living	- children and youths unable to take care of themselves and earn a living	250	n.a.
Lump sum benefit	Lump sum cash assistance for families and persons aimed at improvement of their living conditions	In case of a special occurrences aggravating housing, material or health status of families or individuals resulting in their need for social assistance.	n.a.	1,080

Source: UNDP (2009).

The right to material support to families and child allowance are the two most important cash transfers.

The amount of material assistance is dependent on income and earnings of families, as well as the number of family members. Until 2005, minimum amounts of material assistance were obtained by individuals (40% of average salary in the Republic in the month preceding the month of payment), and maximum amounts – five-member and bigger families (80%). Accepting EUR currency enabled the introduction of monetary amounts into the law, so that it was provided for individuals to obtain assistance to the amount of EUR 50 (which was at the same the minimum amount)

and five-member and bigger families – EUR 95 (the maximum amount). Even though these amounts have been increased in the meanwhile,[160] they are still extremely modest and they do not exceed the poverty line defined on the occasion of the Strategy creation. It also seems that these amounts significantly discourage all efforts directed toward social inclusion of the poor. There are no limits regarding the length of time of the right effectuation.

The amount of child allowance is established as a percentage of minimal salary in the Republic in the month preceding the payment and it varies depending on "categorization."[161] Duration of the right was limited by the legal age (18 years) although with certain exceptions connected to full-time schooling. Legal changes introduced fixed amounts for child allowances, which are the lowest for children of material assistance beneficiaries (EUR 15), and the highest for children with disorders who will not qualify for any form of work, as well as for children without parental care (EUR 25).[162] There are limits in connection with years of life. The amount is extremely low, almost symbolic. At the same time, allowances are paid through parents (mothers are not favoured, even though theory offers arguments that allowances have a better chance in reaching children when targeted via mothers).

Measures against poverty and social exclusion

The strategic framework for poverty reduction in Montenegro was designed in 2003 when an analysis of characteristics and specifics of poverty was done for the needs of strategy creation. Based on poverty profile, aims and objectives of policies were defined for the following three-year period: "(i) creation of preconditions for sustainable and equal economic development, which would decrease rate of economically jeopardized population; (ii) providing social stability and reducing poverty rate and (iii) defining key poverty indicators pursuant to the MDGs and their following through an integrated system of monitoring and evaluation, during the period of the implementation of the Strategy" (Ministry of Health, Labour and Social Welfare, 2003, p. 9).

The second phase of poverty reduction was started by enacting the *Strategy of Poverty and Social Exclusion Reduction* in 2007. It was followed by adopting three important documents for the social assistance field: *Strategy of Social and Child Assistance Development in Montenegro, Strategy of Disabled Inclusion* and *Strategy of Elderly Protection in Montenegro*. New research on poverty in 2007 pointed to the problems of social exclusion as well. Therefore, the areas of health, education, social assistance and the labour market have been defined as especially sensitive, from the point of view of implementing certain additional inclusive measures.

Conclusion

The social security system of Montenegro has still many transition characteristics – its Bismarckian basis and (self-claimed) egalitarian-socialist tradition have been rapidly transforming into a system with significant residual elements. It can be seen first of all in certain changes and reforms of pension and the

[160] In 2009, material support to families without income was such as follows: EUR 60.50, 72.60, 87.12, 102.85 and 114.95 for one-member, two-member, three-member, four-member and five-member or more member families, respectively (Ministry of Labour and Social Welfare, 2010).

[161] 1) for children from families receiving material assistance - 30%; 2) for children lightly disturbed in development, attending special schools or special classes in regular schools - 40%; 3) for children with physical and mental disorders who will not be able to live and work independently - 50% (The Law on Social and Child Assistance, 1993).

[162] Amounts of child allowances are: 1) for child of material assistance beneficiary EUR 15; 2) for child with physical, mental and sensory disorders who will be qualified for work and living EUR 20; 3) for child with physical, mental and sensory disorders who will not be able to qualify for work and living EUR 25; 4) for child without parental care EUR 25.

health system, where direct financial stimuli of the World Bank (but also of other international institutions) had the final word in creating laws and practice.

An analysis of pension insurance reforms has shown that the major steps were taken in the area of the system of inter-generational solidarity (1st pillar), first of all in terms of making stricter conditions for acquiring pension rights. As other countries in the region, Montenegro raised the age of retirement, introduced a new calculation formula, changed indexation, re-organized its funds and improved registries of insured people and beneficiaries of rights. Another part of the reform package, which meant the introduction of capitalized funds, has been implemented far more slowly. The *Law on Voluntary Pension Funds* was enacted in 2006, but their work in practice is yet to be developed. The introduction of the 2nd pillar has been delayed, because of the absence of its normative framework.

One of the problems to be faced by the society of Montenegro and for which the pension system does not have a solution, is a huge number of people who were employed, but left without a job due to various reasons during the beginning of the period of transition. Their years of service are not long enough (less than 15 years) to be able to realize pension rights. At the same time, the pension insurance system does not contain sufficient stimuli for longer work. Adequacy of pension benefits is an additional problem. Its solving does not raise necessary attention, but it will not be solved by the simple introduction of three-pillar model.

Health care and health insurance in Montenegro are universal, but not of uniform quality and equal availability. Health reform was primarily directed toward primary health care, but it did not create a system the basis of which would be preventative activities and rational savings, both for population and for the state budget. On the one hand, expenditures for health are beyond the possibilities of the Montenegrin state, and on the other hand, concerns that the poor will be most adversely affected and deprived by the measures of selective saving seem justified.

The existence of the private sector in the shadow does not contribute to the solution of this problem, especially when vulnerable groups are in question; having in mind they are not able to pay for health services that have market prices. There are no signs of regulating the relation between the state and private health sectors, and contracting between the state fund and private practice has not been viable. The introduction of voluntary health insurance has started, albeit not completed, and it is dependent on further legal changes. Low purchasing power of the population will be a threat for the affirmation of additional insurance forms.

The foundation of the system of unemployment insurance in Montenegro on the principle of contribution paying (i.e. previous employment) makes this part of the system a chance and possibility for a proportionally extremely small number of unemployed in limited time periods. The real scope of unemployment in Montenegro, as well as employment in the grey economy, points to an extremely large population of potential beneficiaries. Decreasing employment rates will have an unfavourable impact on the number of contributors.

All these, at the same time, highlight the importance of active measures on the labour market. Even though their importance is recognized in strategic documents, they are not adequately represented. It will have severe consequences for the realization of aims provided by the National Employment Strategy of 2008. Additionally, the absence of active labour market measures will essentially have the worst impact on vulnerable groups and

those who have more problems in finding employment (disabled, minority groups, elderly workers, and youth).

Rights in the social assistance system are diversified; they have been even extended by the latest legal changes, but amounts are not sufficient. Contrary to that, previously universal child allowances have become residual and transferred into a social policy measure of an extremely modest amount too. Low development of counselling services additionally decreases the effect of cash assistance and discourages poverty and social exclusion reduction. Inadequacy of measures of active inclusion and of cash assistance to beneficiaries capable of work only contributes to that.

Additional efforts should be put into the creation of a better network of social and child assistance institutions and the improvement of their professional, administrative and technical capacities. The social assistance system is centralized, but the widening of jurisdiction of local communities needs the creation of realistic preconditions – current legal regulations about their role have not been widely used in practice.

Pensions

Structure	*Pillars*	The first pillar	The II pillar	The third pillar
		In 1991, only the first pillar existed. In 2003 it underwent parametric changes.	In 2004, it was supposed to introduce the second pillar, but the Law was not passed.	The Law on Voluntary Pension Funds was passed in 2007.
	Financing of pillars	Mandatory public (pay-as-you-go principle, contributions by employees and employers, with state interventions in case of deficits).		Funds paid by members with a view to increasing value.
	Management	The Old-age and Disability Insurance Fund.		Private pension funds. Commission for Securities is the supervising body.
Population covered	*Coverage of population*	Insured employed, self-employed and farmers.		Insured members.
	Covered risks	Old-age, disability, death, physical defect.		Old-age, disability, death, physical defect.
	The first pillar *Eligibility criteria*	*Old age pension* In 2001: - 20 years of insurance, when aged 60 (men)and 55 (women) - at least 15 years of insurance, when aged 65 (men)and 60 (women) - 40 (men) and 35 (women) years of insurance, when at least aged 50 Since 2004: - 15 years of insurance, when aged 65 (men)and 60 (women) - 40 (men) and 35 (women) years of insurance, when at least aged 55 *Disability pension* - Complete or partial loss of working capacity - In the case of disability due to work injury or professional disease, the right can be effectuated despite the years of insurance - In the case ofdisability due to out-of-work injury or working capacity loss occurred prior to the effectuation of the right to old-age pension, an insured has to have pension insurance for at least 1/3 of working life *Survivor pension* - members of family of a dead insured person with at least 5 years of service or 10 years of pension insurance or who fulfilled conditions for old-age and disability pension or he/she was a beneficiary of old-age or disability pension		

Old-age dependency ratio	*Number of pensioners and number of insured*	In the last two decades, the number of those employed has been decreasing and the number of pensioners has been increasing. - 1995 -125,089 employed and 73,988 pensioners - 2000 - 113,818 contributors and 84,761 pensioners - 2003 - 111,852 insured and 89,235 beneficiaries of pension rights - 2007 - 156,408 insured and 93,477 pensioners - March 2010 - 97,867 pensioners, out of which: 45,462 (46,5%) old-age, 24.251 (24,7%) disability and 28.155 (28,8%) survivor.
	% of people over 65 compared to people 15-64	2001 - 15-54: 412'856 (67,0%) - 65+: 76,529 (12,4%) Dependency ratio 1990 – about 2.05; 1995 – 1.69; 2000 – 1.35; 2002 – 1.3; 2010 – 1.8
Financing	*Contribution rate*	- 2008: contribution rate of 20,5%: employers 8%, employed 12,0% - 2009: contribution rate of 20,5%: employers 8,5%, employed 12,0% - 2010: contribution rate of 20,5%: employers 5,5%, employed 15,0%
	% of state budget	- The deficit in the Old-age and Disability Insurance Fund compensated by the state 2006 - 2,6%GDP; 2008 - 2,2%GDP; 2009 - 4,4%GDP
	Ratio between insurance and state budget financing	The ratio has changed, but in the last few years contributions have provided about 70% of revenues and 30% has originated from the budget.
	- pension expenditures (% of GDP)	2000 - 11,44%; 2001 - 10,27%; 2002 - 11,20%; 2003 - 10,69%; 2004 – 10,09; 2005 -9,49%; 2006 – 9,10%; 2007 – 9,61%; 2008 - 8,13%; 2009 - 8,13%; 2009 – 10,79%
Benefits	*Average wage, replacement rate*	- 2007 - 56.7%; 2010 - 55%; - 2010 - 39.30%; 2030 -32.20% (estimates)
	Minimum/ Maximum pension	The 2004 Law: - The Maximum pension is established so that the personal point can be maximally 4. - The Minimum pension is established so that the personal point is 0.5. - Adjusting of pensions is done twice a year per «Swiss formula» (50% based on earning and 50% costs of living).
	Number of people receiving minimum pension	- 2004 -39,242; - 2007 -31,494; - 2008 - 4,183; - 2010 -1,300 (estimates)
	Privileged pension rights	- 2008 - 54 beneficiaries of pensions from EUR 688 to EUR 850 - More than EUR 850 - 2 pensioners

Health-care

Structure	*Structure*	*There exists two types of health insurance:* *1. Mandatory public and* *2. Voluntary (as of 2004).* *The first implementation phase of the Project of Voluntary Health Insurance Introduction is complete, but the completion of the second phase is dependent first of all on legal changes of current legislation regulating health insurance.* Public health institutions have been organized on three levels of care: primary, secondary and tertiary. *Primary* health care is provided within health centres divided into three parts. *Secondary* health care is provided by specialist out-patient departments and hospital beds. *Tertiary* health care is provided by sub-specialist out-patient departments, diagnostic centres and hospital departments.
	Infrastructure	The structure of public health institutions comprises of: - 18 health centres, - an Institute for urgent medical care, - seven general hospitals, - three special hospitals, - a Clinical centre, - an Institute for public health and - a pharmaceutical institution.
	Management	The mandatory system of health insurance is managed by the Fund of Health Insurance. It is the only bearer of mandatory health insurance but it also provides and conducts the voluntary health insurance.
	Private health care	There is no data about its size compared to the state sector. There is no clear strategy of integration of the state and the private sector.
Population covered	*Coverage of population*	The mandatory system is contribution based, but the coverage is universal. All categories of the population, i.e. all legal residents of Montenegro have equal rights in the health system.
	Eligibility criteria	The mandatory health insurance and health protection system comprise of the rights of employed, members of their families and other persons defined by the Law.
	Not covered	Coverage is universal.
Health status	*Life expectancy rates*	1999/2000 – the life expectancy rate was 73.56 years (76.27 and 71.05 for women and men respectively). 2004 - 73.1 years 2007 - 73.77 years (76.06 and 71.22 for women and men respectively) 2008 - 71.06 years for men and 76.23 years for women.
	Mortality rates	1994 - 7.4 2004 - 9.2 2007 - 9.51

Financing	*Contribution rates*	In 2007 - 13.5% (6% and 7.5% of earnings was paid by employers and employees) respectively. 2008 - 12% 2009 – 10.5% (5.5 and 5% by employers and employees respectively) 2010 - 9% (5% and 4% by employers and employees respectively).
	% of state budget	Expenditures for mandatory health insurance in the Montenegrin GDP increased in the period of 2000 and 2001, after which a trend of their decrease followed. With 5.68% GDP in 2000, they increased to 7.08 GDP in 2002, which was the highest percentage of expenditure for health in GDP during the decade. Since 2003 they have been below 7% GDP.
	Ratio between insurance and state budget financing	During the 1990s – constant deficits in the Fund. One fifth of the revenues of the Health Insurance Fund are budgetary resources (for health care of the unemployed who do not receive cash benefits and refugees as well as for covering deficits)
	Health-care expenditures	Percentage of expenditure for mandatory health insurance within public consumption was 13.68%, 14.58% and 14.35% in 2004, 2005 and 2006 respectively.
	Health-care revenues	Currently, contribution based revenues are 78.95% of total revenues of the Fund.
Cost-containment measures	*Measures*	Co-payments only.
	Exemptions	Children, pregnant women, women during delivery and one year after that, elderly over 65 years, persons effectuating the right to social welfare benefits, as well as people with certain diseases.
	Ratio between the coverage and the patient's payment	Co-payments present less than 1% of health care expenditures.
	% of patient's payment compared to family income	There is no data.
Benefits	*Guaranteed rights*	The rights of citizens based on mandatory health insurance are the right to health care; the right to benefit during temporary inability for work and compensation of travel costs incurred in connection with health protection

Unemployment protection

Coverage	*Eligibility criteria*	- 2002 - the minimum insurance period was 9 months of insurance without interruption, i.e. 12 months with interruptions in the previous 18-month period - 2010 - insurance period of at least 12 months without interruption or with interruptions in the previous 18 months
	Not covered	- unemployed, engaged in grey economy who do not pay contributions and those who are without a job but do not have a long enough period of insurance - a small share of the total number of unemployed achieve insurance based rights
Financing	*Contribution rates*	Employed and employer: - 2002 and 2010: per 0.55%
	Expenditure on unemployment benefit	- Contributions for unemployment insurance - 2009 - 0.30% GDP; 2010 - 0.32% GDP - 2011 - 0.32% GDP, 2012 - 0.31 and 2013 - 0.31% GDP (estimates)
Benefits	*Types of benefits*	The Laws of: - 2002: 1. cash benefit; 2. cash aid; 3. pension and health insurance during the effectuation of the right to cash benefit; - 2010: 1. cash benefit; 2. pension and health insurance during the effectuation of the right to cash benefit;
	Number of people receiving unemployment benefits	- 2002 – 2,325 - 2004 – 4,310 - 2005 – 6,137 - 2006 – 7,535 - 2007 – 8,240 - 2009 – 12,278
	Maximum duration of benefit	The duration of benefit is dependent on duration of insurance. The 2002 Law: - 12 months for years of insurance from 20 to 25 years without interruptions - With more than 25 years of insurance – until finding a new job, i.e. occurring any of the conditions for the cessation of the right to cash benefit The 2010 Law: - 12 months for unemployed with more than 25 years of insurance - With more than 30 (women) and 35 (men) years of insurance - until finding a new job, i.e. occurring any of the conditions for the cessation of the right to cash benefit - With 25 years of insurance and in case he/she is a parent to a person receiving disability allowance - until finding a new job, i.e. occurring any of the conditions for the cessation of the right to cash benefit

Active labour market policies	*Policies*	The 2010 Law: 1. informing about employment opportunities and conditions; 2. mediating in getting a job; 3. professional orientation; 4. financing of trainees; 5. support for self-employment; 6. subsidies for employing; 7. education and training of adults; 8. professional rehabilitation of persons having more difficulties in finding a job; 9. public works; 10. grants and other measures directed to increase employment , i.e. unemployment decrease.
	Financing	Active labour market programs are financed by the state budget, local communities, donations, credits, interests, etc.
Other measures against undeclared work	*Measures*	- Reduction of the financial burden of employers - Stimulating inclusion into legal economy - Sanctions
	Financing	Indirect, sanctions.

Social assistance

Structure	*Infrastructure*	*The 1993Law on Social and Child Assistance*	*The 2005Law on Social and Child Assistance*
		Public institutions in the area of social and child assistance: 1) social welfare centres (SWC); 2) facilities for accommodation of children and youths; 3) facilities for accommodation of adults and the elderly, 4) facilities for holidays and recreation of children (article 90).	Public institutions in the area of social and child institutions: 1) facilities for accommodation of children and youth; 2) facilities for accommodation of disabled adults and the elderly; 3) social welfare centres (SWC); 4) centres for counselling, research and expert tasks in the area of social and child assistance (article 69).

		There are: - 10 CSWs – all municipalities (21) are covered; 3 of them are organized for separate municipalities, while within the remaining 7 – each covers two or more municipalities. Professionals do not have adequate expertise.	CSWs for the municipalities (number of employees): - Podgorica, Cetinje, Danilovgrad and Kolasin (100) - Niksic, Savnik and Pluzine (44) - Pljevlje and Zabljak (20) - Bijelo Polje and Mojkovac (34) - Berane and Andrijevica (24) - Rozaje (10) - Plav (12) - Bar and Ulcinj (26) - Kotor, Tivat and Budva (23) - Herceg Novi (13) (May, 2010).
		- 7 institutions for the accommodation of children and youths – they are not suited to specific needs of all children and sometimes children need to be accommodated out of Montenegro. - 2 institutions for the accommodation of disabled adults and the elderly - insufficient capacities, not territorially available.	- Home for pensioners and other elderly persons "Grabovac" in Risan (102) - Children's home "Mladost" in Bijela (103) - Special Institutions for Children and Youth"Komanski most " in Podgorica (43) - Centre for Children and Youth " Ljubovic" Podgorica (39)
	Management	Ministry competent for social affairs (social and child assistance)	
Coverage	*Covered population*	Universal system.	
	Eligibility criteria	Generally, all citizens of Montenegro (and also foreigners and persons without citizenship under special circumstances). Actual conditions depend on a right in question. The rights to cash assistance are realized based on means-testing, and other rights can be effectuated by those in need of them.	
	Specific vulnerable groups	Without specific reference to vulnerable groups	1) persons incapable of work 2) children without parental care 3) children with physical, mental and sensory defects 4) misused and mistreated children 5) children with behavioural problems 6) disabled 7) elderly 8) persons and families in need of adequate forms of social and child assistance due to some specific circumstances (article 4).

Financing	*Contribution rates*	Not applicable.	
	% of state budget	2003 – 9.0%; 2004 – 9.5%; 2005 – 7.9%; 2006 – 6.5%; 2007 - 6.9%; 2008 – 8.6%	
	Ratio between insurance and state budget financing	Not applicable.	
	Expenditures on social welfare benefits (% of GDP)	2003 – 2.9%; 2004 – 2.7%; 2005 – 2.3%; 2006 – 2.0%; 2007 – 1.9%; 2008 – 2.7%	
	Revenues (% of GDP)	Not applicable.	
Benefits	*Types of benefits*	1) material support to families 2) aid in gaining professional qualifications 3)accommodation in social assistance institution or other family 4)allowance for providing assistance and care of another person 5) health care 6) funeral costs 7) social work services (article 7). The right to child allowance also belongs to this group (article 41).	1) material support to families 2) disability allowance 3) allowance for providing assistance and care of another person (EUR 60) 4) accommodation in social assistance institution 5) accommodation in other family 6) aid in professional rehabilitation and gaining professional qualifications 7) health care 8) funeral costs (EUR 300) 9) lump sum benefit (article 12). The right to child allowance also belongs to this group (article 43).

	Minimum/ maximum assistance	Material support to families	Child allowance	Material support to families	Child allowance
		Minimum: 40% of average salary in the month preceding the payment for one-member families; Maximum: 80% of average salary in the month preceding the right effectuation for five-member and bigger families.	Minimum: 30% of the minimal salary in the month preceding the payment for children from the families effectuating the right to material assistance to families; Maximum: 50% of the minimal salary in the month preceding the payment for children with physical and mental defects that cannot be trained for work.	Minimum: EUR 50 for one-member families (EUR 60.50 as of 2009); Maximum: EUR 95 (EUR 114.95 as of 2009) for five-member and bigger families.	Minimum: EUR 15 (EUR 18.15 as of 2009) for children from the families effectuating the right to material assistance to families; Maximum: EUR 25 for children with physical and mental defects that cannot be trained for work and for children without parental care.
	Duration of benefits	No limits in terms of duration. The only exception is child allowance that can be effectuated until 18 years (or until the completion of regular schooling).			
Measures against poverty and social exclusion	*Measures*	*Strategy of Development and Poverty Reduction of 2003*		*Strategy of Poverty and Social Exclusion Reduction of 2007*	
		Objectives: 1) creation of new jobs 2) development of more efficient social welfare 3) health care, education, environment and infrastructure should be in the function of poverty reduction.		Objectives: providing social stability and reducing economic deprivation. Special attention is paid to vulnerable groups. The connection with the areas of education, health care, employment and social assistance is made.	
	Financing	System of financing measures and programs directed toward poverty and social exclusion reduction is centralized: except for lump-sum benefits, all funds arefrom the Republic budget			

Statistical Annex

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP in million euro										1 066	1 295	1 360	1 510	1 670	1 815	2 149	2 808		
GDP (per capita) in euro										1 750	2 113	2 208	2 435	2 684	2 912	3 443	4 484		
GDP growth rate											1,1	1,9	2,5	4,4	4,2	8,6	10,3		
General government debt (% of GDP)												57,1			39,6	38,3	32,4		
Consumer price index																		7,4	
Employment rate									39,2	38,5	37,1	37,7	36,2	37,4	41	41	43	43,2	
Unemployment rate									19,3	19,3	21,2	20,7	22,7/27,7	30,3	29,6	19,3	16,8	16,8	13,1
Average wage	6805	111	42	142	309	660	878	1 228	164,4	181	211	149,1	173,9	195,3	213,1	246	338	416	
Labour productivity																			
(At risk of) Poverty rate												9,4	12,2	10,9	11,3	11,3	8	10,8	10,8
Inequality of income distribution (Gini)															25,9	24,4	26,4	25,3	26,7
Social expenditure (% of GDP)										17	16,99	18,04	18,21	16,97	15,55	15,67	15,8		
Old age & survivorship													8,7	8,7	8,1	9,3	9		9,85
Health & disability										5,68	6,11	6,77	6,39	5,72	6	5,49	4,93	5,17	4,31
Unemployment benefit										0,07	0,04	0,07		0,09	0,19	0,25	0,23		
Social assistance (benefit)										1,9	1,28	1,19	1,36	1,38	1,3	1,15	1,23		2,25
Structure of the economy (Gross value added by main sectors (%))																			
Industry										19,2	20,7	20	19,2	18,7	17,1	16	13,6		
Agriculture										12,4	11,9	12,2	11 6	10,9	10,4	10,1	8,5		
Services										64,1	63,4	63,8	65,8	66,9	68,9	69,5	73,7		
Average wage:																			
1) 1991: dinars																			
2) 1992 - 1996: new dinars																			
3) 1997 - 1998: new dinars (modified definition of an average salary)																			
4) 1999 – current: EUR (average nominal monthly wages and salaries)																			
Poverty rate:																			
Nationally defined based on Household Consumption Survey - it is an aboslute poverty line																			

GDP (million)in Euro
2000 – 2007
European Commission (2009). *Montenegro 2009 Progress Report*.
GDP (per capita) in Euro
2000 – 2007
European Commission (2009). *Montenegro 2009 Progress Report*.
GDP growth rate
2001 – 2007
European Commission (2009). *Montenegro 2009 Progress Report*.
General government debt (% of GDP)
2002, 2005 – 2007
Ministarstvo finansija (2010). *Bilten XX – april – jun 2010*. Podgorica: Ministarstvo finansija.
Consumer Price Index
2008
European Commission(2009). *Montenegro 2009 Progress Report*.
Employment rate
1999 – 2008
European Commission (2009). *Montenegro 2009 Progress Report*.
Unemployment rate
1999 – 2008
European Commission (2009). *Montenegro 2009 Progress Report*.
2009
Montenegrin Statistical Office (2010). *Labor Force Survey 2009*. Podgorica:Montenegrin Statistical Office .
Average wage
1991 – 1998
Zavod za statistiku Republike Crne Gore (2006). *Zarade u Republici Crnoj Gori 1965 – 2005*. Podgorica: Zavod za statistiku.
1999 – 2008
European Commission(2009). *Montenegro 2009 Progress Report*.

(At risk of) Poverty rate
2002 – 2004
MONSTAT (2008). *Analiza siromaštva u Crnoj Gori*. Podgorica: MONSTAT.
2005 - 2007
MONSTAT (2009). *Analiza siromaštva u Crnoj Gori u 2007. godini*. Podgorica: MONSTAT.
2008 – 2009
MONSTAT (2010). *Linija siromaštva*. http://www.monstat.org/cg/page.php?id=73&pageid=73, 15. 8. 2010.
Inequality of income distribution (Gini)
2005
MONSTAT (2009). *Analiza siromaštva u Crnoj Gori u 2007. godini*. Podgorica: MONSTAT.
2006 – 2009
MONSTAT (2010). *Linija siromaštva*. http://www.monstat.org/cg/page.php?id=73&pageid=73, 15. 8. 2010.
Social expenditure (% of GDP)
Old age & survivorship
Health & disability
Unemployment benefit
Social assistance (benefit)
European Commission (2008). *Social Protection and Social Inclusion in Montenegro*. Directorate-General for Employment, Social Affairs and Equal Opportunities.
Ministry of Finances (2010). *Statistics*. http://www.mf.gov.me/organizacija/budžet-i-trezor-, 1. 12.2010.
MONSTAT (2010). *Statistics*. http://www.monstat.org/cg/page.php?id=18&pageid=18, 1. 12.2010.
Structure of the economy (Gross value added by main sectors (%)) Construction sector is separately shown.
2000 – 2007
European Commission (2009). *Montenegro 2009 Progress Report*.

List of abbreviations

EU	European Union
FRY	Federal Republic of Yugoslavia
GDP	Gross domestic product
HCMS	Household Consumption Measurement Survey
IDP	internally displace person
MDG	millennium development goal
MONSTAT	Statistical Office of Montenegro
PAYG	pay-as-you-go
SFRY	Socialist Federal Republic of Yugoslavia
SWC	Social Welfare Centre

List of references

Arandarenko, M. &Djurovic, G. (2004). Razvoj socijalne politike u Srbiji i Crnoj Gori, u: A. Cekerevac (ur), *Socijalni rad i socijalna politika – Zbornik radova VI,* pp. 3-32. Beograd: Univerzitet u Beogradu – Fakultet politickih nauka.

Bacovic M. (2006). *Demografske promjene i ekonomski razvoj – Analiza investiranja u ljudski kapital*. Podgorica: ISSP, Ideja.

Dan. (2010, March 21). *Jednog penzionera izdržava radnik i po.*

EC. (2008). *Social Protection and Social Inclusion in Montenegro*. Retrieved February 15, 2010 fromhttp://ec.europa.eu/employment_social/spsi

Explanation of the Law on Employment and Unemployment Insurance. (2010).Government of Montenegro, Podgorica.

Explanation of the Proposal of the Law on Budget of Montenegro for 2010. (November 2009) Government of Montenegro, Podgorica.

FZO. (2009). *Zdravstveno osiguranje za vas i uz vas.*Podgorica: FZO.

Government of the Republic of Montenegro. (2005). *The Strategy of Old-age and Disability Insurance Development.* Podgorica: Vlada Crne Gore.

ISSP - Institut za strateške studije i projekcije (2010). *Crnogorski ekonomski trendovi 28.* Podgorica: Institut za strateške studije i projekcije.

ISSP - Institut za strateške studije i projekcije, ZP - Zavod za zapošljavanje (2007). *Radna snaga i zaposlenost u Crnoj Gori*. Podgorica: Institut za strateške studije i projekcije i Zavod za zapošljavanje.

Janković, U. (2010). *Socijalna inkluzija siromašnih u Crnoj Gori* – magistarska teza. Beograd: Fakultet političkih nauka.

Ministry of Finance (2010). *Analiza ostvarivanja ekonomske politike CG za prvi kvartal 2010. godine*. Podgorica: Ministarstvo finansija.

Ministry of Health, Labor and Social Welfare. (2008). *Nacionalna strategija zapošljavanja i razvoja ljudskih resursa za period 2007-2011. godine*. Podgorica: Ministarstvo zdravlja, rada i socijalnog staranja.

Ministry of Health, Labor and Social Welfare. (2007). *Strategija razvoja sistema socijalne i djecje zastite u Crnoj Gori 2008-2012.* Podgorica: Ministarstvo zdravlja, rada i socijalnog staranja.

Ministry of Health, Labor and Social Welfare (2003). *Draft Strategy of Development and Poverty Reduction in Montenegro*. Podgorica: Ministarstvo zdravlja, rada i socijalnog staranja.

Ministry of Labor and Social Welfare. (2010). *Izvještaj o radu i stanju u upravnim oblastima iz nadležnosti Ministarstva rada i socijalnog staranja za 2009. godinu.* Retrieved August 22, 2010, from: http://www.minradiss.gov.me/

Monstat. (2009). *Statistički godišnjak 2009.* Podgorica: Monstat.

„Pobjeda", 6. jun 2010. godine, *Kako je kriza uticala na penzione fondove zemalja Zapadnog Balkana - Penzije u Crnoj Gori najveće u regionu.*

RFZO (2008). *Informacija o sprovedenim reformama u zdravstvu i dostignuti stjepen primene IKT.* Podgorica: RFZO.

RFZO (2006). *Strateški razvojni plan Republičkog fonda za zdravstveno osiguranje do 2011. godine.* Podgorica: RFZO.

The Law on Amendments to the Law on Old-age and Disability Insurance, „Official Gazette of

the Republic of Montenegro", no. 14/2010.

The Law on Budget of Montenegro for 2010, Parliament of Montenegro – 24. session of 17. 12. 2009.

The Law on Contributions for Mandatory Social Insurance, "Official Gazette of the Republic of Montenegro", no. 13/07 and 78/08.

The Law on Employment, "Official Gazette of the Republic of Montenegro", no. 5/02, 79/04, 21/08.

The Law on Employment and Realizing Rights Based on Unemployment Insurance, "Official Gazette of Montenegro", no. 14/2010.

The Law on Health Insurance (2004). Retrieved August 26, 2010, fromhttp://fzocg.me/docs/18/zakon_o_zdravstvenom_osiguranju.pdf

The Law on Health Protection (2004). RetrievedAugust 26, 2010, from: http://fzocg.me/docs/18/zakon_o_zdravstvenoj_zastiti.pdf

The Law on Old-age and Disability Insurance, „Official Gazette of the Republic of Montenegro", no. 54/03,39/04, 61/04, 79/04, 81/04, 29/05, 14/07, 47/07 and " Official Gazette of the Republic of Montenegro", no. 12/07 of 14. 12. 2007, 13/07 of 18. 12. 2007, 79/08 of 23. 12. 2008.

The Law on Social and Child Assistance (2005). RetrievedAugust 14, 2010, fromwww.disabilitymonitor-see.org/.../dodjela_hum_pomoci_mont.doc

The Law on Social and Child Assistance (1993). „Official Gazette of the Republic of Montenegro" no. 45/93, 16/95 and 44/01.

The Law on Voluntary Pension Funds (2006). „Official Gazette of the Republic of Montenegro", no. 78/06, 14/07.

UNDP (2009). *Nacionalni izvještaj o razvoju po mjeri čovjeka - 2009. godine, Crna Gora: društvo za svakoga.*Podgorica: Kancelarija Programa Ujedinjenih nacija za razvoj (UNDP) u Crnoj Gori.

„Vijesti",23. 11.2009. Podgorica, *Trećina novca za penzije stiže iz državne kase.*

ZP - Zavod za zapošljavanje (2010). *Izvještaj o radu u 200*9. Retrieved August 3, 2010 from http://www.zzzcg.org/shared/dokumenti/Izvjestaji/Izvještaj%20o%20radu%20u%202009.pdf

ZP - Zavod za zapošljavanje (2006). *Nacionalna strategija zapošljavanja za period 2007-2010 godine*. Podgorica: Zavod za zapošljavanje.

Political Transformations: Welfare States in Transition Montenegro: A Long Drive Down a Tough Road

Jelena Dzankić

Introduction

This paper examines the effect in context of political transition in Montenegro of the country's social policy.[163] Two decades of power struggles between the Montenegrin political elites have overshadowed the consolidation of political parties. Consequently, social issues were ad hoc parts of the political parties' agendas, while social values took a detour due to the shadow economy created during the wartime years in former Yugoslavia. The effect of such general political environment essentially disallowed Montenegro to move towards a new model of welfare capitalism. Rather, the perpetual remoulding of Montenegrin social policies has generated a hybrid model that seeks to integrate the legacies of the socialist system into a new model of welfare capitalism. Although such models are not uncommon in transitional countries, it is likely that Montenegro will soon need to recalibrate its welfare model. Thus, in order to be able to adjust to the endogenous and exogenous market forces in light of its aspiration to join the European Union (EU), Montenegro will have to abandon the inherent logic behind its social policy, which largely reflects short-term political interests.

In order to adequately respond to the myriad of complex points raised above, the paper is divided in five thematic parts, following the Introduction to the study. They frame the welfare policies within the agendas of the major political actors in society as well as the exceptional political circumstances, other political and civic forces, international processes, and social perceptions and values. The final part of this study is the Conclusion, which summarises the main challenges related to welfare provisions in Montenegro in light of the country's aspiration to integrate into the EU.

In order to understand Montenegro's social policy it is worth mentioning that at the time of the dissolution of former Yugoslavia in early 1990s, Montenegro joined Serbia in establishing the Federal Republic of Yugoslavia (FRY). The first years of Montenegro's transition have been marked as a 'negative' transitional experience (Popović 2001, pp. 11-32). The turbulent years of the Yugoslav disintegration generated 'transitional traumas' (e.g. shadow economy) that delayed and seriously impaired the Montenegrin path to democracy. An additional repercussion of the initial stages of transition was the perpetuation of rule, of the reformed Communist Party[164] whose new leaders pledged their loyalty to Slobodan Milošević. Alternative political forces were scarce, and their primary focus was in the realm of political, rather than social life. Thus, in the first half of the 1990s, populism dominated Montenegro's political life, while deep social or economic reforms were hardly a part of the political reality. Rather, due to the drastic change in the socio-political context - generated through the collapse of the old system, and coupled with the dilapidation of economy and social strains

[163] Montenegro became an independent state in 2006. At the time when Yugoslavia was in the process of dissolution, Montenegro opted to stay in the common state with Serbia, thus establishing the Federal Republic of Yugoslavia (FRY) in 1992. Due to a number of political issues, which will be discussed later in the paper, the FRY transformed into the State Union of Serbia and Montenegro in 2003. This said, this study will focus on Montenegro in different contexts. The term 'republic' will be used when referring to Montenegro prior to independence, while terms 'state' and 'country' will be used to refer to Montenegro after 2006. The latter terms will also be used to refer to Montenegro in general, as appropriate.

[164] In 1991, the Communist Party transformed into Democratic Party of Socialists (DPS), which has been in power in Montenegro ever since.

caused by the influx of refugees from Bosnia and Herzegovina and Croatia - the already existing (former Yugoslav) welfare system was supplemented by 'off the cuff' decisions, which were hardly sustainable in the long run.

The second stage of Montenegro's political transformation was the period from late 1996 until the independence referendum. In this period, significant changes took place in Montenegro, which in turn, was progressively detaching from the federal institutions. Late 1996 marked the beginning of the second stage of the Montenegrin transition, when the DPS started to be internally challenged. In 1997, the DPS bifurcated into two rather balanced political blocs. The following decade was marked by power struggles between these blocs.[165] During that period, the separateness of the Montenegrin from the federal economic system generated problems in terms of welfare provisions for categories of citizens with limited access to social welfare (e.g., pensioners receiving pensions from Serbia, etc.).

In terms of social policy, the official programmes of the main political actors – all of whom supported the social-democratic welfare model -did not differ significantly. The main reason for this was electoral logic. On one hand, at the time when issues of high politics prevailed, the reform of the social programmes was unlikely to become pivotal in gaining popular support. On the other hand, any major disruption to the existing social welfare system would have resulted in the loss of voters in a series of very narrow political races, had it been reformed in a fashion that it generated less allowances for the people. As a consequence, welfare reform was largely driven by electoral agendas and constructed in ways that it generated short-term effects, rather than benefits in the long run. Thus, despite the efforts on behalf on the domestic NGOs and international actors to focus on social issues and real reforms, these were overshadowed by the dominant political issues.

Montenegro became a sovereign state in June 2006, following an independence referendum, held on 21th May 2006. With the change of the major actors' political agendas, social issues became a more emphasized aspect of Montenegrin transition. The recent global financial crisis and its effects in the Western Balkans made social problems more pronounced than ever before. New political forces have entered the scene since 2006, and social welfare became a catalyst of political competition. Social issues, however, still mirror tensions between the agendas and interests of several other societal actors, such as: trade unions, business elites, public administration, and civil society.

The course that the national welfare system reform will take, will be inextricably linked to tension between the domestic political environment and the pressures generated through Montenegro's aspiration to enter the EU. Although a radical change is unlikely in near future, the present social welfare system will need to reform in order to eradicate the systemic problems[166] generated by the legacy of previous social policy. Major challenge for the social welfare system reform in the country will be the recalibration of the current welfare model, so that it meets the requirements of an open market economy, while retaining structural elements of social allowances[167] that are firmly rooted in the Montenegrin socio-political context.

[165] Until 2000, the ruling DPS – led by Milo Djukanović – stood in opposition to Milošević, while the competing party – SNP – led by Momir Bulatović – continued supporting Milošević, and harshly criticised the DPS for its involvement in the shadow economy. After the ouster of Milošević in October 2000, the DPS-led government's agenda became dominated by the quest for Montenegrin independence, while the bulk of the SNP-led opposition aimed at preserving the common state with Serbia.

[166] These problems include: corruption in healthcare and education, complex structure of the pension system, etc.

[167] These allowances include: universal healthcare and education, benefits for the unemployed, maternity leave and child benefits, etc. Abolition or reduction of these provisions would likely lead to societal discontent.

Political Context and Circumstances that have shaped the national welfare provisions

In Montenegro, similar to many other post-communist and indeed democratic societies, policy preferences of main political actors are often mirrored in the legislation adopted and implemented. Thus, a full understanding of the development of Montenegro's social policy after the disintegration of the former Yugoslavia presupposes a thorough consideration of the main political actors and circumstances.

Overall political context

There have been two major political moments that have reflected upon the political milieu in Montenegro: 1) the split of the DPS in 1997; and 2) the 2006 referendum on Montenegrin independence. The end of the political monolith occurred in 1997, when the ruling DPS split. The DPS, under the leadership of current Prime Minister Milo Djukanović, continued its rule in coalition with the SDP. From 1998 to 2001, the conservative People's party (NS) has been the third coalition partner of the DPS and the SDP due to the common interest of these political parties to oppose Slobodan Milošević. With the rise of the independence drive on behalf of the DPS, a drive that had already been on SDP's political agenda, the differences between these two parties and the NS started to emerge, particular with the change of the regime in Serbia in October 2000. As a consequence, after the parliamentary elections of April 2001, the third coalition partner of the DPS and the SDP became the Liberal Alliance of Montenegro (LSCG). Yet, this coalition was short-lived due to the irreconcilable agendas of the DPS and the SDP with the one of the LSCG, a pro-independence party that was increasingly disillusioned by the policies of its coalition partners. After the extraordinary parliamentary elections of October 2002, the DPS and SDP remained at the head of the Montenegrin government, advocating Montenegrin independent statehood. The push towards statehood on behalf of the government led to detachment from the Yugoslav federal policies, i.e., 'creeping independence'. The consequence of this 'creeping independence' was the establishment of separate Montenegrin fiscal and monetary systems, coupled by a separate currency since 1999. In terms of the welfare system, these policies generated a complex situation, in particular for the people who spent a part of their lives in other constituents of the federation.

The split of the DPS in 1997 also gave birth to the SNP, a major opposition party until the disintegration of the common state in 2006. During those years, the electoral race between the governing DPS-led coalition and its SNP competitors was rather tight, and the difference in votes was not a large one (CDT 1998; CDT 2001; CDT 2002). At the time when the DPS-led coalition opposed Milošević's policies, the SNP – at the time under the lead of Momir Bulatović – sought to retain close relations with the Belgrade regime. After the ouster of Milošević, the SNP changed its predominant policy so that it reflected the opposition to Montenegrin independence, rather than the support for Milošević.[168] The SNP – under the leadership of Predrag Bulatović until 2006 (unrelated to Momir Bulatović) – continued to be a major opposition player in Montenegro.

The independent statehood introduced some changes in the Montenegrin political environment. Social and economic reforms came to the forefront of the political agendas of major political actors in the attempt to consolidate their political programmes in-light of the new circumstances. The changes

[168] A minor faction of the SNP – the NSS, led by Momir Bulatović – detached from the party's core in its attempt to continue to support Milošević.

in the opposition in Montenegro particularly reflect this need to adapt to the new political reality. In the first parliamentary elections in the new state in September 2006, the opposition trifurcated into blocs of equal political weight: 1) the SNP, which lost some of its appeal after the referendum; 2) Serb People's Party (SNS), which gathered the pronouncedly Serb voters of the 'pro-union' bloc; and 3) Movement for Changes (PzP), a new centrist force, emerged from a non-governmental organisation based on the model of the Serbian G-17+. The balance of power among the opposition changed following the 2009 parliamentary elections, with redirection of a share of voters of the PzP and SNS (Nova as of January 2009) towards the SNP. The DPS-led coalition remained in power after both rounds of parliamentary elections in Montenegro since its independence.

Table 1. Distribution of seats in the parliament of Montenegro following the March 2009 elections (source: OSCE, 2009)

Party/Coalition	Seats
European Montenegro - Milo Djukanović	48
SNP - Socialist People's Party of Montenegro - Srdjan Milić	16
New Serbian Democracy (Nova) - Andrija Mandić	8
Movement For Changes - We Can Do It - Nebojša Medojević	5
UDSH - Democratic Union of Albanians - Ferhat Dinosha	1
FORCA - Nazif Cungu	1
Albanian list: Democratic Alliance in montenegro - Mehmet Bardhi & Albanian alternative - Gjergj Camaj	1
Albanian Coalition - Perspective	1
Total:	81

Thus, ever since the early 1990s Montenegrin politics were dominated by parties of socialist and social-democratic orientation in both the government and in the opposition. Since 2006, moderately centrist forces, such as the PzP have appeared in the Montenegrin political life, while more recently the DPS appears also to be increasingly moving towards the centre of the political axis unlike its coalition partner the SDP. Still, as a consequence of the predominance of leftist forces in Montenegro, some aspects of the social agendas of the major political players coincide.

Social Policy in party programmes

The following analysis will attempt to situate the welfare policies of political actors within the party family that they belong to. The analysis will also pay some consideration to political actors that have formerly played a role in Montenegrin politics, but currently hold no parliamentary seats (e.g. LP, NS). Table 1 (below) gives a schematic overview of party families, their leaders and their agendas.

Table 2. Party families in Montenegro[169]

Socialist and social-democratic parties		
Party	*Leader*	*Social Policy*
DPS	Milo Djukanović	• Supportive
SNP	Srdjan Milić	• Supportive
SDP	Ranko Krivokapić	• Supportive
Gentrist and liberal parties		
Party	*Leader*	*Social Policy*
PzP	Nebojša Medojević	• Supportive (gradualist)
LP	Andrija Popović	• Supportive (gradualist)
Conservative parties		
Party	*Leader*	*Social Policy*
NS	Predrag Popović	• Moderate
DSS	Ranko Kadić	• Supportive (family)
DSJ	Zoran Žižić	• Supportive (family)
MSS	Novo Vujošević	• Supportive (family)
Radical right wing		
Party	*Leader*	*Social Policy*
SRS	Duško Sekulić	• Supportive (family)
Ethnic parties		
Party	*Leader*	*Social Policy*
Nova	Andrija Mandić	• Supportive (family)
HGI	Marija Vučinović	• Supportive
BS	Rafet Husovć	• Supportive
DSCG	Mehmet Bardhi	• Moderate
DUA	Ferhat Dinosha	• Supportive
AA	Gjergy Camaj	• Moderate

[169] The division into party families follows from Bieber (2010, pp. 119-131). Also, as noted by Bieber, the party system in Montenegro is not consolidated (p. 129). Minor modifications to Bieber's division have been made, in light of the most recent political fluctuations.

As illustrated in Table 1. (above), the overall political spectrum in Montenegro is formally supportive of the welfare state. This tendency is likely to have been generated by the circumstances in post-communist societies, in which the previous welfare model has generated a strong dependency between the population and their expectancies of the state's social policy. As a consequence, in a political environment in which political battles are fought over a small number of votes – as it has been the case with Montenegro in recent years – political elites show a low propensity towards welfare policies characteristic of open market models. Indeed, such models would likely deter the pauperised voters from supporting a political party, as they would see it as unable to provide a prospect of stability they aspire to in the progress of transition. Particular to the case of Montenegro is the fact that there has been no major power shift in the government following the split in the DPS in 1997. That is, the overall social policy has evolved in tandem with the ruling coalition's welfare agenda and priorities.

However, a closer look at the political programmes of different parties reveals several trends, depending on the party's agenda, its parliamentary role and political power. These trends entail: a) strong emphasis on the welfare provisions for the leftist parties as a natural part of their agendas; b) an uncommon focus on social policy with the conservative parties, described as means of reinforcing traditional values; c) minor parties/minor coalition members tend to have a stronger focus on social issues in their programmes than major parties or leaders of coalitions.

The ruling coalition long-time partners the DPS and the SDP have similar social policy objectives, in that they acknowledge the need for ensuring universal healthcare and providing citizens with means of livelihood. The main difference in the political programmes in effect reveals a slight ideological difference between the two parties: the DPS being more to the right of the political axis than SDP. In terms of the welfare provisions enshrined in their official political programmes, the DPS does not have a structured social agenda. This party acknowledges the difficult effects of the first stages of transition on the Montenegrin population. Unlike most of the leftist parties, and parties that originated from former communists in transitional countries, the DPS does not put a major emphasis on the role of the state in securing the social policy. That is, while acknowledging that higher pensions are necessary, the DPS' political programme only states that 'no one in Montenegro should be left out'(DPS, 2007). At the same time, this party promotes protection of healthcare, 'regardless of social differences' with the 'most explicit support of the state' for socially marginalised groups (DPS, 2007). Consequently, the political programme of the major Montenegrin political party does not clearly indicate where the party stands on welfare issues. Rather, the DPS's social policy is best seen in the analysis of current welfare provisions (below), since this party has been in power in Montenegro since 1990.

The DPS' minor coalition partner – the SDP – has a far more elaborate stand on social issues, which explicitly places this party to the left of the political spectrum in Montenegro. Unlike the political agenda of the DPS, the one of the SDP clearly stipulates that the citizens' social welfare 'will be a competence of the state' (SDP Program 2009). In addition, the SDP's programme lays out provisions for securing social benefits for the most vulnerable societal groups in the state (e.g., disabled, unemployed, etc.), as well as social security and free healthcare. If the official social agendas of the two coalition partners are compared to the reality of the welfare state in Montenegro, it can be seen to what extent the political actors balance their programmes.

Croatian Civic Initiative (HGI), which currently holds one seat in Parliament as member of the governing coalition, is one of the few ethnic parties with a very detailed social policy as part of its agenda (HGI Program, 2003). HGI's programme focuses on healthcare and pension benefits in terms of social policy. Acknowledging the poor state of healthcare institutions in Montenegro and low salaries of healthcare employees, HGI advocates free universal healthcare, based on 'efficiency, quality and respect for the needs of the patients'(HGI Program, 2003). At the same time, this party maintains that a reform of the pension system is necessary, in order to enable pensioners to a decent livelihood. This puts HGI's social programme between the ones of its coalition partners – the centre-left DPS and the leftist SDP.

The Bosniak Party, which is also member of the DPS-led coalition, supports a welfare state, in terms of 'minimum healthcare, existential minimal unemployment benefits, benefits for the old and the ill, free elementary and secondary education, and measures for protection of mothers and children'(Bosniak Party Program, 2007).

By contrast, most of the ethnic Albanian parties (DUA, coalition Perspektiva, DSCG, AA, FORCA) do not have comprehensive and elaborate social policies enshrined in their programmes. Rather, they either articulate their welfare agendas through coalitions that they are part of, or they express their views about the existing or proposed social programmes. In terms of their ideological positions, Albanian parties are mostly centrist, with mild lineages to the left or to the right.

The salience of social issues on the political agendas, and among the population of Montenegro, after the referendum on independence is mirrored mostly among the opposition parties. The relative strength of these parties in the two most recent electoral rounds shows a general shift from an identity debate to social issues. This is most visible in the cases of SNP, Nova (formerly SNS), and PzP. The number of seats held by each of these parties has changed significantly from 2006 to 2009.

Out of the three mentioned political actors, the SNP has been the only one to increase the number of seats it holds in Parliament from 11 in 2006 to 16 in 2009 (OSCE, 2009). Formerly the leader of the pro-union camp, the SNP has recalibrated its political agenda to socio-economic problems generated by the process of transition (SNP Programme, 2009). Thus, in the past three years this party has shifted from a party drawing its strength from identity/statehood-based social populism (Bieber, 2010), to a party supported by citizens who share the belief in corruption of the governing party and inefficiency of economic reforms in Montenegro. In terms of its social agenda, as stipulated in its program, the SNP 'advocates a strong social function for the state in procuring the basic means of livelihood for every citizen' (CGO, 2009). This would make the SNP gravitate towards the left of the political axis, despite this party's orientation towards more traditional societal strata.

Conversely, Nova has lost some of its political support, and the number of seats it holds in Parliament was reduced from 12 in 2006 to 8 in 2009 (OSCE, 2009). A number of factors have affected the decrease in support for this party, including disagreements over the status of Serb people in Montenegro, which led to a faction of the party detaching of its core (CEU, 2008). Another possible explanation for the decreased support to Nova is the reduced importance of the perceived ethnic identity in Montenegrin politics after independence. Parties with predominantly ethnic agendas that failed to reconstruct their programmes in light of the new circumstances received less support in 2009 than in 2006 (e.g. NS). To this end, a peculiar fact about Nova is that it attempts 'to

combine endorsement of EU integration with a conservative platform of representing Serb national interests' (Bieber 2010, p. 128). At the same time, the conservative lineage of this party has generated a social programme of the party, which emphasises the role of the state is securing welfare for its citizens, including free universal healthcare, education, disability benefits, etc. (Nova Program, 2009). Nova's programme frames the social policy within a context of protection of family and traditional values (of the Serb people in Montenegro that it represents). As such, it is an example of the fluid nature of the unconsolidated political party system in Montenegro.

The PzP, a centrist force that emerged in 2006 as an alternative to the two blocs divided over issues of identity and statehood, has also faced a decrease in support which reduced the number of seats held by this party from 11 in 2006 to mere 5 in 2009 (OSCE, 2009). While being rather neutral in the debate over Montenegrin identity and statehood, the PzP took a stand opposing Montenegrin recognition of Kosovo's independence (CEU, 2008). This fact led to a considerable loss of votes previously cast by former supporters of independence that supported the PzP, and detachment of a share of this party from the core. Yet, the PzP's program indicates no significant shift in terms of social policy, which should be a responsibility of the state, in order to 'enable solidarity among generations, social partnership and protection of the unprivileged' (PZP Program, 2006). PzP envisages Montenegro as 'a socially responsible state' (PZP Program, 2006), whose main priorities entail social justice and solidarity. That is, the gradualist approach of PzP's programme to social policy through the emphasis of state's responsibilities towards the most vulnerable groups largely reflects the party's centrist orientation.

Finally, in the context of ideological lineage and social programme, two further political actors are worth mentioning – the LP (reformed LSCG) and the NS, the former being liberal and the latter conservative. Both parties have lost their parliamentary status in the 2009 elections due to the broader political context following Montenegrin independence. Both parties at different times, hadbeen coalition partners with the DPS and the SDP in government (NS, 1997-2000; LP, 2001-2002). The welfare orientation of these parties in their programmes is in line with their ideological positions. However, they have failed to attract support in recent years due to their loss of appeal in light of the overall recalibration of the Montenegrin political scene.

Social Policy in law and in practice

The 2007 Constitution stipulates that Montenegro is a state of 'social justice' (Art. 1), which lays grounds for further provisions and laws related to social welfare. To that end, and pursuant to Article 65 of the Constitution, the state has established the Social Council, composed of members of trade unions, employers and the government. The main role of the Social Council is to oversee social conditions of employees in Montenegro. In terms of employment, youth, women, and the disabled enjoy special protection (Art. 64), while the unemployed (Art. 62) and persons unable to work, receive some benefits from the state with the aim of ensuring basic means of livelihood (Art. 67). Healthcare is free and universal (Art. 69), as well as elementary education (Art.75). Public funding of healthcare for pregnant women, children and the elderly is available in case they have no other access to healthcare benefits (Art. 69), which also reflects the focus of the state on protecting the family (Art. 72). This current welfare system in Montenegro is sustained through social insurance, which is compulsory for all employees in Montenegro (Art. 67).

A number of subsidiary legal acts regulate the social welfare system in Montenegro, which is overseen by the Ministry of Labour and Social Welfare, along with the Ministry of Finance and the Ministry of Health. The pension and disability scheme is administered by the Fund for Pension and Disability Insurance; the healthcare scheme by the Fund for Healthcare Insurance; and the unemployment scheme by the Employment Agency.

The reform of the pension system, supported by the World Bank, was one of the items on the Agenda of Economic Reforms that the government of Montenegro adopted for the period from 2003 to 2007. The Law on Pension and Disability Insurance of 2003 has been amended several times since its adoption. It regulates insurance and benefits in cases of old age, death and survivorship, permanent incapacity to work, bodily damage, and reimbursement of funeral expenses. Prior to the adoption of this Law, the pension system in Montenegro was based only on generational solidarity, in which benefits were predetermined. According to Todorović (2009, p. 3), the main rationale behind the reform of the pension system was its fiscal unsustainability. The current pension system has three pillars: 1) compulsory pension and disability insurance based on generational solidarity; 2) compulsory pension and disability insurance based on individual capitalized savings; and 3) voluntary pension insurance based on individual capitalized savings. The main aim of introducing this multi-tiered system of pension insurance was to shift from a system based on generational solidarity to one based on contributions. In this system of contributions, the amount of pension will depend on the length of employment, contributions paid and the salary the pensioner was receiving during his/her employment (Todorović 2009, p. 8). The second pillar is related only to the people who are employed, while the third pillar is completely voluntary and any citizen may take part in it. The second and the third pillars are managed by private pension funds. The second pillar functions in a way that the compulsory contributions are divided in two. One part of the contributions is directed to PIO Fund and it builds up towards the individual's state pension. Another part of the contributions is channelled to private pension funds, thus accumulating the individual's private pension. Thus, in the reformed pension system each employed individual will be entitled to two pensions: a state one (first pillar) and a private one (second pillar). The third pillar of the pension system has been established in late 2006, after the adoption of the Law on Voluntary Pension Insurance. The third pillar is jointly managed by private pension funds and management associations. The establishment and supervision of these funds and management associations are conducted by the Stock Commission (KHOV) and custody. According to the Stock Commission (KHOV, 2010), three management associations have been registered in Montenegro: Atlas Penzija (March 2008), Market Invest (December 2008) and NLB Penzija (January 2009). Subsequently, two voluntary pension funds have been established: Penzija Plus (July 2008) and Market Penzija (July 2009).

Healthcare is regulated by two main acts – the Law on Healthcare Insurance and the Law on Health Protection. The Law on Healthcare Insurance of 2004 covers the risk of illness (medical examinations, medical treatment in Montenegro and abroad, prescriptions, dental services, medical rehabilitation, prosthesis, and different helping devices) for people contributing to healthcare insurance. This Law also stipulates special provisions for maternity benefits and protection. Healthcare insurance in Montenegro is compulsory for persons taking part in the country's economic life, and their dependants: employed,

self-employed, pensioners, and people receiving unemployment benefits. Similar to the Law on Pension and Disability Insurance, the Law on Healthcare Insurance has also been reformed as a part of the government's Agenda of Economic Reforms 2003 – 2007. It introduced the second tier of healthcare insurance - voluntary contributions - that entitles the recipient to a higher quality healthcare. Voluntary contributions are paid either individually or through the employer. Conversely, the Law on Health Protection of 2004 regulates the provision of healthcare services to people who do not have health insurance, such as refugees and internally displaced persons, war veterans and civilians disabled by war, and their dependants. This Law has been adopted in light of the events in the Balkans in the 1990s, which have left Montenegro with over 26,000 refugees and IDPs in its territory, as well as with a considerable number of war veterans.[170]

The protection of war veterans is laid out in detail in the Law on Veteran and Disabled Protection of 2003, amended in 2008. At the time of the adoption of the Law, Montenegro was still part of the common state with Serbia. However, as a part of its policy of detachment from the federal institutions initiated in 1997, Montenegro did not implement the federal legislation[171] (Lukić, 2005). This was also the case with federal provisions for war veterans. The current Law on Veteran and Disabled Protection provides benefits for veterans, disabled veterans, war-disabled civilians, war-disabled military personnel and their dependants. The list of benefits received by this category of citizens includes cash compensation for care by another party; prosthetic supplement; disability benefits – individual and family; cash benefits for the family and health insurance.

Unemployment insurance is stipulated in the Labour Code of 2008. This type of insurance is particularly relevant to transitional countries in which unemployment rates are high. The current unemployment rate in Montenegro is around 14.7% (ZZZ, 2010).The unemployment insurance scheme provides several welfare benefits, including pension and healthcare insurance, as well as cash compensation for unemployment. The latter amounts to 60 percent of the minimum wage, and is granted to persons who had uninterruptedly been insured for 9 months within the 18 months immediately preceding unemployment; or insured with interruptions for 12 months within the 18 months immediately preceding unemployment.

The social assistance scheme is incorporated in the Law on Social and Child Protection of 2005, which substituted the social and childcare legislation from 1993 (amended in 1995 and 2001). In line with the Constitutional focus on family protection, the current Law on Social and Child Protection stipulates two categories of benefits: social benefits and child protection benefits. Social benefits include (Art. 12): financial provisions for the family (50 to 95 euros per month); disability benefits (50 euros per month); cash compensation for care by another party - in case of elderly or disabled (50 euros per month); accommodation into another family or into a social institution; assistance for professional rehabilitation; health protection; cash compensation for funeral costs (300 euros); and one-time cash assistance (need-based). In addition, child protection benefits encompass (Art. 49): equipment for a newborn child (one-time, 100 euros); children's allowance up to the age of 18 (15 to 25 euros per month); maternity leave wage (full wage; 70% of the

[170] Montenegrin soldiers participated in the Yugoslav People's Army during its wartime activities in Croatia and Bosnia and Herzegovina (See: Morrison 2009, pp. 89-103).
[171] Some federal legislation remained in force after the transformation of the Federal Republic of Yugoslavia into the State Union of Serbia and Montenegro.

full wage if employed for less than 6 months prior to delivery; 25 euros per month for students and unemployed); compensation for parents whose children need additional care, and thus parents are unable to work full-time (0.5 FTE); and children's holiday and recreation benefits (need-based). In addition, the government has adopted the Strategy for the Development of Social and Child protection 2008 – 2012 targeted at protecting the most vulnerable groups in society.

This legislative framework formally provides a comprehensive welfare system in Montenegro. However, due to economic and political circumstances, several aspects of this scheme remain rather problematic. Firstly, although different types of compensation exist for socially vulnerable groups, the actual benefits received are insufficient to provide the minimum means of livelihood. For instance, unemployment benefits amount to 30 euros per month, while the actual monthly allowance estimates are 189 euros per person (inclusive of utility bills and rent) (Monstat, 2010). Secondly, at the time of 'creeping independence' (detachment from the federal institutions), the legal systems of the participants to the federation were different, as were the currencies, and the social provisions therein (Nikač, 2005). Consequently, even after Montenegro became an independent state, issues of pension contributions (people who were employed in different constituents of the federation) or eligibility for other types of benefits are still not fully resolved.

Other actors in society

In a small environment, such as Montenegro, where the political elites are 'big fish in a small pond', alternative voices are often difficult to hear. However, due to the spill-over of the global economic crisis onto the Balkan region, this situation is changing. The standard of living in Montenegro has been reduced following the GDP shrinkage from 10.7% in 2007, to 7.5% in 2008 and by another 5.3% in 2009 (A Balkan Imbroglio, 2010, p. 44). Rise in the prices of consumables, and the fallout of a number of privatised companies to implement their restructuring programmes (e.g., Aluminium Plant – KAP), put pressure on the government to expand its social agenda. This pressure has additionally been increased by the activism of trade unions and employer associations, thus contributing to the advancement of the tripartite dialogue.

Article 53 of the Montenegrin Constitution and Article 5 of the Labour Code regulate the establishment of trade unions. Companies can have their trade unions, and there can also be trade unions at the level of a branch of industry or service, and atnational level. It is estimated that 90% of the employees in Montenegro are members of trade unions, although no official data exist to corroborate this fact (Simović, 2009, p. 9).At national level, until recently there was only one interest group representing trade unions - the Association of Trade Unions of Montenegro (SSCG). The Association of Trade Unions of Montenegro is the largest organisation of this kind in Montenegro, and consists of 21 municipal trusts.[172] The number of trade unions, and independent associations of industry-related trade unions that are members of SSCG exceeds 1200 (Simović, 2009, p. 9). In November 2009, another trade union association was registered at the Ministry of Labour and Social Welfare – the Association of Independent Trade Unions of Montenegro: the Reformed Wing (Upitnik, 2010, p. 95). The Association of Independent Trade Unions

[172] Podgorica, Bar, Nikšić, Budva, Herceg Novi, Pljevlja, Kotor, Tivat, Cetinje, Bijelo Polje, Plužine, Rožaje, Berane, Žabljak, Danilovgrad, Kolašin, Ulcinj, Plav, Andrijevica, Mojkovac, Šavnik.

of Montenegro: the Reformed Wing is divided into 6 regional committees, and 9 industry branches (USSCG, 2010).[173]

However, there appears to be no internal dialogues between the two trade unions at national level. Being the largest organisation of its kind, the Association of Trade Unions of Montenegro has a major say in the process of policymaking, particular in relation to large companies that had previously been state-owned. Owing to this fact, the Association of Trade Unions has often been subject to considerable amount of criticism by the other labour representative at national level.

This has sparked the recognition with the government that pluralism, in interest representation of labour at the national level, is imminent and that laws regulating labour relations need to be supplemented. In replying to the Questionnaire of the European Commission (EC), the government of Montenegro asserted that it is necessary to adopt the Law on the Representativeness of Trade Unions, which would regulate trade union representation at all levels of social dialogue (Upitnik, 2010, p. 95).

Employer associations are another party to the social dialogue, yet their role in Montenegro is still not very prominent. Pursuant to current Montenegrin legislation, employer associations are established in line with the 2007 Law on Non-Governmental Organisations. They gain representative status if they employ at least ľ of the total workers in Montenegro and if they contribute to the country's GDP by an equal share (Upitnik, 2010, p. 95).

The major employer association is the Montenegrin Union of Employers (UPCG), which was established in 2002 and registered as an NGO. Only three years after its establishment did the UPCG gain a representative status through its registration with the Ministry of Labour and Social Welfare. Prior to the streamlining of the issue of representation, the Chamber of Commerce had the main say on the behalf of the employers in bipartite and tripartite dialogue. It inherited the monopoly over economic and social issues from the socialist period. Consequently, the Chamber of Commerce pressed for delay in establishing other representatives of employees, such as UPCG, viewing them competitors in the arena of labour relations where a multipartite dialogue was almost unachievable until 2005.

UPCG deals with a wide scope of labour-related rights, and helps the development of bipartite and tripartite social dialogue (Statut UPCG, 2007). It is financially independent from the government, and it is financed through sponsorships, donations, membership fees and other activities. Thus, in terms of resources, UPCG is dependent on third-party funding, since revenues collected through membership are not extensive. As a consequence of the limited resources, the participation of UPCG in the social dialogue is not as intense as one would expect.

The government and representatives of labour and business (trade unions and employer organisations) are the main participants in the process of deliberation of socio-economic policies. The forum where this tripartite dialogue takes place is the Economic and Social Council (ESC), established in late 2006. ESC functions as an advisory, professional tripartite arrangement, which seeks to help to balance the interests between the government and other participants in the social dialogue. Each of them is represented by 11 members in the ESC, which has recently been decentralised in order to foster tripartite dialogue at local level. Main areas of dialogue that the

[173] Regional committees: 1) representing Podgorica, Cetinje, Danilovgrad, and Kolašin; 2) representing Nikšić, Plužine, and Šavnik; 3) representing Pljevlja and Žabljak; 4) representing Bar, Ulcinj and Budva; 5) representing Herceg Novi, Kotor and Tivat; 6) representing Bijelo Polje, Berane, Rožaje, Plav, Mojkovac and Andrijevica. Industry representation: education, university, telecommunications, trade, metal industry, healthcare and social welfare, banks, firefighters, dentistry.

ESC focuses on include: 1) dealing with legacies of transition; 2) democracy and the rule of law; 3) economic decentralisation; 4) fight against shadow economy and corruption; and 5) macroeconomic stabilisation (ESC, 2008). There are two potential obstacles in performing the aforementioned targets in the work of ESC: 1) the lack of internal consensus among the participants themselves (e.g., disagreements between the competing trade unions at the national level); 2) possibility of political influence over one or more of its constituents (e.g. political influence over either trade unions or employer associations may align their organisation's stance with the government, and thus the decision reached may be representative of political rather than of labour or business interest). Still, a number of important legislative acts, including the 2008 Labour Code have been adopted through the dialogue fostered within this advisory tripartite arrangement, which is considered a positive achievement in light of EU integration.

Following the activities of trade unions, the government was bound to adopt several 'social programmes' for recently privatised companies that were affected by the global economic crisis. The most notable example in Montenegro is the Aluminium Plant (KAP), which at the time employed over 5,000 workers and was a major industrial contributor to the Montenegrin GDP in the 1990s (6.7 – 8.2%) (KAP, 2010). This formerly state-owned company has been privatised in 2005 by the sale of the majority of its shares to Central European Aluminium Company (CEAC, formerly Salomon Enterprises Ltd), owned by the Russian billionaire Oleg Deripaska. The sale of the shares of KAP was conditioned on the restructuring of the company and investment into it in order to enhance its productivity. However, the new majority shareholder failed to deliver the investments promised which had a negative effect on the company. In light of the global financial crisis and the fall of the prices of aluminium on the global market, KAP was faced with difficulties. The workers' salaries were delayed by several weeks, and many were faced with layoffs. This put both the company's management and the government (at the time a minority shareholder) in a strenuous position, since they were faced with constant workers strikes. Yet, given the size of the company and the strength of its trade union, labour representatives were able to negotiate a social programme with the government (Hypo Group, 2009). The social programme, which included a total of 2,377 workers aimed at restructuring KAP foresaw the granting of dismissal wages to KAP's workers (31 million euros) and the assistance to their transition into other industries (10 million euros) through the Employment Agency. As a consequence of this investment on behalf of the government, and the poor management of the company by CEAC, the former became the co-owner of KAP in May 2010. In terms of the transitional drive to privatize the state assets, this may be considered as a negative development as it implies state's reacquisition of economic activities. Yet, in terms of the social policy adopted it may be a positive development as it facilitated the adverse effects of transition to market economy, which mostly affected low-skilled industry workers.

Social dialogue in Montenegro has significantly been enhanced by the inclusion of civil society representatives, other than the representation of labour and business interests. Although this participation is not formal in terms of policy-making, coalitions of NGOs have made significant progress in raising their voice when it comes to social welfare. For instance, the Institute of Social Inclusion and the Foundation Open Society Institute have been implementing a comprehensive programme of enabling Roma children to gain access to elementary and higher education. In 2008,

these institutions provided scholarships for 32 Roma students to attend high schools and for additional 9 students to attend university (Zeković & Delić, 2008). Additionally, in 2009, a coalition of NGOs initiated a court case against the Montenegrin Regulatory Agency for Energy (RAE). Should this ongoing litigation be a successful endeavour for the civil society, the RAE will be bound to return the excess charges for electricity to citizens. The case came as a result of several cycles of increase in the electricity prices in Montenegro.

Following the increase of electricity prices, another significant welfare policy was undertaken by the government in October 2007. As the restructuring of energy policies, and the overall increase of electricity prices in the Western Balkans, the government established the programme of subsidies for electricity. Monthly subsidies amounting to 30% of the estimated electricity charges were targeted to 75,284 low-income families (Programme, 2007, p. 1). The subsidies were paid quarterly with the recipient's basic income.

Consequently, the roles of other actors in society are gaining significance particular with the adoption of a new legislation that facilitates their participation in the tripartite dialogue. Even if that is not the case, as illustrated by the example of the coalition of NGOs who challenged RAE in court, parties which are genuinely interested in contributing to the development of social dialogue and social policy in Montenegro may be able to find alternative channels through which to act. That is, they may not have a say in the policy-making process per se, but through their endeavours they may be able to affect and possibly reverse the effects of the policy adopted. However, it is expected that a plurality of voices regarding social welfare policies will be heard in light of the EU integration process, which in itself fosters the representation of different types of interests in policy-making.

International actors and processes

Following a decade of isolation from international processes at the dawn of the Yugoslav disintegration, Montenegro currently aspires to a future within a wider European family of states. The laws and policies adopted on national level mirror the tendency of approximation to the EU. In addition, international actors, such as the World Bank (WB), and the International Labour Organisation (ILO)[174] have had a significant effect on the legislation and practice of welfare policies in Montenegro.

As a part of Montenegro's pre-accession agenda, parties included in the social dialogue have been included in the process of making of social policy through their participation in working groups and other activities of the Ministry of European Integration (until 2006 Secretariat of European Integration). ESC takes part in the work of the Section for international relations and Montenegro's accession to the EU (Upitnik,2010, p. 94). Internally, ESC contains a Section for European Integration, whereby issues related to the consolidation of Montenegrin social policy with international standards is debated.

Additionally, UPCG acts through participation in regional and international associations of the kind (UPCG, 2010). To that end, UPCG is member of Businesseurope (observer status since 2007), Union of European Associations of Small and Medium Enterprises (since 2007), and one of the founders of the Centre for Employers of the Adriatic Region (since 2008). Through participating in these organisations, UPCG seeks to advance its agenda in promoting the standards and norms enshrined in the Small Business Act (SBA) for Europe.

[174] The mechanisms of social dialogue in Montenegro have been established through the framework of international norms, including ILO's 1976 standards. Montenegro implements Convention No. 144 and Recommendation No. 152 on tripartite consultations; Recommendation No. 133 on negotiations, Convention No. 98 on trade union rights and collective negotiation; as well as Convention No. 87 on the protection of trade union rights (Upitnik, 2010, p. 94).

In terms of the effect of European integration on trade unions, it is worth mentioning that only the Association of Trade Unions in Montenegro is a member of an international trade union association. Thus, despite the tendency to ensure plurality of representation through participation in the social dialogue to the Association of Independent Trade Unions of Montenegro: the Reformed Wing, this has not fully been accomplished as this interest representation group is not included in the international social dialogue. By contrast, the Association of Trade Unions in Montenegro is a member of the Pan-European Regional Council (PERC), the International Trade Union Confederation (ITUC), and is in the accession process to the European Trade Union Confederation (ETUC). At the same time, the different branches of industry (e.g., agriculture and tourism, energy, administration and judiciary, etc.) represented through the Association of Trade Unions in Montenegro individually participate in the international association representing interests of the kind.

Yet, if the impact of the international factors on welfare provisions per se in Montenegro is to be assessed, the one of the World Bank has been very significant. Many of the activities of the World Bank in Montenegro were initiated while the country was still a member of the common state with Serbia (thus, before June 2006), which posed problems in itself as the two, then constituents of the state union, had different fiscal, monetary and welfare models. Consequently, many of the programmes developed and implemented in that period generated outputs slower than expected. After the independence of Montenegro, this institution adopted the World Bank Strategy in Montenegro 2007-2010, which entails a three tiered program of promoting three broad areas: 1) economic sustainability; 2) democracy and the rule of law; 3) social welfare – education, healthcare and social protection systems (WB, 2010). Within the third tier of its activities, the World Bank has actively been involved in the reform of the pension system, healthcare, education and social protection schemes by providing grants and loans for their reform.

In June 2004, the World Bank initiated the Pension System Administration Implementation Project in Montenegro, with an end date in September 2010 (WB, 2010). The project not only targets the overall goal of modernising the pension schememodel, but also contributes to the amelioration of the conditions of public administration and civil service, and thus to the second tier of the World Bank's goals in Montenegro – to strengthen the overall democracy and the rule of law. The reform of the pension system through the project of the World Bank was based on a unified collection model, and unified registration system. These mechanisms of reform encapsulated the general reform of the Pension and Disability Insurance Fund (PIO) and the procurement of an IT system for the Fund (WB, 2010). The overall target of this programme was met through the establishment of the multi-tiered pension insurance, as described in Chapter 2.

Simultaneously, in June 2004, the World Bank initiated the programme for Healthcare System Improvement in Montenegro. The initial value of the project, to be completed by the end of 2012, was 9.89 million euros, with the main aim of ameliorating the performance of the healthcare system. To that end, in the initial stages of the project, the system of patient registration has been reformed, along with the palliative care scheme. With the technical assistance to the Ministry of Health in optimizing and rationalizing the healthcare system the value of the project increased by an additional 7.9 million euros (WB, 2010). At the termination of the project it is expected that sustainability and accountability of the overall healthcare sys-

tem in Montenegro will be increased, thus minimizing the occurrence of corruption.

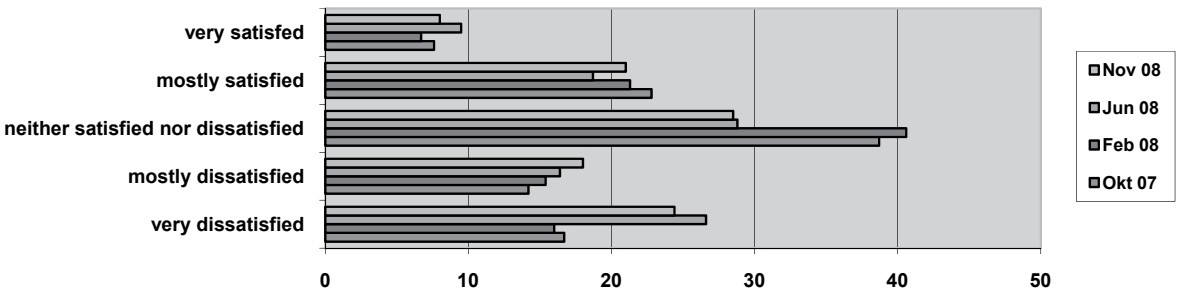
Similar outputs were encompassed in the Education Reform Project that has recently been completed (WB, 2010). Through the activities on this project the World Bank contributed to the decentralisation of primary and secondary schools, training of teachers, reconstruction and refurbishment of school premises. Although the primary effect of this project was not the reform of welfare policy for primary and secondary education (free of charge) it did have a broader impact. Particularly, refurbishment of the school premises[175] coupled with training of teachers broadened the access for students with special needs and minority groups to education.

Apart from these, major international actors in reforming welfare policies in Montenegro, organisations such as Save the Children UK, or UNICEF have also made a non-negligible impact. The current focus of Save the Children in Montenegro is to enable access to education for all children in Montenegro, regardless of their ethnic, religious, social background, and particular the inclusion of children with special needs in the education system (Save the Children, 2010). UNICEF, which has been active in Montenegro for many years, has implemented a number of projects dealing with key challenges for children in Montenegro, such as poverty, healthcare, education, juvenile justice and the access to welfare provisions by Roma children (UNICEF, 2010).

Social values and perceptions

In terms of social values, Montenegrin society lingers between traditionalism and modernity, somewhere within a belt of post-socialist legacies. As a consequence, citizens are aware of the poor socio-economic conditions that they live in. At the same time, they maintain that the integration in the European Union, regardless of when this may happen, will inevitably bring the prospect of a better life. This issue can be quantified in terms of the levels of trust towards state, parties, churches, family, and the business sector, all of which have been consistently measured by the Centre of Democracy and Human Rights (CEDEM) since 1998.[176] According to CEDEM (2007, 2008), in the period from the adoption of the Constitution of Montenegro in October 2007 until November 2008 there have been no radical shifts in the degrees of trust towards the Montenegrin government. Table 3 (below) represents a summary of CEDEM's findings.

Table 4. Confidence in the government 2007 - 2008[177]



[175] Accessibility has been facilitated to students requiring special facilities, although these are not yet optimised compared to the similar facilities in Western Europe.

[176] In 2008 and 2009 CEDEM's methodology has changed towards questions of NATO and EU accession. Thus, data taken from these studies are analysed separately.
CEDEM (November 2008)

[177] CEDEM (November 2008)

The overall implication that follows from Table 3 (above) is that the dissatisfaction with the government's work is higher than the satisfaction with it. In addition, since June 2008 the number of citizens who felt 'neither satisfied nor dissatisfied' with the government's agenda decreased significantly. That is, the attitudes of this share of the population were streamlined. In the same period (June – November 2008), there was a trend of dissatisfaction with the government. However, it is unlikely that this dissatisfaction was caused by the welfare policies, given that major political events, such as Montenegrin recognition of Kosovo's independence in October 2008, may have generated severe dissatisfaction with a share of the country's population.

A more recent study of CEDEM (October 2009), reveals the level of trust of the Montenegrin citizens towards a number of institutions. These are summarised in Table 4 (below).

Table 5. Citizens' trust in institutions in October 2009[178]

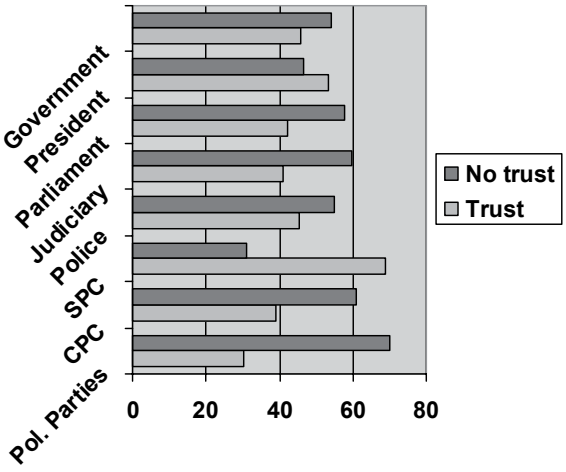


Table 4 (above) indicates that despite predominant dissatisfaction with the government's work, 45.9% of citizens who participated in the survey trusted the government. In addition, a similar percentage of citizens vested trust in the Parliament and the Government of Montenegro, as well as the police. The chart also reveals that a non-negligible portion of the population has no trust in these institutions (over 40% in each case). It shows the overall political polarisation in Montenegro and a clear dividing line between the long-time governing coalition ('trust') and the opposition ('no trust').

The level of 'no trust' is higher towards political parties (significantly) and the judiciary (slightly). In terms of the judiciary, the results of CEDEM are not surprising, given that in most of the transitional countries, the judiciary is in the process of reform and thus often proves unable to deal with the backlog of cases in a timely and efficient manner. By contrast, the results obtained in terms of the trust towards political parties appear slightly contradictory to the overall results of the survey. Statistically, the people who supported the government and who voted for it may not be equally supportive of the parties that formed that government. While this situation is not improbable due to the fact that citizens are sometimes disillusioned by the policies taken by the party they have voted for, this is unlikely to have been the case in Montenegro, where the association of the party/coalition with its overall policy is high (see Chapter 2; also: Morrison, 2009). It is, however, likely that the respondents associated the question with the trust in 'other' political parties – that is, parties that they did not support.

According to NDI (2007), the majority of the Montenegrin population believes that the reduction of unemployment should be a priority of the government in the following period. Still, there are no official statistics related to the citizens' views on poverty, inequality and unemployment. In its Strategy for the Reduction of Poverty of 2003, the government has acknowledged that 12.5% of the Montenegrin population lives below the poverty line.[179] The majority of these people, i.e. 45% of the poor, inhabit the north of Montenegro (Sadiković & Krcić, 2008), where

[178] CEDEM (June 2009)

[179] Income lower than 116.2 euros per person per month.

the unemployment rate is higher and the area is generally less developed. Although no official data on poverty in Montenegro has been published, it is estimated that no significant change of data has occurred since 2003 (SEE-BIZ 29/2/2009). In general, people in Montenegro perceive themselves as poorer compared to Western Europeans, but it could be said that they acknowledge that 'there is much poverty in the world' (Sadiković & Krcić, 2008).

Conclusions and recommendations

Overall, the national welfare system in Montenegro has been transformed in light of the changes in the political context in the country. Although there has been no major shift in terms of the changes of the political parties in power, since 1990, Montenegro was a part of three disintegrating states: SFRY, FRY, and Serbia and Montenegro. The political struggles that took place during these processes in themselves generated exceptional circumstances in which the reform of welfare policies took place. The bifurcation of the Montenegrin political scene left the political actors with unconsolidated orientation towards social policies. Consequently, social policy often did not follow the party's ideological orientation but the overall political goal.

The role of the other forces in the society in terms of shaping the national welfare policies was not as pronounced as the one of the political actors. However, with mounting pressures to reform and consolidate the social agenda in light of the EU integration process, coupled with the necessity to establish a multi-party dialogue in this respect, the voices of trade unions and interest representatives, as well as civil society organisations are becoming increasingly pronounced in terms of shaping the national welfare provisions.

The international factors have been a significant driving force behind the development of the Montenegrin welfare system in recent years. From the role of the EU integration in terms of the adoption of laws and policies targeting the most vulnerable societal groups to the activities of the World Bank in ensuring the funds for the ground reform of the pension and healthcare systems, the international actors have provided the much needed push towards a more sustainable social welfare model.

However, in a society that is as calibrated politically as the Montenegrin one, the social values and perceptions of citizens are highly related to their political choices. As a consequence, their stances towards issues such as poverty, inequality and unemployment reflect an overall dissatisfaction with the state of affairs in the country. Notwithstanding the dissatisfaction, the election results from the past two decades show that the majority of the population in Montenegro have supported the DPS-led coalitions. There are three prevalent reasons for this continuous support of the government in view of social welfare policies. First, as outlined in this paper, during the wartime years and at the time of the debate over statehood and identity in Montenegro, social issues were clouted by a blanket of issues of 'high politics'. Second, the system inherited from socialism has not been extensively modified, which offers the pauperised population generous social safety nets that they can resort to in times of need. Third, issues of social welfare become pronounced at the time of elections, but only to the extent of offering the Montenegrin population a prospect of a better life quality in the future.

All this said, Montenegro faces several challenges related to welfare provisions in light of the country's aspiration to integrate into the EU in the future. The current welfare model, which is still stained by socialist legacies, will need to be recalibrated in order to meet the demands of the increasingly globalising market forces and thus shift towards

welfare capitalism while retaining the most important pillars of social protection (e.g., maternity and child allowance, etc.). Some changes have already taken place in this respect, particularly in terms of reforming the pension and healthcare systems (multi-level contribution schemes). Still the overall logic behind the welfare policies is largely driven by political interests, and as such, does not fully meet the needs of socially the most vulnerable groups.

In order to eradicate the systemic problems generated by the previous social policy and the overall political circumstances, several recommendations should be taken into consideration, including:

- consolidation of social policies at the level of individual political actors and at the level of coalitions;
- higher participation of interest representation groups and civil society in formulating national welfare policies;
- efficient implementation of programmes financed and initiated by international actors;
- greater focus on behalf of the government on the Strategy for the Reduction of Poverty and the Strategy for Social and Child Protection.

Annex: Overview of major social policy reforms in Montenegro from 1992 to 2010

Election periods	Date of election	Election results (seats and turnout)	Parties forming the Government	Opposition parties	Main perceptions and attitudes towards socialissues and policies inthe political arena	Main welfare policies undertaken during that government period
1992-1996	20 December 1992	DPS: 46 (43.8%) NS: 14 (13.05%) LSCG: 13 (12.37%) SRS CG: 8 (7.76%) SDPR: 4 (4.52%) Turnout: 67.31%	DPS	NS LSCG SRS CG SDPR	Population was mobilised into a nationalist movement. Despite the poor socio-economic conditions, no major social reform was undertaken. In the early 1990s, as a republic in the FRY, Montenegro facedan international embargo, and political isolation. This generated a layer of shadow economy, and increased the gap between the advantaged and disadvantaged social groups.	• Laws adopted/amended: • *Amendments to the Law on Pension and Disability Insurance* • *Amendments to the curricula of elementary and schools, following the disintegration of Yugoslavia* • *Several (minor) amendments to the Law on Healthcare and Law on Healthcare insurance* OVERALL: generous welfare provisions from the socialist period were retained (on paper). However, in circumstances of an international embargo and inflation, the implementation of those policies was hampered. This is particularly true of pension benefits (which were severely delayed), benefits for the socially vulnerable, and healthcare (scarcity of medical equipment, low salaries – all of which lead to corruption).

1996-1998	03 November 1996	DPS:45 (51.24%) Coalition 'People's Unity'(LSCG and NS): 19 (25.57%) SDA: 3 (3.47%) DSCG: 2 (1.80%) DUA: 2 (1.31%) Turnout: 66.9%	DPS	People's Unity (LSCG and NS) SDA DSCG DUA	The social situation was a rather difficult one, as the years of war in Montenegro's surroundings pauperized the republic's population. The (then) united DPS sided with the federal authorities. The reforms undertaken mostly targeted the population that was affected by the conflict. Special provisions were made for war veterans, civilians who remained disabled during the wars, etc. In practice, welfare was well-prescribed, but due to the scarce resources, difficult to implement.	• Laws adopted/amended: • *Law on the bases of Pension and Disability Insurance (federal, FRY)* • *Law on the protection of civilians who remained disabled in wartime* OVERALL: the majority of the social welfare policies in Montenegro during this period mirrored the ones adopted at the FRY level.
1998-2001	31 May 1998	DUA: 1(1%) DSCG: 1 (1.5%) LSCG: 5 (6.3%) SNP: 29 (36.1%) Coalition 'For a Better Life' (DPS, SDP, NS): 42 (49.5%) Turnout: 76.04%	DPS SDP NS DUA* DSCG*	LSCG SNP	No major social policy reform took place during the electoral cycle. This period in Montenegro's recent political history was marked by the split in the ruling DPS, and the creation of the pro and anti Milošević camps. In addition, the population was diverted from the social issues, because of the Kosovo crisis, and the high number of people who sought refuge on the Montenegrin soil. Montenegro received 765 million Deutschmarks of financial aid from 1999-2001. It has been noted by several international observers that a share of this aid was used to cover social benefits.	• Laws adopted/amended: • *Amendments to the Family Law* • *Law on the rights of war veterans, people disabled in wartime, and their family members* • *Amendments to the Law on Child and Social Protection* OVERALL: As a result of the government's policy of creeping independence (detachment from the federal institutions), Montenegro largely enforced republican, instead of federal laws during this period.

2001-2002	22 April 2001	LSCG: 5 (7.91%) Coalition 'Victory is (equals) Montenegro (DPS, SDP): 36 (42.36%) Coalition 'Together for Yugoslavia' (SNP, SNS, NS): 33 (40.87%) DSCG: 1 (0.98%) DUA: 1 (1.16%) Turnout: 76,53%	DPS SDP LSCG DUA* DSCG*	SNP SNS NS	The political context was dominated by the question whether Montenegro should become independent or not. The conclusion of the Belgrade Agreement led to the fallout of the DPS-SDP-LSCG coalition, because the pro-independence LSCG opposed the continuation of the common state. Welfare issues did not feature prominently on the government's agenda. The population was pauperised, yet all major social problems were clouted by the unresolved status of Montenegro.	• Laws adopted/amended: • *Minor amendments to the Law on Child and Social Protection* OVERALL: No major social welfare policy was undertaken during this period. The coalition government was unstable, and it fell apart within less than a year of its formation.
2002-2006	20 October 2002	LSCG: 5 (5.75%) Democratic Coalition for European Montenegro (DPS, SDP): 38 (47.98%) Coalition 'Together for Change' (SNP, SNS, NS): 30 (38.43%) Democratic Coalition – Albanians Together (DUA, DSCG): 2 (2.4%) Turnout: 77.47%	DPS SDP DUA* DSCG*	SNP SNS NS LSCG	With the establishment of the twin-track in Serbia and Montenegro, the reform process in Montenegro was intensified. The implementation of reforms was facilitated by the fact that the State Union of Serbia and Montenegrorenewed its membership in the World Bank in 2001. WB membership of the State Union enabled Montenegro to access a number of grants. In addition, there was the need to rationalize the comprehensive social welfare system inherited from socialism, in order to decrease public expenditure.	• Laws adopted/amended, initiatives: • *Law on Employment* • *Labour Code* • *General Law on Education* • *Laws on preschool education, elementary education, secondary education, vocational training* • *Law on Healthcare Protection* • *Law on Ombudsman* • *Law on the Pension and Disability Protection* • *Law on Veteran and Disabled Protection* • *Law on Social and Child Protection* • *Agenda of Economic reforms for the period from 2003 to 2007 (Government of Montenegro)* • *IDA, IBRD, WB grants for:* • *reform of the educational system (2005)* • *reform of the pension system (2004)* • *reform of the healthcare system (2004)* OVERALL: this electoral cycle sparked a major reform of the social welfare system in Montenegro. Not only were several laws adopted, but also, the government secured a number of grants targeting the reform of education, healthcare, and social welfare

2006-2009	10 September 2006	Coalition for a European Montenegro (DPS, SDP, HGI): 41 (48.62%) DUA: 1 (1.09%) PzP: 11 (13.13%) Serb List (SNS, NSS, SSR, DSJ): 12 (14.68%) SNP - DSS-NS: 11 (14.07%) DSCG-PDP: 1 (1.29%) AA: 1 (0.78) BS –LPCG: 3 (3.76%) Turnout: 71.37%	DPS SDP HGI DUA	PzP SNS NSS SSR DSJ SNP DSS NS BS LSCG AA DSCG	Harmonisation of the existing legislation with the EU became a priority for the government. The major accomplishments are related to the reform of the pension system (three pillars). The opposition parties constantly emphasised the large gap between the rich and the poor, the lack of transparency in the privatisation process and the enrichment of political elites.	• Laws adopted/amended, initiatives: • *Labour Code* • *Law on voluntary pension funds* • *Law on contributions for compulsory social insurance* • *Law on contributions for social insurance* • *Amendments to the Law on Non-governmental organisations* • *Strategy for the development of Social and Child Protection 2008-2012* • *Establishment of the Economic and Social council* OVERALL: During this period, series of laws were adopted in order to implement the reforms of the welfare provisions initiated in the previous period.
2009 - onwards	29 March 2009	European Montenegro (DPS, SDP, HGI, BS): 48 (51.94%) SNP: 16 (16.83%) New Serb Democracy –Nova: 8 (9.22%) PzP: 5 (6.03%) DUA: 1 (1.46%) FORCA: 1 (1.91%) DSCG-AA: 1 (0.89%) Albanian Coalition – Perspective: 1 (0.81%) Turnout: 66.19%	DPS SDP HGI DUA BS	SNP Nova PzP FORCA DSCG-AA Albanian Coalition – Perspective	The global financial crisis severed the socio-economic situation in Montenegro. The criticism of the reforms undertaken was not heard only from the main opposition parties, but also from the civil society and the population of Montenegro. Due to the lack of transparency in the process of privatisation, and the failed privatisation and restructuring processes, the government was faced with bail-outs for a number of companies. The employees of these companies often engaged in protest.	• Laws adopted/amended: • *Labour Code amended 3 times* • *Law on the Healthcare of Patients* • *Law on the Representativity of Trade Unions* • *Law on Volunteer Work* • *Law on Protection at Workplace* OVERALL: series of laws adopted in the last electoral cycle show a progress in the delineation of the Montenegrin welfare system. The laws adopted purport a greater degree of involvement of non-state actors (trade unions) in the creation of policies. The laws also regulate a number of areas that were not covered by legislation in detail. Adoptions of these laws and amendments ofprevious ones have been generated by the need to harmonise the Montenegrin legislation with the EU Acquis.

*Ethnic Albanian parties : in the period of the statehood/identity debate they were generally supportive of the government. However, they were not always formally members of a ruling coalition. DUA is much closer to the government than other Albanian parties, such as DSCG and AA.

List of abbreviations

AA	Albanian Alternative
BS	Bosniak Party
CEAC	Central European Aluminium Company
CEDEM	Centre of Democracy and Human Rights
DPS	Democratic Party of Socialists
DSCG	Democratic Alliance in Montenegro
DUA	Democratic Union of Albanians
ESC	Economic and Social Council
ETUC	European Trade Union Confederation
FRY	Federal Republic of Yugoslavia
HGI	Croatian Civic Initiative
EC	European Commission
EU	European Union
ILO	International Labour Organisation
ITUC	International Trade Union Confederation
KAP	Aluminium Plant in Podgorica
LSCG	Liberal Alliance of Montenegro
NDI	National Democratic Institute
NS	People's Party
NSS	People's Socialist Party
PERC	Pan-European Regional Council
PzP	Movement for Change
PIO	Pension and Disability Insurance
RAE	Regulatory Agency for Energy
SDP	Social Democratic Party
SFRY	SocialistFederalRepublic of Yugoslavia
SNP	Socialist People's Party
SNS	Serbian People's Party
UNICEF	United Nations Children's Fund
UPCG	Montenegrin Union of Employers
WB	World Bank

List of references

A Balkan Imbroglio. (2010). *The Economist.* Vol. 395, No. 8681 (8/05/2010), p. 44.

Bieber, F. (2010).The Party System in Montenegro.In Stojarová, V. &Emerson, P. (eds). *Party Politics in the Western Balkans*, pp. 119-131. London: Palgrave.

BS.(2007). Program. Retrieved from http://www.bosnjackastranka.org/bs/17-program.html

Centre for Democracy and Human Rights –CEDEM. (2008). *Political Public Opinion in Montenegro in November 2008.* Podgorica: CEDEM.

CEDEM. (2009). *Political Public Opinion in Montenegro in October 2009.* Podgorica.

Centar za Demokratsku Tranziciju – CDT.(1998). *Official results: Parliamentary Elections, 31 May 1998.* Retrieved August 25, 2008, from http://www.cdtmn.org/dokumenti/zvanicni-rezultati-parlamentarni-izbori-998.pdf

CDT. (2001). *Official results: Parliamentary Elections, 22 April 2001.* Retrieved August 25, 2008, fromhttp://www.cdtmn.org/dokumenti/zvanicni-rezultati-parlamentarni-izbori-2001.pdf

CDT. (2002). *Official results: Parliamentary Elections, 20 October 2002.*Retrieved August 25, 2008, from http://www.cdtmn.org/dokumenti/zvanicni-rezultati-parlamentarni-izbori-2002.pdf

Centar za Gradjansko Obrazovanje – CGO. (2009). *Parlamentarni izbori 2009. – Prilog razvoju politickog pamcenja u Crnoj Gori*(Centar za Gradjansko Obrazovanje: Podgorica.

Constitution of Montenegro.(Official Gazette of Montenegro 1/07).

DPS Program.(2007).*DPS.*Retrieved from http://www.dpscg.org/5kongres/ProgramDPS.pdf

HGI.(2003), *Politički program stranke*.Retrieved from http://www.hgi.co.me/files/docs/Politicki%20program.pdf

Hypo Group. (2009). 'Vlada predstavila socijalni program za KAP vrijedan 41 milion eura'. *Hypo Alpe Adria Group.*Retrieved from http://www.hypo-broker.co.me/cms/index.php?url=/cms/view.php?id=1416&start=210

Komisija za hartije od vrijednosti – KHOV. (2010). Retrieved from http://www.scmn.me/index.php?sadrzaj=38

Kombinat Aluminijuma Podgorica – KAP. (2010). Retrieved from http://www.kap.me/index1.php?module=2&menu=20

Labour Code.(Official Gazette of Montenegro 49/08).

Law on Health Protection.(Official Gazette of the Republic of Montenegro 39/04).

Law on Healthcare Insurance.(Official Gazette of the Republic of Montenegro 39/04).

Law on Pension and Disability Insurance.(Official Gazette of the Republic of Montenegro 54/03, 39/04).

Law on Social and Child Protection.(Official Gazette of the Republic of Montenegro 78/05).

Law on Veteran and Disabled Protection.(Official Gazette of the Republic of Montenegro 69/03).

Law on Voluntary Pension Insurance. (Official Gazette of the Republic of Montenegro 78/06, 14/07).

Lukić, R. (2005). From Yugoslavia to Serbia and Montenegro. In Ramet, S.P. &Pavlaković, V. (eds). *Serbia since 1989*. pp 55-94. Seattle and London: University of Washington Press.

Montenegro.In *Integration Perspectives and Synergic Effects of European Transformation in the Countries Targeted by EU Enlargement and Neighbourhood Policies*.Budapest: CEU ENS, 2009.

Morrison, K. (2009). *Montenegro: A Modern History.* London: IB Taurus & Co.

NDI. (2007), *Ključni rezultati – prateća istraživanja*. Retrieved fromhttp://www.ndicrnagora.org/files/KeyfindingsJune07_CG.pdf

Nikač, M. (2005).*Report on the present state and future of social security in Serbia and Montenegro*. Belgrade: LPO.

Nova srpska demokratija - Program. (2009). Retrieved from http://www.nova.org.me/node/20

OSCE-ODIHR. (2009). *Final report: Parliamentary Elections in Montenegro, 29 March 2009*(OSCE-ODIHR: Warsaw, 10 June 2009).

Roberts, E. (2007). *Realm of the BlackMountain: A History of Montenegro.* Oxford: Blackwell.

Popović, M. (2002).*Montenegrin Alternative: Transition, Identity, State in Kosovo and Yugoslavia: Law in Crisis.* Podgorica: Vijesti.

PZP Program. (2006). Retrieved from http://www.promjene.org/pdf/3.%20program_pzp.pdf

Sadiković, S., &Krcić, E. (2008).Siromašnih je sve više.*Radio Slobodna Evropa* (17/11/2008). Retrieved from http://www.slobodnaevropa.org/content/article/1330727.html

Save the Children UK in Montenegro. (2010). Retrieved from http://www.savethechildren.org.uk/en/980.htm

SDP Program. (2009). *Socijaldemokratska partija Crne Gore*. Retrieved from http://www.sdp.co.me/upl/prilozi/program_sdp3680.pdf

Statut UPCG. (2007). *Unija Poslodavaca Crne Gore*.Retrieved from http://www.poslodavci.org/srp/files/Statut_11.05.2007.doc

The World Bank in Montenegro – WB. (2010). Retrieved from http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,contentMDK:21185989~pagePK:146736~piPK:146830~theSitePK:258599,00.html

Todorović, M. (2009).*Presentation of Montenegro Pension System.*Presented in Zagreb, 09 March 2009.

UNICEF Montenegro. (2010). Retrieved from http://www.unicef.org/montenegro/

Unija Poslodavaca Crne Gore – UPCG. (2010). Retrieved from http://www.poslodavci.org/

Vlada Crne Gore – Upitnik. (2010). *Upitnik informacija koju od Vlade Crne Gore zahtijeva Evropska komisija u cilju pripreme Mišljenja o zahtjevu Crne Gore za članstvo u Evropskoj uniji*.Retrieved from http://www.upitnik.gov.me/

Zavod za statistiku Crne Gore – Monstat. (2010). Retrieved from http://www.monstat.org/

Zavod za zapošljavanje Crne Gore – ZZZ. (2010). Retrieved from http://www.zzzcg.org/home/

Zeković, A., &Delić, S. (2008). *Prilozi socijalnoj inkluziji Roma u Crnoj Gori*. Podgorica: FOSI .

Social Security in Serbia – Twenty Years Later

Drenka Vuković,
Natalija Perišić

Introduction

The first period of transition (so-called „blocked transformation") was typical of the 1990s, while the events after 2000 (so-called „de-blocked transformation") are being regarded as the true beginning of transition.

The first wave of economic and social changes took place during the crisis on the territory of ex-Yugoslavia, resulting in the disintegration of SFRY and creation of independent countries. In Serbia, war, sanctions and economic crisis created a drop in the GDP, unprecedented inflation (in 1993), salaries reduction (5-10 DM per month), a rise unemployment, poverty and economic collapse.[180] In January 1994, the problem of hyper-inflation was solved, a slight increase in production was reported, but the situation did not significantly change even after the elimination of the so-called exterior wall of sanctions. NATO's bombing of Serbia, the destruction of industrial, infrastructural and civil facilities, the high number of victims and the military defeat accelerated the process of overall social changes.

The new „democratic Government" (2000) prepared a package of reform proposals, the goal of which was to „create a real market economy" and „a strong social policy" in order to help the „transition losers" to endure difficulties caused by the economic restructuring and to provide a minimum standard of living. Reforms were led by ideas and strategic aims of the Ministry of Social Affairs, but the liberally oriented Ministry of Finance had the final word. In time, the strong reformative enthusiasm lost its intensity, while „transition tiredness" appeared when it came to solving difficult issues and problems brought on by the negative effects of the reforms.

The period since the "democratic changes" of 2000 has been characterized by the reforms directed toward the creation of macro-economic base for a sustainable and stable economic development. By 2008, dynamic economic growth, stability of prices and exchange rate were achieved along with the constant growth of foreign reserves. In the situation of trade liberalization, socially-owned companies and the banking system have been privatized, and many changes have been introduced to the tax system and public finances. In mid-2008, a deceleration of economic growth was reported, but the real effects of the global crisis came to be seen in 2009. The latest forecasts and official projections have pointed to positive developments during 2010 and negligible economic growth.

The nature of social problems and the severity of the situation for the majority of the Serbian population influenced the character and aims of social reforms during the transition.

Pensions

Introduction to pension system

Inheritance and effects of the crisis. The Serbian pension system has been developing on the basis of a long tradition of social insurance development[181] and shaping of a unique

[180] Except for the period of bombing (1999), the economy was at its lowest level in 1993 and 1994 when it reached 30% of its level in 1989. During the period of an unprecedented hyperinflation, salaries were paid out on daily basis – in 1993, they amounted to about 14% of the level in 1989. Average monthly salaries dropped below 10 DM, which in January 1994, was 17 times lower than the consumer basket that statistically comprised of expenditures for food and drink for four-member families.

[181] On October 10, 1833 the Duke Milos Obrenovic signed a Decision on the first pensioner in Serbia, for Ilija Markovic in the amount of 100 Austrian talers. The first Decision on a survivor pension was made on February

social legislation (Vukovic, 2009, p. 73). The system organization and financing was under the auspice of the state and its bodies, with varying roles of local communities. The period of economic revival and development, reforms and plan priorities, contributed to the increase of the living standard and the solving of basic social problems.

The first effects of the economic crisis were seen in the 1980s. The following decade was characterized by conflicts between the nations, civil war and high numbers of refugees. Sanctions by the UN (from May 30, 1992) caused trade, financial, technological, cultural and other forms of embargo. During those years, Serbia was surviving on its monetary reserves, printing money and redistributions, while the hopes of a quick removal of the sanctions were fading. The economy was in crisis, which became more and more destructive during that time, unemployment rates increased and work on the grey market became a surviving strategy for the majority of the poor (Vukovic, 2005).

The crisis of the pension system in the 1990s. The negative effects of the political and economic crisis resulted in massive unemployment, poverty and irreparable damage of the socialist social system. In order to preserve the social peace, the state introduced obligatory vacations for many employees and tolerated avoidance of paying social contributions. Shortages in the Funds caused a social insurance system crisis and delays in payment of pensions and other benefit payments. Widely prescribed social rights could not be realized[182] and increasingly prominent social differences caused further impoverishment of pensioners.

Difficulties regarding the pension system financing in the 1990s were in connection with „unfavourable dependency ratio (2:1, i.e. 1:1 if redundant employees are not taken into account); extremely great proportion of disability pensioners (as a result of liberal solutions and system misuse); relatively low pension amounts apart from favourable regulations; high contributory rates (about 30%); avoidance of contributions payments; huge deficits in the FODI and lending from other financial institutions" (Vukovic, 1998, p. 111).

The problems in the functioning of the public system pointed to shortages in laws and their incompliance with the new conditions. In the 1990s it resulted in breaching the laws, decreasing pensions below the prescribed level, creating a huge debt toward pensioners, manipulating statistical data and inadequate calculating of pensions and their adjusting. Discontent of the pensioners and the state's inability to guarantee minimum security for the elderly were followed by increasingly louder critics of the system and calls for its reform.

Pension reforms. The first steps after 2000 were directed toward alleviating poverty and paying off delayed benefits. Donations were used for the purpose of compensating debts to pensioners, disabled, war veterans and child allowances' recipients. After that, current social benefits started being paid more regularly. Simultaneously, a new policy shaping process was in progress. It was coordinated by the Ministry of Social Affairs with the help of international organizations (IMF, WB) and Governments of donor countries.

Strategic aims of the pension system reforms were defined as "provision of stable and sufficiently high pensions for all; creation of a financially viable pension system; increase in local savings and acceleration of economic development; improvement of the equity of the pension system and extension of choices for the pension-insured persons (…) The pension reform of the public system should yield to the financial consolidation of the existing pension funds, primarily the fund of the employees, while the setting up of private pen-

[182] *The Law on Old-Age and Disability Insurance* (Official Gazette of RS no. 52/96).

sion insurance should ensure additional pensions and savings for more rapid economic growth, as well as a long-term viability of the pension system in the unfavourable demographic conditions" (PRSP, 2003, p. 124).

The most important changes in the pension insurance scheme were made between 2001 and 2003, by modifying a previous legislation and enacting a new *Law on Old-age and Disability Insurance*.[183] The parametric reforms of PAYG system comprised of raising the retirement age from 55 to 58 years for women and from 60 to 63 for men; introducing the so-called Swiss formula for pension indexation, meaning pensions are adjusted in line with the growth in wages and the cost of living; reducing contribution rates from 32% to 19,6%; calculating pensions based on salaries realised during the whole employment period; and strengthening the conditions for the effectuation of rights to a disability pension (Vukovic, 2009).

The objective of the changes in 2005,[184] initiated under the strong pressure of the IMF, was to reduce public consumption and establish an optimal level of macroeconomic stability. Critical tones in the discussions about the proposed changes and dissonances in the attitudes of Parliamentary parties resulted in the alleviation of radical requirements and the adoption of compromise solutions. The retirement age would be gradually raised by 2 years, by 2011.[185] The changes also affected the way of pension adjusting, by shifting from the Swiss formula to the indexation according to the cost of living only. The limitation was that the average pension cannot drop below 60% of average salary by the end of 2008 (Mijatovic, 2008).

Structure

The privatisation of pension funds and the possibility of implementation of the World Bank's concept of "three pillars" was one of the topics discussed, but not accepted, during the reforms. Parametric changes within the mandatory system (I pillar) and introduction of the III pillar (voluntary private insurance) was accepted, while the introduction of the II pillar was deferred due to high transition costs, underdeveloped financial market, deficits in the mandatory insurance funds, etc.

Mandatory insurance was based on PAYG principle. The FODI is an organization uniting the previously independent funds of pension insurance of employed, self-employed and farmers. The Fund still has three separate accounts, but its financial consolidation will be completed by 2011.

Voluntary pension insurance[186] has been underdeveloped. It has been realized via private pension funds. Since 2006, the NBS which supervises and performs important tasksfor the functioning of voluntary pension funds, has issued nine licences for the work of managing companies.

Population covered

Mandatory insurance covers insured employed persons, self-employed persons and farmers. *Insured employed persons* (article 11) are classified into 10 categories and they are the majority of the mandatory insured persons in Serbia.[187] *Insured self-employed persons* (article 12) and *insured farmers*(article 13) are specific categories precisely mentioned in the law.

[183] *The Law on Old-age and Disability Insurance* ("Official Gazette of RS" no. 34/03).
[184] *The Law on Changes and Amendments to the Law on Old-age and Disability Insurance* ("Official Gazette of RS" no. 85/05).
[185] In 2010, the right to old-age pension can be effectuated by an insured with 64 years and 6 months of life (men), i.e. 59 years and 6 months of life (women) and at least 17 years of service.
[186] *The Law on Voluntary Pension Funds and Pension Plans* („Official Gazette of RS" no. 85/05).
[187] They also include persons performing temporary or seasonal jobs through youth cooperatives and are at least 26 years old, provided that they are full-time students. This group of insured persons also includes persons earning salaries based on author and similar contracts.

Pension insurance covers the risks of old-age, disability, death and physical defects. The *rights* (article 18) are: „in case of old-age – right to old-age pension; in case of disability - right to disability pension; in case of death - right to survivor pension and funeral costs; in case of physical defect caused by work injury or professional disease – right to cash benefit for physical defect."

Currently, the *right to old-age pension* can be effectuated with 65 and 60 years of life for men and women respectively and at least 15 years of service, with a gradual age increase of six months from 2007 to 2011. *Disability pension* can be effectuated provided that complete loss of working capacity exists.[189] *Survivor pension* is allocated to family members after the death of an old-age or disability pensioner or an insured person with at least 5 years of service. If the cause of death is a work injury or a professional disease, disability and survivor pension can be effectuated regardless of the length of service.

Mandatory pension insurance does not cover all elderly and therefore a significant number of them (about 400,000) do not have a secure monthly income (Sataric, Rasevic, & Miloradovic, 2009). This highlights the need to guarantee a minimum income in old-age, by the introduction of the 0 pillar, i.e. social pensions.

Table 1 – Key indicators of pension system in Serbia (2008)

Persons aged 20-64	4,481 mil.
Persons aged 65 and 65+	1,481 mil.
Members of the Fund	2,767 mil.
- employed	2,205 mil.
- self-employed	329000
- farmers	233000
Number of pensioners	1,580 mil.
- old-age pensions	869000
- disability pensions	362000
- survivor pensions	350000
Average old-age pension (% average net salary)	
- employed	25283 RSD (60%)
- self-employed	24659 RSD (64%)
- farmers	8348 RSD (22%)

Source: Hirose (2009)

Old-age dependency ratio

The Serbian population is classified as an old population and demographic aging has been especially intensive during the last years.[188]

Along with the negative trends on the labour market, population aging determines the functioning of the pension system. In the last few decades, the proportion of number of insured persons and pension beneficiaries

[188] For a disability pension based on a disease or injury out of work, it is necessary to have at least 5 years of service. There are exceptions for insured persons younger than 30 – their eligibility is evaluated under more favourable conditions (1-3 years of service).

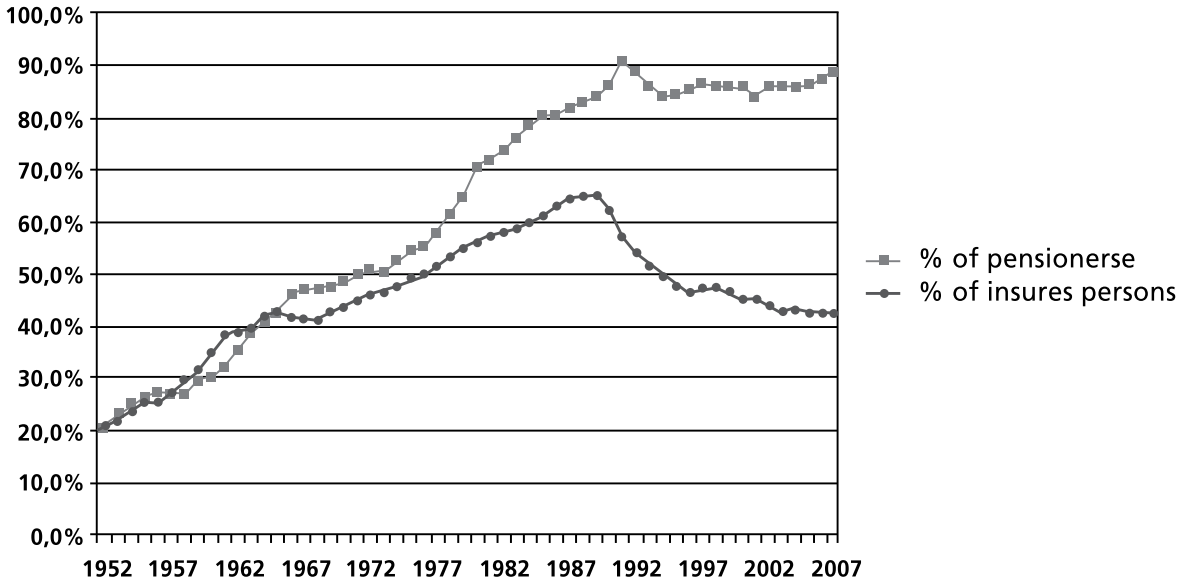
[189] "In 2002, a negative increase in the population was recorded in almost all municipalities; the average age was 47 years and 16% population (1240000) was over 65. It was for the first time in 2002 that a greater number of elderly (above 60) was recorded compared to the number of young (below 20). The share of elderly and young was 22,5% and 22,3 respectively. The share of the elderly that are 80 years and over was 1,9%, while within the group of people over 60 their proportion was 8,6%" (Radivojevic, 2009, p. 234). The overall aging of the population will continue in the XXI century and the number of elderly over 65 will increase by one-third by 2052 when the share of elderly will be 27% of the total population. In the same period, persons younger than 15 will present only 12% of total population.

is extremely unfavourable, it is 1,2:1.[190] Negative demographic tendencies influenced the change in proportion of working age population (15-64) and people over 65. Old-age dependency ratio dropped from 6,6 in 1981 to 4,1 in 2002. According to estimates, in 2032 and 2052 it will be 3,0 and 2,4 respectively (Penev, 2009). National demographic dependency rate in 1980 was 22,4; in 1990 – 28,4%; in 2000 – 35,3%; and in 2008 – 34,3% (Hirose, 2009).

Financing

The contribution rate based on mandatory pension insurance is 22%[191] and it is equally divided among employed and employers (11% each). Additional contributions are paid by employers for persons in employment with reduced years of service. Collecting funds is under the competence of tax administration which distributes them to pension funds and other funds for mandatory insurance. The funds paid by the contributors are not sufficient for pension payments, and therefore a significant part of the fund's deficit is covered by the budget.[192]

Figure - Coverage rotes of insured persons and pensioners (insurance for employed), 1952-2008



*** coverage rate of insured persons – proportion of insured persons in the population aged 20 to 59 years;**
**** - coverage rate of pensioners – proportion of pensioners in the population aged 60 and over**

Source: Hirose (2009).

[190] In 2008, there were 2,767,415 insured. 2,205,489 of them have been previously employed, 328,541 have been previously self-employed and 233,385 were previously farmers. In February 2010, there were 1,609,825 pension beneficiaries – 1,329,829 of them belong to the category of previously employed, 552,26 of previously self-employed and 224,770 were farmers (RFPIO, 2010).

[191] *The Law on Contributions for Mandatory Social Insurance* ("Official Gazette of RS" no. 84/04, 61/06, 5/09) defines the following rates: for old-age and disability insurance, health insurance and unemployment insurance – 22%, 12,3% and 1,5% respectively. This means that social contributions amount to 35.8% of salaries.

[192] The Financial Plan of the Fund for 2010 predicts the revenues in the amount of 471,552 billion RSD, out of which 246,57 billion RSD will be collected from contributions (contributions of employed – 226,64 billion RSD, contributions of self-employed – 17,8 billion RSD and contributions of farmers – 2,13 billion RSD). Total expenditures in 2010 will amount to 470,709 billion RSD, out of which 463,747 billion RSD will be used for paying pensions and other benefits from the mandatory social insurance (RFPIO, 2010).

Pensions are the biggest expenditure in the state budget and about one-third of budgetary expenditures accounts for pensions. *The Law on Budget* for 2010 predicts the transfer of 215 billion RSD into the Fund, which is 45,6% of the Fund's total revenues. In 2008, net expenditures for pensions participated with 11,9% of GDP. The World Bank has estimated that freezing pensions in 2009 and 2010 will slow down the growth rate of average nominal pensions and decrease total level of expenditures for pensions as a percentage of GDP from 12,7% in 2010 to 11,8% by 2015 and 10,7% in 2020 (WB, 2009).

Benefits

A calculation formula (point system) and an indexation determine actual values of pensions and their relation to salaries. Guaranteed level of benefits in old-age is defined by law. Minimum pension amounts to 25% of average salary in the previous year (for farmers it is 20%).

Table 2 – Hypothetical replacement rates per gender (2007, % of the last salary)[193]

	Years ofservice								
	15	20	30	35	36	37	38	39	40
Men	27.1	36.2	54.3	63.3	65.2	67.0	68.8	70.6	72.4
Women	31.2	41.6	62.4	72.4	72.4	72.4	72.4	72.4	72.4
Difference (for women)	4.1	5.4	8.1	9.0	7.2	5.4	3.6	1.8	0.0

Source: FREN (2008)

From October 2008 to December 2009,[194] the minimum monthly pension was 11,088.23 RSD which was 33.9% of the average net salary or 24.3% of the average gross salary in 2008. In March 2010, 57,286 pensioners received the guaranteed pension amount, of whom the majority, were disability pensioners. An increase in the minimum pension amount from 2006 was applicable to employed and self-employed persons, while the minimum pension for farmers remained the same, amounting to 8,384 RSD. Its level is a confirmation of inadequacy of solutions existing for the insurance of farmers, as more than 80% of them receive minimum pensions.

The maximum personal coefficient is 4 and therefore the maximum pension with 42.5 years of service in March 2010 was 102.766 RSD (above 300% of average net salary).[195] The maximum pension amount for those retired before 2003 is 72.321 RSD[196] (RFPIO, 2010).

Health care

Introduction to health care

Health care at the beginning of the 1990s – heritage of socialism. At the very beginning of the 1990s, the Serbian health care system was already in deep crisis. The health crisis had its long-lasting evolution in SFRY and it was manifested first of all through noncompliance to regulations. The inability to fulfil the rights

[193] The calculation formula provides for a 15% increment of insurance coverage for women (up to 40 years of coverage). Thus, the formula is beneficial for women because it neutralises "previously existing differences in their salaries and insurance coverage and actually encourages them to remain in the labour market [...] The greatest stimulus is for women retiring with 35 years of coverage" (FREN, 2008, p. 72).

[194] The Government of Serbia has frozen pensions and salaries for public employees for 2009 and 2010 according to the agreement with the IMF.

[195] This pension amount has been received by 62 pensioners in Serbia.

[196] This pension amount has been received by 1926 pensioners in March 2010.

guaranteed by the Constitution and laws, as well as inequality and lack of uniformity in terms of development and quality of health services, resulted in aggravation of the population's health status and undermining positive effects of the socialist period (principles of universalism and availability, widespread public health services, etc.). Also, low salaries of the employed within the sector, in combination with corruption and under-the-table payments, should have been an additional and clear signal for urgent reforms. They, however, did not happen until the late 1990s, and the provisional system was in place: measures taken were *ad hoc* and randomized, but they remained unchanged for so long that they became part of systematic solutions.

*The crisis in health care of the 1990s.*The overall crisis in the society caused literally a collapse of the health sector. Waiving the reforms additionally aggravated the situation. The reason for that, along with constant deficits, was largely because of the populist attitude during the whole of 1990s, buying social peace and the fact that various influential interest groups were in favour of the *status quo.*

An increased health costs and a lack of sufficient sources in the health care funds required personal engagement of insured persons in bearing the costs of treatment and medicines. Therefore, the already weakened purchasing power of the population became additionally jeopardized by (both legal and illegal) health care costs.

"The whole network of health care institutions was substantially ruined during the period from 1991-2000" (EC, 2008, p. 137). The state health institutions did not provide even basic hygienic conditions, and there were no prerequisites for medical check-ups and hospital treatments. At one time, almost a complete interruption in the supply of medicines and medical materials occurred and obsolete technology disabled numerous medical procedures and surgeries. The situation became better to a certain extent thanks to engagement of humanitarian organizations in providing medicines, materials and hygienic agents, but not in the long run.

Contrary to that, private health practice enabled significantly better conditions, by part-time engaging (low-paid) doctors employed with the state sector. However, since the private sector existed in the "shadow" of the state one, i.e. simultaneously with it and since there was no integration between state and private health institutions, those services had to be paid in full.

Therefore, the population paid contributions for a mandatory health insurance, but could not fulfil their statutory rights. However, they had to pay legally for the services in the private sector and unofficially (under-the-table) in the state sector, too. This problem especially affected the most vulnerable groups: children, elderly, disabled, refugees and after 1999, IDPs. Specific problems of mandatory health insurance financing were that many companies did not pay contributions for years and that the rights were *de facto* defined very widely, requiring thus huge funds.

Health care reforms. For a long time, explicitly formulated health policy did not exist. "Development of the health care system was elemental and mainly above actual economic possibilities, within an over-dimensioned and inefficient infrastructure, neglected primary and overburdened secondary and tertiary care, irrational usage of capacities, hyperproduction of personnel and other problems" (Vukovic, 2009, p. 134).

Hyper-reformism which characterized the period of social and economic changes in the pre-transition period of the Yugoslav country, to a certain extent, also referred to efforts for solving problems in health care.

The milestone in the reforms was the definition of *Health Policy* and the *Vision of*

Health Care Development (2002) and adoption of the *Strategy of Action Plan for Reforms by 2015.* After that, the laws[197] were changed and health reforms became part of many multi-sector strategies.[198]

Structure

*Structure and infrastructure.*The health sector is structured through a network of state health institutions, which are at the same time, the dominant provider of health services and private services, the activities of which are in stable expansion.

The state health institutions are organized on primary, secondary and tertiary levels.

Primary health care facilities (health centres,[199] pharmacies, bureaus) – health centres experienced the biggest quantitative change: from 58 in 1997, their number grew to 116 in 2008. This increment, however, is a result of the process of health system decentralization and acquiring independence in relation to the institutions of higher rank of protection. The most drastic changes compared to the period before 2000 were in dental services. The public sector now covers only children's and preventive dental care.

Secondary health care facilities (general and special hospitals) offer hospital care, based on primary health care doctors' referrals. General hospitals comprise of several specialist services. Contrary to general hospitals, special hospitals offer care for special groups of population or special types of diseases. In 2008, there were 128 secondary health care facilities in Serbia. All together they provided 40,908 beds (5,6 beds to 1000 inhabitants), the average occupancy rate of which was 74,73%. Hospital days amounted to 11,158,840 and an average length of treatment was 9,19 days (Institute of Public Health, 2009). Compared to 1998, when there were 48,302 beds available, in 2008 their number was reduced.[200]

Tertiary health care facilities (clinical centres, clinics and institutes)[201] offer highly specialized specialist-consultative health services, stationary and dental care; they deal with university education and scientific-research activities. The majority of tertiary health care institutions were created by the transformation of general or special hospitals into clinics and institutes and in Serbia "it is considered that these institutions provide the best possible care in the country" (EC, 2008, p. 141).

---

[197] *The Law on Medicines and Medical Agents* (2004), *the Law on Health Care, the Law on Health Insurance* and *the Law on Chambers of Health Employees* (2005).

[198] *Poverty Reduction Strategy Paper* (2003), *Strategy for Elderly* (2005), *Strategy for Young* (2008), *Strategy for the Prevention and Protection of Children from Misuse* (2008), *Sustainable Development Strategy* (2008). *For the development of health system, the following strategies are of special importance: National Strategy for Fighting HIV/AIDS* (2005), *Strategy of Development of Health in Young* (2006), *Strategy for Mental Health Development* (2007), *Strategy for Tobacco Control* (2007), *Strategy of Continuous Improvement of Health Protection Quality and Patient Safety* (2009), *Strategy for Fighting Narcotics 2009-2013* (2009) and *Strategy of Public Health* as well as a series of national programs.

[199] Health centres offer preventive health services, general practitioners' services, urgent care, health protection of children and women, laboratory and diagnostic services, dentists' services, services of occupational medicine.

[200] In 2007, there were 39,880 beds available or 538,1 to 100,000 inhabitants. A decade earlier (in 1997) there were more beds in stationary health institutions (47 833) and this number was reduced by 17%. Compared to the situation in other European countries, Serbia had more beds than Albania (296,9) and Montenegro (414,3), but less, compared to the Czech Republic (838,0), Hungary (791,7), Romania (654,3), Bulgaria (622,1) (Vukovic, 2009). Hospitalization rate has been constantly increasing during the last decades, except for 1999 during the bombing. Demographic changes and increasingly aging population are an important factor of increased hospitalization rate of elderly. From 1997 to 2007, the average hospitalization was reduced from 13,3 to 10 days. Apart from that, Serbia still belongs to countries with long stays in hospitals (IJZ, 2008).

[201] There are 4 clinical centres, 6 clinics and 16 institutes in Serbia (Institute of Public Health, 2009).

Table 3 – State health institutions

Type of institution	Number of state health institutions	
	1997	2007
Health centres	58	116
General hospitals	1	16
Hospitals	31	22
Special hospital	14	37
Bureaus	47	22
Institutes/Bureaus for public health	23	23
Clinics	11	6
Institutes	14	16
Clinical-hospital centres	5	4
Clinical centres	2	4
Pharmacies/Pharmaceutical institutions	22	35
Total	228	301

Source: Institute of Public Health (2008).

The organization of state health institutions and its functioning presents an inherited problem, from the point of unclear division of care levels which still has not been adequately solved even 20 years after the transition beginning.

Private sector. The number of private health institutions is estimated at 5000 (RZZO, 2010).[202] Having in mind the problems in functioning of the state health institutions and its subsequent impact on patients' health, insurance companies in Serbia have offered various programs for private health insurance.

Management. The health system is based on obligatory principles, but there is also the possibility of introducing voluntary private insurance. The mandatory public system is managed by the RFHCI. Since 1992, only one Fund has been established in Serbia, with 29 regional branches and 1 Provincial Fund.

Population covered

Coverage. In 2009, mandatory health insurance covered 6,786,333 persons.[203] 43,60% of those were insured based on employment and 27,14% were insured, based on retirement. Health insurance funds for 1,210,157 people or 17.83% of the population (i.e. for unemployed, refugees, IDPs) are borne by the state (RZZO, 2010). Therefore, mandatory insurance covers about 93% of the population in Serbia.

Eligibility criteria. Health insurance and health protection includes the rights of employed and members of their families based on mandatory social insurance, which includes health insurance, the right to health protection, rights of children, pregnant women and elderly to protection of their health from public revenues, in case they cannot effectuate the right on any other basis. Therefore (at least in theory) there has been a continuation in the last two decades.

[202] Amendments to the *Law on Health Care* in 1986 introduced the possibility of establishing private dentist's offices and the amendments in 1989, the possibility of private physician's offices. The *Law on Health Care* of 1990 contained a special chapter on performing health services by the so-called personal work. It also detailed types of private institutions that could be established, conditions for their work, founders, as well as rights and obligations of employed. Further law of 1992 extended a scope of private health institutions.

[203] Evaluated number of the population in Serbia in 2008 was 7350022 (IJZ, 2009).

Health status of the population

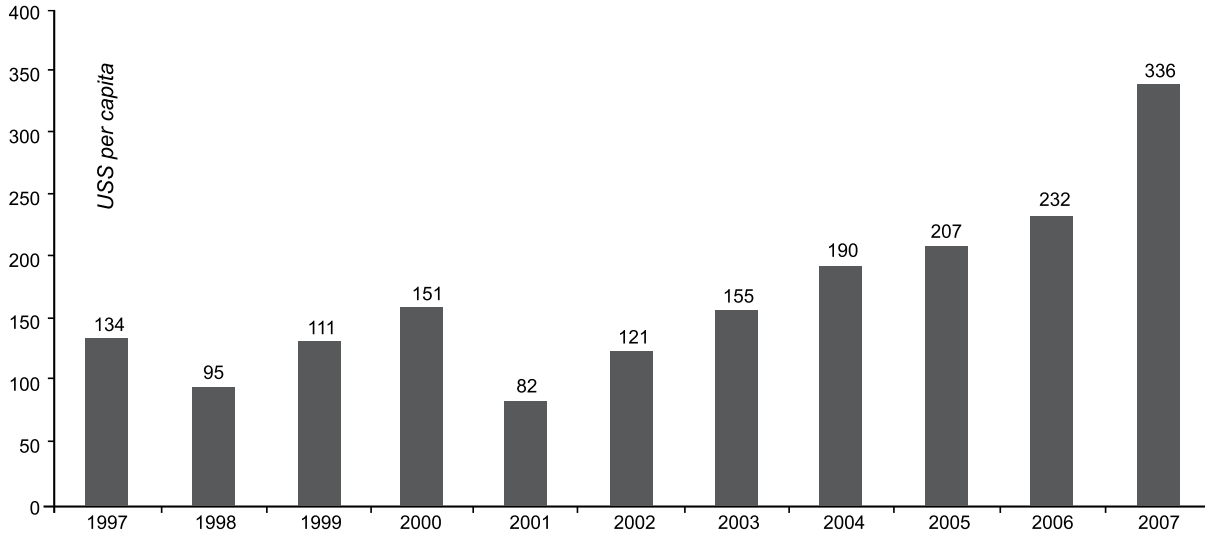
*Life expectancy rates.*The negative effects of the crisis (political, economic and social) in the 1990s and demographic changes have reflected to the population's health status and life expectancy rates. Life expectancy rates in the period 1997-2008 show a slight increase, generally and for both genders. In 1997, it was 69,6 years for men and 74,6 years for women. In 2008, it was 71,06 years for men and 76,23 years for women.

*Mortality rates.*From 1997 to 2007, mortality rates increased. Number of dead persons in 1997 and 2007 was 98,068 and 102,805 respectively. Therefore, the mortality rate per 1000 inhabitants raised from 12,9 in 1997 to 13,9 in 2007 (IJZ, 2008).

Financing

In the period from 1997 to 2001, there were significant oscillations in expenditures for health care, especially when talking about nominal amounts expressed in US$. This trend was influenced by a monetary instability.[204] After 2001, expenditures for health care by the RFHCI have shown a constant, stable growth (Figure 2).

Figure 2 –Expenditures for health care by the RFHCI , per capita in US$, 1997-2007



Source: Institute of Public Health (2008)

Funds for the functioning of the health care system are provided by employers and employees' contributions (at the rate of 12.3%), but also from budgetary and other sources (co-payments by patients).

Functioning of the RFHCI during the 1990s faced numerous financial problems, resulting from extremely low rates of actual paid contributions and a fall in national currency value. At the same time, collected funds were frequently politically misused.[205] During recent years, collecting funds for health care has become stable which resulted in decreasing of state interventions in terms of donating

[204] Huge differences between official exchange rates and actual, market ones.

[205] Funds collected on behalf of contributions for health insurance were spent for things other than health care (for example for financing of political campaigns, for paying pensions, etc.). "RFHCI was always politically extremely important due to its high budget and turnover. The astonishing facts that the audit of health insurance fund has not been done for more than 10 years during nineties, or that 10 out of 12 HIF Directors were at one point put in prison speak for themselves!" (Arandarenko & Golicin, 2006, p. 270).

necessary insufficient sources. Expenditures for health care *per capita* increased from EUR 91.9 in 2001 to EUR 254.5 in 2008 (EC, 2008).[206] This trend was interrupted in 2009, when 15% cuts in health care expenditures were announced as a consequence of decreased payments to the RFHCI, because of the economic crisis. The World Bank considered the consolidation and managing of the RFHCI as one of the achievements of health care reforms in Serbia.

Employees' salaries in the health sector, costs for maintenanceof state health care institutions and health protection costs are financed from the RFHCI's funds. Along with providing funds for mandatory health insurance for persons without an income, the state finances the construction of new state owned health care institutions as well as adaptation and reconstruction of existing ones, and costs for their equipping. Health care programs for the population particularly exposed to the risk of disease, are also financed from this source.

There are no official statistical data about expenditures for the private health sector. Indirectly, they could be evaluated through a data on household consumption, surveys, estimated turnover and reported revenues of private health institutions. According to some estimates, in 2007, they amounted to EUR 220 - 260 *per capita* (EC, 2008).

Cost-containment measures

Co-payments by patients are of low amounts. They existed during the 1990s and they still exist today and it seems that they do not significantly burden household budgets. There are exemptions for paying co-payments (elderly over 65, disabled, pregnant women, and children) and this group was additionally extended in 2009 with the addition of the unemployed and material assistance recipients.

A significant drop in quality in the health care services, based on insurance and reorientation of the population toward private practice in the 1990s required additional expenditures. It resulted in further impoverishment of the population and simultaneous increase in actual expenditures for health care. The "normalization" of the situation in the health sector that began in the early 2000s did not completely end this trend. The population is still pushed toward the private health sector, because there are long waiting lists in the state sector and some procedures simply cannot be performed.

Finally, the rather unclear situation regarding paying for healthcare,[207] along with incomplete reforms with their negative consequences resulted in still present corruption and under-the-table payments.

Benefits

Until 1992, the rights to health protection and health insurance were regulated by a law which was formulated during the socialist period. The *Law on Health Insurance* of 1992 provided the right to health protection, benefit during temporary inability to work, compensation of travel costs incurred in connection with health protection and compensation of funeral costs. By enacting a new law in 2005, the right to compensation of funeral costs was deleted, while the aforementioned rights still exist, without any new ones. An innovation is the conditionality of effectuation of these rights by previous years of service, which is motivated by increasingly present attitude of decision makers to harmonize the contents and scope of the rights with the

[206] According to data for 1996, health care expenditures *per capita* amounted to US$ 126 or US$ 414 per active insured person (Vukovic, 1999).

[207] There are the so-called non-standard procedures (and it is not completely clear which procedures are non-standard) for which patients have to pay. There are long waiting lists also.

available funds. The IMF and the World Bank have pointed to the need to further rationalize the services package and that this area of reforms has been neglected.

The contents of the right to health protection have not been significantly changed. The right to benefit during a temporary inability to work was stricter than before, with the Law of 1992, and an innovation is the shortening of the period of its paying by employers, compared to the solution valid before 2005. The effectuation of the right to compensation for travel costs has been changed regarding the distance to health care facilities (the previous 30 km distance was changed with a stricter formulation of 50 km).

Unemployment protection

Introduction to unemployment protection

Effects of the crisis. The sanctions and the crisis of the 1990s were characterized by extremely negative tendencies on the labour market: low levels of labour engagement, high unemployment rates (long-term unemployment, structurally unfavourable), hidden unemployment (redundant employees), weak labour mobility, high ratio of informal market (grey market), low salaries, high ratio of young and women in the total number of unemployed, increase in the number of cash benefits beneficiaries, etc. Therefore, the position of the (un)employed aggravated and poverty became widespread (Vukovic, 2009).

Employment trends were under a strong impact of decreased economic activity and an exterior wall of sanctions, which caused a production drop, insufficient usage of capacities due to the lack of operating assets, illiquidity of companies, inadequacy of production structure, limited exports and imports, disproportion in ownership structure, redundant employees, market shrinkage, and high inflation. The number of employed was constantly decreasing (except in the private sector) even though there were strict legal requirements regarding laying-off employees as well as favourable solutions for effectuating insurance based rights.

From 1991 to 2001, the total number of employed was almost halved, while the state sector recorded the drop from 2,295,000 to 1,555,000 employees (32,3%).[208] Increase in the number of employed in the private sector could not compensate the reduction in the state sector.

Labor market policy. Employment policy was neglected in overall reforms. Frequent elections and political division of Ministries based on political parties required changes in the organizational structure of the state administration and bodies competent for defining and implementing labour market measures.

The first step toward establishing a new way of regulating labour market relations was enacting the *Labor Law* (2001)[209] which has enabled more flexible functioning of the labour market and a new *Law on Employment and Unemployment Insurance* (2003).[210] The new solutions reduced the powers of key labour market actors and employment policy bearers, giving greater rights to employers while limiting the labour force rights. The *NES*[211] was established and since 2003 part of its activities in the area of employment has been within the competence of *private agencies*.

The National Employment Strategy 2005-2010 defines the labour market policy, with specific aims and guidelines based on the EES. The NAP (2006-2008, 2009) provides for programs for increasing employment with an

[208] Regarding economic activities, the most dramatic changes were in industry and mining. More than 110,000 workers were leaving the retail trade sector per year and about 87,000 others, the construction sector.
[209] *The Labour Law* ("Official Gazette of RS" no. 70/01, 73/01).
[210] *The Law on Employment and Unemployment Insurance* ("Official Gazette of RS" no. 34/03).
[211] Previously known as the Bureau for Labour Market.

accent on active measures. Developing *social dialogue and tri-partition* has been directed toward solving the unemployment problem and creating socially acceptable measures for redundant employees.

"The problem of high unemployment, transferred from the transition period, additionally escalated during the last 5 years because of the property transformation and the process of restructuring companies. The inherited number of unemployed was accompanied by an army of workers whose firms became bankrupt or ill-liquid, as well as workers declared as technologically redundant in companies which have been restructured and transformed" (LSMS, 2008, p. 120).

The transition period has been connected to the privatization of the economy. From 2001 to 2007, 1,632 companies were sold. The plan is to privatize 17 public companies of strategic importance which employ 108,845 employees. It was planned to complete the privatization of public companies performing activities of public interest by 2010.

Coverage

The Law on Employment and Unemployment Insurance of 2009[212] defines an unemployed person as "an able-to-work person between the age of 15 and the legal retirement age of 65, who is not employed and does not effectuate the right to work in any other way, registered in the records of unemployed and actively seeking a job." A *person seeking a job* is defined as "unemployed, employed looking for a new job or another person seeking a job" (article 3).

Mandatory insured persons are employed persons receiving salary i.e. compensation for salary pursuant to laws; persons performing temporary and seasonal jobs, except for those that cannot have a status of unemployed; elected or appointed persons receiving salary, i.e.compensation for salary for their work, except for those that cannot have a status of unemployed; physical entities performing independent economic or other activity as their basic profession pursuant to laws; founders, and co-founders of companies (article 105).

Unemployment insurance does not cover persons working in the sector of grey economy.

Financing

Funds for effectuating the rights based on unemployment insurance are covered by contributions paid by employees and employers. The contribution rate is 1,5%[213] which is not sufficient (during the crisis) to pay benefits and develop adequate labour market programs. Expenditures for unemployment insurance based benefits have approximately amounted to 0.7% GDP on average (NSZ, 2010).

Funds for financing active measures taken by the NES are provided by the state budget, territorial autonomies and local communities. Research shows that in the structure of expenditures of the employment service, expenditures for passive measures are prevailing rather than the proclaimed active policy.[214]

Benefits

Based on mandatory insurance, unemployed persons have the following rights (article 64): cash benefit; health and old-age and disability insurance; other rights according to the laws. *The right to cash benefit* can be effectuated

[212] *The Law on Employment and Unemployment Insurance* ("Official Gazette of RS" no. 36/09).

[213] *The Law on Contributions for Mandatory Unemployment Insurance* ("Official Gazette of RS" no. 84/04, 51/05 and 62/06).

[214] In 2000, 60% of the total funds were directed to paying insurance based benefits; in 2004 – 96%; in 2006 – 90%; in 2007 – 89,2%. Funds for active measures accounted for 40% of program consumption of the NES in 2000 and only 3,5 in 2004 while 10% in 2007. Similar tendencies came to be seen in the following years, due to a constant increase in the number of redundant employees and a decrease in insurance-based revenues, because of an employment drop (NSZ, 2010).

by persons "insured for at least 12 months, without any interruption or with interruptions during the last 18 months. Continuous insurance is considered to exist also in cases of interruptions shorter than 30 days."

Payment duration varies from 3 to 12 months. Cash benefit belongs to an insured person from the first day of the insurance cessation, provided that they register and apply with the employment service within 30 days from the date of work or insurance cessation. Exceptionally, cash benefit can be paid for up to 24 months, provided that the unemployed person has only two years before the first condition for effectuating the right to pension.

Since 2000, the number of recipients of insurance based benefits has almost doubled, regardless of the legal changes making effectuation of the rights stricter. These stricter conditions apply to the minimum of years of service and maximum payment duration: there are changes in the calculation method (average salary or benefit paid to an unemployed person during the last 6 months preceding the insurance cessation) and the amount paid (60% for the first three months, i.e. 50% for the remaining period). In recent years, cash benefits have been paid with a six-month delay, and the majority of recipients have been older employees.

Table 4 – Unemployed persons and cash benefit recipients (2000-2009)

Year	Unemployed persons*		Seeking a job for the first time		Cash benefit recipients
	Total	Women	Total	Women	
2000	721,799	410,531	448,969	261,748	47,393
2001	768,595	431,618	475,088	284,021	51,149
2002	842,652	465,899	592,729	303,022	69,346
2003	947,692	515,178	535,541	312,039	90,995
2004	843,692	460,887	456,003	263,008	76,584
2005	888,386	480,492	467,421	269,820	75,059
2006	913,293	493,599	467,421	269,820	75,059
2007	850,004	457,762	418,397	244,709	71,334
2008	755,935	408,767	360,030	212,525	72.719
2009	746,605	397,230	280,858	168,619	85,695 (34,480)

* Since July 2004, only persons actively seeking jobs are presented

Source: NSZ (2010).

Active labour market policies

Active employment policy comprises of a system of plans, programs and measures directed to employment increase and unemployment decrease. The basic instruments of active policy planning are the NAPs, establishing employment programs and measures for the subsequent year and three-year framework employment plans.

The Law on Employment and Unemployment Insurance provides for the following active policy measures: mediation in employing of persons seeking jobs; professional orientation and counselling on career planning; subventions for employment; support to self-employment; additional education and training; incentives for cash benefit recipients; public works; and other measures (article 43).

Active labour market measures in Serbia are modest, primarily due to fiscal constraints. An analysis of employment policy and the impact of active measures (Arandarenko, Krstic, 2008) showed that from 2002-2007 "an im-

portant dynamism was generated" in creating new programs and that certain measures were realized with international support. At the same time, an important dynamism was generated in introducing new types of active employment measures, mainly in terms of pilot-projects, based on foreign advice.

Costs of active measures have been very low (0,1% GDP) so that these limited funds, even in case of their optimal effectiveness and maximum impact could not essentially change total outcomes on the labour market.[215]

Measures against undeclared work

Work in the informal market, for the purpose of providing basic means for life, was the main survival strategy of the majority of the poor in the 1990s and also later in the period of radical reforms. This was tolerated by the state, apart from the losses as a consequence of avoiding paying contributions and taxes.[216] According to the data of LSMS for 2002-2007, informal employment increased. In 2002, 28% of total employment belonged to the informal sector, contrary to 35% in 2007. The share of those who worked both in formal and informal sectors increased from 11% in 2002 to 20% in 2007. When persons who worked based on oral agreements with employers or without a contract are added, the percentage of informally employed was 37% (Arandarenko & Krstic, 2008).

One of the possible causes for high engagement in the grey market was the taxation system regression from 2001 to 2007.High taxes on low salaries influenced decreased motivation of employed persons to enter the formal economy and pay contributions. High taxes and contributions significantly reduced net amounts of salaries. As a result, many opted not to be registered as employed, but to work in the grey economy and to thus get higher salaries. Employers also have motives for avoiding paying taxes and contributions for all employees.

A great number of registered unemployed persons worked in the informal sector and had thus the right to health protection. This actually presented a hidden subvention for companies which were dealing informally. The latest legal changes have contributed to the elimination of some privileges for persons registered as unemployed. Further reforms of the tax system should result in a reduction of the tax burden on low salaries and the promotion of greater inclusion of employed individuals into the formal economy.

Negative effects of the global economic crisis have resulted in a decreased supply of jobs in the informal economy. According to the data of LFS, 658,000 of those employed in 2008 were engaged also in the informal economy (23.3%). The informal sector in Serbia is still the most flexible part of the labour market, adapting itself quicker to the crisis. It recorded a significant decrease in employment as early as October 2008. Six months after that, the employment decrease rate was -9.4%. In the formal sector, employment decreased in April 2009 at the rate of -4.7% (Matkovic, Mijatovic, & Petrovic, 2010).

Impact of the global financial crisis to the labour market

At the end of 2008,[217] the first effects of the crisis were seen, thus in the first quarter of 2009 the following occurred: there was a reduced

[215] Expenditures for active measures amounted to 0,03% GDP in 2004; 0,06 in 2005; 0,08% in 2006; 0,11% in 2007 (Arandarenko & Krstic, 2008).

[216] It was estimated that in 2002 almost one third of labour market participants was engaged on the grey market, while 10,8% those who worked in regular economy was also engaged on informal market (Vukovic, 2009).

[217] Starting estimates of the impact of the world financial crisis on the situation in Serbia ranged from the optimistic ones to warnings of the need to prepare state intervention programmes. In the middle of 2008, the Minister of Economy and Regional Development, Mr Mladjan Dinkic, envisaged accelerated economic growth, more foreign investments and an increase in employment.

inflow of foreign capital; a drop in the domestic and global demand for Serbian products; privatisation stoppage; termination of concession contracts; more prominent illiquidity of companies; and increased unemployment.

The Government started the negotiations with the IMF at the beginning of March 2009. Based on the agreements reached, a proposal of measures for overcoming the crisis was made, relying mostly on decreasing public expenditures for pensions and solving the problem of redundant public employees. In the meantime, the first steps toward the reforms of the pension system were made as well as enacting regulations based on which redundant public employees at local and Republic levels would be laid off.[218]

"It is now widely recognized that the crisis has not avoided Serbia, but that it presents an acute threat to the achievements in the spheres of human development, stability and economic progress, realized during this decade. Long-term threat is that the crisis strictly ended with a whole cycle of economic growth based on demand and consumption growth, which was triggered by a significant inflow of capital. An exit strategy will be to not return to this old model, it will be necessary to place the foundations for a new development model, based on greater reliability on our own real sources of growth" (Krstic et al, 2010, p. 6).

During 2009, the effects of the financial and economic crisis were discussed by the state bodies (Parliament, competent Ministries, Social-Economic Council) and with the international financial institutions (WB, IMF, EBCD). In the meantime, a significant number of scientific and expert publications on the impact of the crisis on global and national levels as well as the consequences to economic and social policies were published. The researchers focused on the labour market situation and the position of vulnerable groups, poverty and social inclusion, and the effects of the crisis on social insurance. Programs and measures for overcoming the crisis were seen within the context of short-term, medium-term and long-term effects.

Table 5 –Employment and unemployment[219] (2008-2009)

	2008		2009	
	April	October	April	October
Total number of employed (15-64)*	2,652,429	2,646,215	2,486,734	2,450,643
Employed in agriculture (15-64)**	-	443,243	437,957	411,303
Total number of unemployed (15-64)	432,730	457,204	486,858	516,990
Employment rate (15-64)				
Total	54.0	53.3	50.8	50.0
Men	62.3	62.2	58.7	57.4
Women	46.0	44.7	43.3	42.7
Unemployment rate (15-64)				
Total	14.0	14.7	16.4	17.4
Men	12.4	12.7	15.0	16.1
Women	16.1	17.3	18.1	19.1

*** Persons aged 15-64 are considered capable of work; ** By October 2008, there was no classification of persons aged 15-64 for the number of employed in agriculture and contributing family members, but only 15+**

Source: LFS (2009).

[218] "The prepared intervention package of the economic policy in Serbia is directed toward: 1. *Promoting economic growth* (supporting national demand, solvency, promoting export and investments); 2. *Social measures* (help for the most vulnerable – cash assistance beneficiaries, unemployed and people over 65); 3. *Rationalization of the state's expenditures* at all levels; 4. *Infrastructural measures* (investing into the Corridor X, reconstruction of local infrastructures, building social apartments, modernization of public companies, rural infrastructure development); 5. *Monitoring and correction of measure packages* depending on the type of economic disturbances" (Development Report, 2009, p. 12).

[219] There are important differences between data obtained by the LFS (done based on ILO and Eurostat's recommendations) and those from the National Employment Service.

According to LFS data of October 2009, 2,450,000 persons capable of work (aged 15-64) were employed in Serbia. Therefore, in only one year (2008-2009) there was a drop of almost 200,000 persons or about 8%. The employment rate dropped from 53.3 % to 50.0 % which is an absolute minimum.

From the survey of the Government's measures directed toward reducing the negative effects of the crisis on the labour market, it is clear that they will have short-term effects and therefore it is not evident that the economy will become more competitive and that the number of employed will increase in the following period. From the long-term point of view, radical reforms of the tax system,[220] as well as of the contribution system (which burdens the salaries in the crisis). Specific measures for supporting companies, such as credit subventions for companies which do not lay-off their employees, would be welcome, provided that they do not enable them a privileged position.

Social assistance

Introduction to social assistance – poverty trends

Obligations (and inabilities) of the economic and political systems in the 1990s to provide welfare and security for the citizens were transferred to even weaker systems of social assistance as well as to families and their mechanisms of informal support. Therefore, this period presented an extremely huge challenge for the functioning of the system. However, the system itself was also in crisis.

According to the data of HCS in the first half of 1996, 2.7 million people were poor in FRY (Serbia and Montenegro), i.e. 28% of the population. In 2002, "almost 800,000 people were poor in Serbia (10.6% of the population or 250,000 households).This was because their consumption was lower than 4489 RSD or US$72 per month, i.e. US$ 2.4 per day, which was the defined national poverty line" (PRSP, 2003, p. 2).

According to the data of LSMS,[221] the number of poor halved from 2002 to 2007, which could be interpreted as an achievement defined by the PRSP. It can be shown by the data of the state institutions based on which in 2002 there were 14% poor in Serbia, compared to 6,6% or 490,000 in 2007. The poorest are those households in which the bearer is jobless (19.7%). The proportion of the poor significantly drops with an increase in education level, while differences based on gender are almost negligible. Elderly and children below 14 are more exposed to poverty risk compared to other age groups.

The actual picture on poverty is somewhat different if especially vulnerable groups are taken into account (like Roma, refugees, IDPs).[222] The results of LSMS of 2007 show that Roma people are extremely poor (49.2%) and that poverty index of refugees and IDPs is similar to the rest of the population (7.4 compared to 6.5%).

Subjective poverty (based on self—estimations) is still greater than the objective one (measured by consumption). In 2007, the rate of subjectively poor (13%) was twice that compared to objectively poor (6.6%).

[220] In April 2010, Mrs Diana Dragutinovic, Minister for Finances, announced the changes in the tax system and decrease in the contributions for social insurance.

[221] In the LSMS of 2002, the defined poverty line amounted to 4489 RSD and in 2007 it was 8883 RSD, based on partially modified calculation methodology. When the same method is applied to the LSMS of 2002, a poverty line of 5234 RSD is obtained, which enable comparability of data.

[222] Roma, refugees and IDPs have an important share in the Serbian population. According to the Census of 2002, there were about 180,000 Roma in Serbia, but it is estimated that their actual number is 5 times greater. The number of refugees has been decreasing. In 2005, there were 139,180 refugees, the majority from Bosnia and Herzegovina and Croatia. In 2006 there were 207,506 IDPs from Kosovo and Metohija.

Structure

Management. The creation and implementation of policy to support and help the poor is within the competence of the Ministry for social affairs. The Ministry delegates some of its jurisdictions to the municipalities, i.e. local communities, social assistance institutions and NGOs. These are responsible for certain social activities. The Ministry is in charge of making social policy, establishing social assistance institutions and child care institutions and providing budgetary funds, etc. Local communities provide for funds for the realization of rights within their competence, additional forms of help, higher amounts of benefits, and the establishment of social assistance institutions.

Contrary to the high centralization of the social assistance system during the 1990s, reforms and especially the *PRSP* have been directed toward decentralization.

Infrastructure. The structure of social assistance institutions comprises of SWCs, institutions for accommodation of beneficiaries, institutions for daily care and in house help, as well as the bureau for social assistance.

SWCs[223] are the basic multi-functional institutions of the social assistance system. After the changes of 2000, basic strategic orientations were adopted in reforming social assistance. They mainly refer to the activities of social services and therefore the redefinition of SWC functions. The main focus of reforms are the elimination of shortages in professional work (improving standards) and organization (decentralization), with a tendency to transfer one jurisdiction to other institutions and public services.

Coverage

The legislative framework of state help for the poor comprises of social assistance and child welfare. The basic programs are directed toward the population at risk of poverty and social exclusion – persons incapable of work (disabled), children, children without parental care, big families, lone parents, war veterans, civil victims of war and the elderly. The transition has been characterized by the change in the structure of social assistance recipients, so that the largest group is the unemployed (capable of work).

Eligibility criteria differ depending on the right in question. The rights to cash assistance are realized based on means-testing, and other rights can be effectuated by those in need of them. A special part of help for the poor is realized by services organized and financed by municipalities. The principle of previous contributions does not apply to social assistance.

Table 6 – Households receiving cash assistance (%, 2002 and 2007)

Type of program	2002	2007
Number of households receiving material support	2,435	738
Assistance for providing assistance and care of another person	1.7	3.1
Protection of veterans and persons disabled in war	0.2	0.4
Protection of civil victims of war	0.0	0.,1
Material support to families (MSF)	1.1	1.4
Humanitarian aid	3.4	0.2
Lump-sum financial assistance by municipalities	0.5	0.1
Child allowance	10.1	8.2
Parental (maternal) allowance	0.4	0.6
Alimony	0.6	0.6

Source: LFS (2007).

[223] The first SWC was founded in 1956 in the City of Belgrade – municipality of Palilula.

The state program of financial help for the poor is modest and does not provide help to everyone. Eligibility criteria for MSF and actual financial constraints on expenditures for social assistance have basically limited the number of recipients. Eligibility criteria are unfavourable, thus in 2007, only 50,000 households received MSF. The defined poverty line is lower than the absolute poverty line used in the LSMS, so that the amount of MSF does not cover even basic needs. Social assistance has decreased at-the-poverty risk, but does not guarantee an adequate level of material security.

Financing

From 2005 to 2009, social assistance expenditures were low – below 2% of GDP on average. Additionally, consumption for programs directed toward the poor is extremely low. Since 2008, only 7% of social consumption is directed toward the MSF, and about 16% to the programs of child allowances. Together, these two programs account for only 0.44% of GDP. Even though public expenditures for social assistance programs raised from 1.3% of GDP in 2006 to 1.8% in 2008, costs for MSF and child allowances actually decreased. The share of child allowances dropped from 0.42% of GDP in 2005 to 0.3% in 2008, and consumption for MSF from 0.16% to 0.14 % of GDP in the same period (WB, 2009).

The provision of the *rights of general interest* is within the Republic competence. They are financed by the Republic budget and paid out by the Ministry through municipal CSWs. The provision of the *rights of special interest* is within the municipal, i.e. city competence.[224]

Benefits

The Law on Social Assistance and Social Security Provision[225] provides for (article 9) the rights to material support to families (MSF); allowance for providing assistance and care of another person; aid in gaining professional qualifications; at home help, temporary accommodation in shelters, institutions and other families; social work services; clothes needed for accommodation in a social assistance institution or other family and lump-sum financial assistance.

The basic programs of cash benefits are MSF and the allowance for providing assistance and care for another person. For the effectuation of the right to MSF, it is necessary to meet the criteria regarding income „below the minimum level of social security." The amount is determined as the difference between the household's incomes and the defined poverty line. With legal changes in 2004, MSF is restricted to 9 months per year for individuals capable of work, with certain exceptions.

Regarding the right to child allowance, before 2002, it was a combined measure of population and social policy. After 2002, it has exclusively been a social policy measure directed toward poor children, and not a universal right of all children in Serbia. The reasons for that are of a financial nature. The amount of child allowance is extremely low. Itamounts to about 19 EUR – 25 EUR (Ministry of Labor and Social Policy, 2009).

[224] Municipalities, i.e. cities can prescribe greater scope of rights and more favourable conditions for their effectuation if possible.

[225] *The Law on Social Assistance and Social Security Provision* ("Official Gazette of RS" no. 36/91, 79/91, 33/93, 53/93, 67/93, 46/94, 48/94, 52/96, 29/01, 84/04, 101/05, 115/05).

Measures against poverty and social exclusion

Poverty reduction is based on aims defined by the PRSP which are

- *first*: a strategy of dynamic economic growth and development, with an accent on creating new jobs in the private sector;
- *second*: preventing new poverty as a consequence of subsequent modernization and restructuring of the economy and the rationalization of the state and its functions;
- *third*: efficient implementation of existing and defining new programs, measures and activities directly oriented toward the poorest and most vulnerable groups especially in underdeveloped regions (children, elderly, disabled, refugees and IDPs, Roma, rural population and low-educated).

The purpose of these aims is to start a long-lasting process of enabling these groups to escape poverty, by developing the capacities needed for a new economy, with certain minimum living standards (PRSP, 2003).

The creation of social inclusion programs and measures, is a recent development and only the first steps have been taken. A proposal of indicators for social inclusion monitoring was made at the beginning of 2009 and it will be the basis for the production of reports in the following period. The objective is to create a basis for defining future policies in order to reduce social exclusion. Social inclusion will be measured based on Laeken indicators with two national indicators added: satisfaction of basic existential needs and social participation.

Conclusion

The socialist welfare state which was created as a Bismarckian model, provided for a wide scope of employment based rights and insurance against basic social risks (old-age, disability, illness, unemployment and poverty). Its transition, commenced in the 1990s, has not still been completed. However, it has moved toward widening the responsibilities of individuals and their families, with decreased reliance upon state mechanisms. In that context, the introduction of private alternatives has served the function of providing additional sources for recipients' security, but it has been jeopardized by low living standards. Radical cuts have been avoided for now, but it is not clear whether they will be needed in the future.

Pensions. Inadequate old-age dependency ratio along with already low employment rates is the biggest challenge for the (financial) sustainability of the existing pension system. The pension reforms have been parametric and it is not certain that neither the 2nd pillar, nor the zero one will be introduced. The results of reforms are mixed. However, data points to inadequate pension amounts – about 50% of pensioners receive minimum pensions or just above. A high proportion of the elderly has not effectuated pension rights, due to a short employment history. According to some estimations, about 400,000 persons over 65 neither receive pensions nor have a secure monthly income. Insufficient financial resources and low purchasing power make the private pension option modestly present. It is also the result of an underdeveloped financial market and the lack of necessary information.

Health care. The majority of the proclaimed reform aims were not realized. The system has still not been categorized well and it is overly complex. The capacities even though rather equally distributed do not offer services of unified quality. Along with the problems in the realization of certain rights, this is one of the most important factors of health status of the population. Further development of private practice would be a favourable option at least for certain problems, provided that it is much better regulated than currently. However, it would not be a solution

for the problem of inadequate coverage of vulnerable groups (Roma, refugees, IDPs).

There is a wide consensus that the critical point of health reforms is its financing. Financial problems are multiple and complex, and their ties disable partial reforms and require essential changes. Accepting the need to pay more (based on contributions or taxes, etc.) for health by the population does not automatically lead to their accepting of consequences of a changed financing model. The reason for that is low purchasing power but also a factor of the inherited generous system from the socialist period.

Unemployment protection. The unfavourable macro-economic situation during the 1990s and also in the last two years, has resulted in extremely adverse labour market trends. High unemployment rates, low mobility of labour force and low salaries, were only a part of the problem, which became increasingly intensive during privatization of previous state-owned companies. Informal employment, present during the 1990s, has not been eradicated, and it requires stimulating changes of certain state policies (first of all, tax policy).

The inherited system of unemployment protection, dominantly based on cash benefits, was unchanged for a long period and activation programs have not been adequately established and implemented. Their long-term effectiveness is not recognized, since they would present a significant expenditure for the state at the moment. A weak negotiating position and low power of unions make social dialogue and tripartition almost non-existent.

Social assistance. The current social assistance system cannot enable its recipients to escape the poverty zone. The right to MSF is extremely well targeted, but the essential challenge is to widen its coverage. Limited duration of the right to MSF, the introduction of which was motivated by activating recipients, has been significantly jeopardized by the lack of sufficient jobs and the low qualifications of cash benefit recipients which were incompliant with the job vacancies. A challenge to the system will be the probable increase in the number of poor during the crisis.

Current decentralization trends will be positive provided that necessary prerequisites are developed, such as adequate standards and supervision.

Pensions

Structure	*Pillars*	The first pillar	The third pillar
		In 1991, only the first pillar existed. In 2003 and 2005 it underwent parametric changes.	In 2003, the third pillar was added.
	Financing of pillars	Mandatory public (pay-as-you-go principle, contributions by employees and employers, with state interventions in case of deficits).	Voluntary private (financed by its members, the state intervenes in terms of certain tax reliefs).
	Management	In 2008, it was managed by three Funds of Old-age and Disability Insurance (of Employed, Self-Employed and Farmers). Since then, there has been only one Fund of Old-age and Disability Insurance, however with three separate accounts to be consolidated by 2011.	It is managed by private pension funds. The National Bank of Serbia, which is in charge of supervising and performing other tasks of importance for voluntary pension funds' functioning, has issued 9 licences for the work of managing societies since 2006.
Population covered	*Coverage of population*	Insured employed, self-employed and farmers.	Insured members.
	Covered risks	Old-age, disability, death, physical defect.	Old-age, disability, death, physical defect.
	Eligibility criteria	*Old age pension* In 2001: - 20 years of insurance, when aged 60 (men) and 55 (women) - at least 15 years of insurance, when aged 65 (men) and 60 (women) - 40 (men), and 35 (women) years of insurance, when at least aged 50. From 2001 to 2003, the first requirement was changed so as to be 20 years of insurance, when aged 63 (men) and 58 (women). The other two have remained the same.	The Law regulating current mandatory old-age and disability insurance ensures that voluntary insurance can prescribe the same or the greater scope of the rights. Apart from that, they are defined by Pension Plans.
		From 2003: - 20 years of insurance, when aged 63 (men)58 (women) - 15 years of insurance, when aged 65 (men)60 (women) - 40 (men), 35 (women) years of insurance, when at least aged 53. Since 2005: - 15 years of insurance, when aged 65 (men) 60 (women) - 40 (men),35 (women) years of insurance, when at least aged 53 - 45 years of insurance. Eligibility criteria are different, based on year of this right effectuation: - in 2006/2007, aged 63 (m), 58 (w), at least 20 years of insurance - in 2008, aged 63.5 (m), 58.5 (w), at least 19 years of insurance - in 2009, aged 64 (m), 59 (w), at least 18 years of insurance - in 2010, aged 64.5 (m), 59.5 (w), at least 17 years of insurance	

		Disability pension In 2001: - in case of disability due to work injury or professional disease, no necessary minimum of years of insurance - in case of disability due to out of work injury or non-professional disease, there have to be at least 1/3 of pension insurance. There was no need for the minimum insurance years in case of an employed person aged below 20 and for those aged between 25 and 30, it had to be 9 months and 1 year respectively. The pension could be obtained by men when 50 years and by women when 45. From 2001 to 2003, the age for men was raised to 53 and for women to 48. Since 2003: - in case of complete loss of working capacity due to work injury or professional disease, no necessary minimum of years of insurance - in case of complete loss of working capacity due to out of work injury or non-professional disease, there have to be at least 5 years of insurance. There has been only a category of complete loss of working capacity, contrary to the period before 2003, when there was a category of remaining working capacity.	
		Survivor pension In 2003: - in case the insured person who died, had at l east five years of insurance or at least 10 years of pension insurance or met conditions for disability pension - in case the insured person effectuated the right to old-age or disability pension. Since 2003: - in case the insured person who died had at least five years of insurance or met conditions for disability pension - in case the insured person who died effectuated the right to old-age or disability pension.	
	Not covered	Persons with (long enough) employment records are covered and not all elderly. About 400,000 elderly are not covered by any kind of pension benefits.	Members of private funds are covered and others are not. In December 2007, there were 91,991 active members and in March 2008 there were 85,740 active members.
Old-age dependency ratio	*Number of pensioners and number of insured*	In the last two decades, the ratio of number of insured to pensioners has been 1,2:1. In 2008, there were 2,767,415 insured. 2,205,489 of them were previously employed, 3,28,541 were previously self-employed and 233,385 were previously farmers. In February 2010, there were 1,609,825 pension beneficiaries – 1,329,829 of them belong to the category of previously employed, 55,226 previously self-employed and 224,770 previously farmers.	
	% of people over 65 compared to people 15-64	The old-age dependency ratio dropped from 6.6 in 1981 to 4.1 in 2002. According to estimates, in 2032 and 2052 it will be 3,0 and 2,4 respectively.	
Financing	*Contribution rates*	Employed and employer: - in 1996: per 14.7% - in 1998: per 14.1% - in 1999/2001: per 16% - in 2001/2003: per 9.8% - in 2003/2004: per 10.3% - since 2004: per 11%	The average payment in January 2008 amounted to 1,824 RSD.
	% of state budget	Pension revenues as % of state budget: In 2000 – 30.7%; 2001 – 28.2%; 2002 – 29.8%; 2003 – 27.0%; Pension expenditures as % of state budget: In 2000 – 29.4%; 2001 – 28.2%; 2002 – 27.1%; 2003 -24.7%	
	Ratio between insurance and state budget financing	*The Law on Budget* for 2010 predicts the transfer of 215 billion RSD to the Fund, which is 45,6% of the Fund's total revenues.	Not applicable.

	Pension expenditures	The Financial Plan of the Fund for 2010 predicts the expenditures in the amount of 470,709 billion RSD.	Regulated and managed by private pension funds.
	Pension revenues	The Financial Plan of the Fund for 2010 predicts the revenues to the amount of 471,552 billion RSD, out of which 24,657 billion RSD will be collected based on contributions (contributions of employed – 22,664 billion RSD, contributions of self-employed – 17.8 billion RSD and contributions of farmers – 2.13 billion RSD).	Regulated and managed by private pension funds. Their assets presented 0.12% of GDP in 2008.
Benefits	*Average wage, replacement rate*	- in 2001 – 90% - in 2003 – 70% - in 2005 – 67% - in 2006 – 62% - in 2007 – 54% - in 2008 – 59%	The Law regulating current mandatory old-age and disability insurance ensures that voluntary insurance can prescribe the same or the greater scope of benefits. Apart from that, they are defined by Pension Plans.
	Minimum/ Maximum pension	By 1991: - the minimum pension was determined as a percentage of a pension basis, depending on the duration of years of insurance and it cannot be below 40% of the basis. - the maximum pension was limited by limiting the basis. Since 2005: - the minimum pension has amounted to 25% of average salary in the Republic, in the previous year; for farmers, it is 20%. - the maximum pension has been calculated so that the personal coefficient cannot be greater than 4.	
	Number of people receiving minimum pension	In 2010, 57,286 pensioners received the minimum pension.	
	Guaranteed rights	In 2003, the rights were: 1. in case of old-age: - to old-age pension 2. in case of disability: - to disability pension - to pre-qualification and additional qualification - to employment in another job - to benefits for the previous two rights 3. in case of a danger of disability occurrence: - to pre-qualification and additional qualification - to employment in another job 4. in case of death: - to survivor pension 5. in case of physical defect caused by a work injury or professional disease: - to cash benefit 6. to cash benefit for help and care of another person 7. to compensation of funeral costs 8. to purchasing special appliances for reading and writing. Since 2003, the rights have been: 1. in case of old-age: - to old-age pension 2. in case of disability: - to disability pension 3. in case of death: - to survivor pension - to compensation of funeral costs 4. in case of bodily defect caused by work injury or professional disease: - to cash benefit No new rights were added.	

Health-care

Structure	*Structure and infrastructure*	Types and levels of state health institutions have been the same since 1992. They have been organized on the following levels: 1. primary (health centres, pharmacies, bureaus) 2. secondary (general and special hospitals) 3. tertiary (clinical centres, clinics and institutes). In 1997, there were 228 state health institutions and in 2007 – 301. Number of medical doctors to 100,000 inhabitants: in 1998 – 257 and in 2007 – 272.
	Management	The public health system has been managed by the Republic Fund of Health-Care Insurance. Since 1992, there has been one Fund with 29 regional branches and 1 Provincial Fund in Serbia.
	Private health care	The number of private health institutions is estimated at 5,000 in 2010. In 1996, there were 3,295.
Population covered	*Coverage of population*	All citizens have the right to health protection. Actively insured, members of their families, pensioners and people temporary without work have the right to health insurance. In 2009, mandatory health insurance covered 6,786,333 persons: - 43.60% of them was insured based on employment. - 27.14% of them was insured based on retirement. - funds for health insurance of 1,210,157 individuals or 17,83% (unemployed, refugees, IDPs) were borne by the state. Mandatory insurance covers about 93% of the population.
	Eligibility criteria	Health insurance and health protection comprise of the rights of employed and members of their families based on mandatory social insurance, which includes health insurance, the right to health protection, rights of children, pregnant women and the elderly to protection of their health from public revenues, in case they cannot effectuate the right on any other basis.
	Not covered	In practice, some ethnic minorities like Roma, refugees, IDPs, because of the lack of personal documents. Also, employees for whom employers do not pay contributions and those who do not actively seek jobs.
Health status	*Life expectancy rates*	1997 – 69.6 years for men and 74.6 years for women. 2008 – 71.06 years for men and 76.23 years for women.
	Mortality rates	1997 – 12.9. 2007 – 13.9.
Financing	*Contribution rates*	Employed and employer: - in 1996: per 9.6% - in 1998: per 8.6% - in 1999/2001: per 9.7% - in 2001/2003: per 5.95% - in 2003/2004: per 5.95% - in 2004: per 6.15% - in 2008/2009: 12.3%
	% of state budget	Health revenues as % of state budget: In 2000 – 16.5%; 2001 – 14.3%; 2002 – 13.4%; 2003 – 11.3%; Health expenditures as % of state budget: In 2000 – 16.0%; 2001 – 14.0%; 2002 – 12.3%; 2003 – 10.6%
	Ratio between insurance and state budget financing	During the 1990s – constant deficits in the Fund. In the 2000s – The fund's revival and decreased ratio of state budget financing.
	Health-care expenditures	The structure of the expenditures of the Republic Fund for Health Care Insurance in 2008 showed almost half of the expenditures (46%) were directed toward paying salaries for 104,000 people employed in health, 38% was for health care costs, drugs, consumables and other materials, implants and devices, 11% for prescription drugs, 3% for sick-leave benefits and travel allowances, and 1% for salaries of those employed in the Republic Fund for Health Care Insurance and other expenditures.
	Health-care revenues	The Financial Plan of the Republic Fund for Health Care Insurance for 2010 envisages total revenues to the amount of RSD 186,084,934,000 – a large part of the revenues is based on contributions (RSD 129,490,000,000) and the remaining part is based on budgetary transfers (RSD 788,000,000), transfers from the mandatory social insurance organizations (RSD 54,049,834,000); the so-called other revenues are predicted to be RSD 1,757,100,000.
Cost-containment measures	*Measures*	- Co-payments - Out-of-pocket payments
	Exemptions	Exemptions from paying co-payments are the elderly over 65, disabled, pregnant women and children. In 2009, their circle was additionally extended so as to include the unemployed and material assistance recipients.
	Ratio between coverage and patient's payment	Share as a % of GDP: state entitiesout-of-pocket payments and military expenditures In 2001 6.6 n.a. In 2005 6.7 n.a. In 2006 6.0 6.0 In 2007 6.7 6.8

	% of patient's payment compared to family income	There have been only estimations. In 2007 the estimates of private health care expenditures ranged from 220 to 260 EUR per capita.
Benefits	*Guaranteed rights*	1992-2005, the right to: - health protection, - benefit during temporary inability for work, - compensation of travel costs incurred in connection with health protection, - compensation of funeral costs. Since 2005, the right to compensation of funeral costs has been deleted. The remaining rights still exist, however, with stricter conditions. No new rights were added.

Unemployment protection

Coverage	*Eligibility criteria*	From 1992 to 2003, the minimum insurance period was 9 months of insurance without interruption, i.e. 12 months with interruptions in the previous 18-month period. Since 2003, the minimum insurance period has been 12 months of insurance without interruption, i.e. 18 months with interruptions. There were no changes regarding this in the Law of 2009. Causes of employment cessation have to be so-called justified. There have been requirements regarding the deadline for applying a request.
	Not covered	Persons who have never been employed, contributing family members, those working in the grey economy. Persons who do not realize their rights to unemployment protection anymore because of the limited duration of cash benefits. The number of covered population is negligible compared to the number of unemployed.
Financing	*Contribution rates*	Employed and employer: - in 1996:1% - in 1998:0.8% - in 1999/2001:0.9% - in 2001/2003:0.55% - in 2003/2004:0.55% - in 2008/2009: 1.5%
	% of state budget	Unemployment insurance revenues as % of state budget: In 2000 – 1.4%; 2001 – 1.4%; 2002 – 1.6%; 2003 – 1.7%; Unemployment insurance as % of state budget: In 2000 – 1.4%; 2001 – 1.4%; 2002 – 1.4%; 2003 – 1.6%
	Expenditures on unemployment benefit	In 2000, 60% of total funds of the National Employment Service were directed to paying benefits based on insurance; in 2004 – 96%; in 2006 – 90%; in 2007 – 89.2%. Funds for active measures accounted for 40% of program consumption of the National Employment Service in 2000 and only 3.5 in 2004 while 10% in 2007.

Benefits	*Types of benefits*	In 2003, insurance based unemployment protection comprised of the rights to: 1. cash benefits 2. old-age and disability insurance while receiving the cash benefit 3. health care insurance while receiving the cash benefit 4. prolonged old-age and disability insurance 5. cash benefit during training 6. compensation of travelling costs incurred due to taking a job in another place other than place of residence 7. temporary accommodation, i.e. food during 30 days. From 2003, there have been the rights to: 1. cash benefits 2. health care insurance and old-age and disability insurance 3. other rights in compliance with the laws and general act of the National Employment Service. The Law of 2009 did not make changes in terms of types of benefits for unemployed.
	Number of people receiving unemployment benefits	In 1996, there were 14,831 recipients out of 759,144 unemployed. In 1999, 44,804 recipients out of 694,485 unemployed. In 2000, 45,916 recipients out of 731,320 unemployed. In 2001, 53,804 recipients out of 780,541 unemployed. In 2002, 75,155 recipients out of 885,742 unemployed. In 2005, 73,739 recipients – 7.4% of persons who were actively seeking jobs. In 2006, 76,795 recipients – 7.6% of persons who were actively seeking jobs. In 2007, 70,747 recipients – 7.6% of persons who were actively seeking jobs.
	Maximum duration of benefit	The duration of benefit paymentsis dependent upon duration of insurance. By 2003, its maximum duration was 24 months for persons employed 25-30 years. From 2003-2009, its maximum duration was also 24 months for insured aged over 55 with aninsurance period of over 25 years. Since 2009, the maximum duration has been 12 months for an insured person with an insurance period of over 20 years.

Active labour market policies	*Policies*	From 1992 to 2003: informing unemployed about employment opportunities; mediating in getting a job; helping in professional orientation; preparation for employment; cash aid during training. From 2003 to 2009: measures for promoting new employment; employing certain categories (looking for new jobs, long-term unemployed, older workers); employing refugees and IDPs; employing persons belong to ethnic minorities with high unemployment rates; employing and rehabilitating disabled and persons with decreased working capacities; employing redundant employees; promoting labour mobility; self-employing; public works. Since 2009: mediating in getting a job; helping in professional orientation and counselling about career; subsidies for employing; supporting self-employment; additional qualifications and training; incentives for cash benefits' recipients; public works.
	Financing	Active labour market programs are financed by the state budget, local communities, donations, credits, interests, etc. Expenditures for active measures amounted to 0.03% GDP in 2004; 0.06 in 2005; 0.08% in 2006; 0.11% in 2007. Expenditures for active against passive measures in %: In 1992 – 45.3 / 46.9 In 1993 – 28 / 51.8 In 1994 – 81.5 / 4.2 In 1995 – 72 / 6 In 1996 – 55.5 / 6.7 In 1997 – 47 / 19.3 In 1998 – 34 / 34.7 In 1999 – 29.7 / 54.4 In 2000 – 30.8 / 44.8 In 2001 – 26.3 / 60.6
	Coverage	In 2002 – 0.97% In 2003 – 0.73% In 2004 – 0.92% In 2005 – 1.39% In 2006 – 0.78% In 2007 – 1.21%
Other measures against undeclared work	*Measures*	Taxes paid on minimum earnings, (announced) reduction of social contributions.
	Financing	Indirect, sanctions.

Social assistance

Structure	*Infrastructure*	Since 1991, institutions have been: 1. centres for social welfare (CSWs) 2. facilities for accommodation of beneficiaries 3. facilities for daily care and help in house. In 2005, the bureau for social assistance was added. In 2006, there were 135 CSWs – they are equally distributed, but not every community has it. There were 3006 staff employed in all CSWs – 1997 of them have university or two-year post-secondary school diplomas. Average republic coverage is 2.7 social workers per 10,000 inhabitants while the normative from 1991 is 2 social workers per 10,000 inhabitants.
	Management	The creation and implementation of a policy of support and help to the poor is within the competence of the Ministry competent for social affairs. Its bearers are municipalities, i.e. social assistance institutions and NGOs. The Ministry is in charge of making social policy, establishing institutions of social assistance and child care, providing budgetary funds, etc. Local communities provide for funds for the realization of rights within their competence, additional forms of help, higher amounts of benefits, and they can establish social assistance facilities. An important place in the realization of protection programs is taken by the network of institutions (CSW) and specialized institutions (for accommodation, daily stay and help in houses) organized at the Republic and local levels.

Coverage	*Covered population*	Universal system.
	Eligibility criteria	Eligibility criteria differs depending on the right in question. The rights to cash assistance are realized based on means-testing, and other rights can be effectuated by those in need of them. The principle of previous contributed years does not apply to social assistance.
	Specific vulnerable groups	Persons incapable of work (disabled), big families, lone parents, children without parental care, war veterans, civil victims of war, elderly.
Financing	*Contribution rates*	Not applicable.
	Ratio between insurance and state budget financing	Not applicable.
	Expenditures on social welfare benefits	From 2005 to 2009, social assistance expenditures were below 2% GDP on average. Since 2008, only 7% of social consumption is directed toward material assistance to families, and about 16% to the child allowances programs. Together, these two programs account for only 0.44% of GDP. Even though public expenditures for social assistance programs rose from 1.3% GDP in 2006 to 1,8% in 2008, costs for material assistance to families and child allowances actually decreased. Share of child allowances dropped from 0.42% GDP in 2005 to 0.3% in 2008, and consumption for MSF from 0.16% to 0.14% of GDP in the same period.
Benefits	*Types of benefits*	Since 1991, the rights have been: 1. material support to families 2. allowance for providing assistance and care of another person 3. aid in gaining professional qualifications 4. help at home, temporary accommodation in shelters, institutions and other families 5. social work services 6. clothes needed for accommodation in social assistance institution or other family 7. lump-sum financial assistance. The basic programs of cash benefits are material support to families and allowance for providing assistance and care of another person. *De facto* right to child allowance belong to this group since 2002, because it presents a social-policy measure – it is directed toward poor children.
	Duration of benefits	Since 2004, the right to material support to families is restricted to 9 months per year for persons capable of work. Children have the right to child allowance until the age of 19 and in some cases until the age of 26.
Measures against poverty and social exclusion	*Measures*	The *Poverty Reduction Strategy Paper* of 2003: 1st pillar: strategy of dynamic economic growth and development, with an accent on creating new jobs in the private sector 2nd pillar: preventing new poverty as a consequence of subsequent modernization and restructuring of economy and rationalization of the state and its functions 3rd pillar: efficient implementation of existing and defining new programs, measures and activities directly oriented toward the poorest and social vulnerable groups especially in underdeveloped regions (children, elderly, disabled, refugees and IDPs, Roma, rural population and low-educated). Creation of social inclusion programs and measures is a recent development and only the first steps were made. A proposal of indicators for social inclusion monitoring was made at the beginning of 2009 and it will be a basis for the production of reports in the following period. Social inclusion will be measured based on Laeken indicators with two national indicators added: satisfaction of basic existential needs and social participation.
	Financing	The objectives from the *Poverty Reduction Strategy Paper* have been financed in the following way: 1. pillar as a % of GDP: in 2004 – 7.6; in 2005 – 7.4; in 2006 – 7.5%. 2. pillar as a % of GDP: in 2004 – 7.6; in 2005 – 7.3; in 2006 – 7.5%. 3. pillar as a % of GDP: in 2004 – 14.8; in 2005 – 14.5; in 2006 – 14.2%. Provision of the *rights of general interest* is within the Republic competence. They are financed by the Republic budget and paid out by the Ministry through municipal centres for social welfare. Provision of the *rights of special interest* is within the municipal, i.e. city competence.

INDICATORS	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP							21133,1	17443,5	18699,7	23429,8	11484,7	15102,6	19550,8	23649,9	25234,4	29221,1	39385,4	48856,6	
GDP (per capita)	1838	1360	952				2110,4	1745,6	2479,9	3117,2	1530,6	2013,7	2613,5	3168,9	3391,4	3942,6	5335,6	6647	
GDP growth rate	***	***	***	***	***	***	***	0,7	-11,2	5,3	5,6	3,9	2,4	8,3	5,6	5,2	6,9	5,5	-3
General government debt (% of GDP)										169,3	102,2	69,5	64,3	53,3	50,2	36,2	29,4	25,6	31,3
Consumer price index	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	106,5	111,7	108,4
Employment rate						55,6	53,7	54,4	57,4	57	57,3	56,1	55,7	55,5	53,5	51	51	51,5	49,1
Unemployment rate	21	22,2	22,6	22,7	24,2	26			13,3	12,09	12,23	13,28	14,63	18,5	20,8	20,9	18,1	13,6	16,1
Average wage	**	**	**	**	**	**	**	**	**	**	6078	9208	11500	14108	17443	21707	27759	32746	31733
Labour productivity										8	4,9	6,3	3,6	8,1	5,3	7,8	8,7	5,6	7,9
(At risk of) Poverty rate	7,3			38	28,9	30			40,9	36,5	35,7	10,6	10,5			8,8	6,6	7,9	
Inequality of income distribution (Gini)										28,3		34,4				35,3	33,9	32,2	31,9
Social expenditure (% of GDP)														21,3	20,9	20,4	19,7	19,4	18,7
Old age & survivorship	9,4	10,3	8,1	10,6	12,3	13,8					9,4	11,7	11,7	11	10,9	10,6		11,9	13
Health & disability	6,2	6,4	2,5	9	9		6,1	5,2	5,2	4,9	5,2	5,7	5,7	5,9	5,9	5,7	6,2	5,9	5,8
Unemployment benefit																			
Social assistance (benefit)								2,4	2,1	2,6	1,6	1,8	1,1	1,2	1,4	1,3		1,8	
Structure of the economy																			
Industry							28,2	28,2	27,4	30,6	28,4	28,6	27,9	29,5	28,9	28,9	28,3	28,4	22,1
Agriculture							16,8	16,1	19,3	20,5	20,4	15,7	13,8	14,3	12,5	11,6	10,6	10,8	12,6
Services							58,9	59,5	54,9	50,8	53	58,6	60	58,3	60,8	61,8	63,4	63,4	68,6

Poverty rate is an absolute poverty rate.

Sources

GDP
Currency - mil. US$
1997-2008: The Republic Statistical Office, *GDP in the Republic of Serbia,* Retrieved from: http://webrzs.stat.gov.rs/axd/drugastrana.php?Sifra=0001&izbor=odel&tab=30

GDP per capita
Currency - mil. US$
1991-1993: The Federal Statistical Office, cited from Lakicevic, M. (1995), *Socijalni razvoj i planiranje.* Beograd: Udruženje stručnih radnika socijalne zaštite Republike Srbije
1997-2008: The Republic Statistical Office, *GDP in the Republic of Serbia,* Retrieved from: http://webrzs.stat.gov.rs/axd/drugastrana.php?Sifra=0001&izbor=odel&tab=30

GDP growth rate
Currency - mil. US$
*** Average rate of GDP drop from 1991-2000 was -7,2%: The Republic Developmental Office, *Report on Human Development in Serbia for 2005*
1997-2008: The Republic Statistical Office, *GDP in the Republic of Serbia,* Retrieved from: http://webrzs.stat.gov.rs/axd/drugastrana.php?Sifra=0001&izbor=odel&tab=30
2009: The Republic Statistical Office, *Communication no. 81 of 31. 3. 2010.* Retrieved from:http://webrzs.stat.gov.rs/axd/dokumenti/saopstenja/nr40/nr40122009.pdf

General government debt (% of GDP)
2000 – 2009, Ministry of Finance, *Government debt,* Retrieved from: http://www.mfin.gov.rs/UserFiles/File/tabele/maj/Tabela%205%20Javni%20dug%20Republike%20Srbije.pdf

Consumer Price Index – CPI
* The Republic Statistical Office has collected data about CPI since 2007.
2007-2009: The Republic Statistical Office, *Consumer price index.*

Employment rate
1996-1998: Economic Institute.
1999-2009: The Republic Statistical Office, LFSs.

Unemployment rate
1991-1996: The Federal Statistical Office.
1999-2009: The Republic Statistical Office, LFSs.

Average wage
Currency: RSD.
Data refer to net wages.
** Since 2001, the calculation methodology has been changed so that the previous data is not comparable.
2001-2009: The Republic Statistical Office, *Household Consumption Surveys.*

Labor productivity
2000-2004: The Republic Developmental Office, *Report on Human Development in Serbia for 2005.*
2005-2006: The Republic Developmental Office, *Report on Human Development in Serbia for 2006.*
2007: The Republic Developmental Office, *Report on Human Development in Serbia for 2007.*
2008: The Republic Developmental Office, *Report on Human Development in Serbia for 2008.*
2009: The Republic Developmental Office, *Report on Human Development in Serbia for 2009.*

Poverty rate
1991, 1999, 2001: *Millenium Developmental Goals – Is Serbia on Its Way?* 2002
1994, 1996: cited from Vukovic, D. (1997). Tranzicija, siromaštvo i zaštita siromašnih – Socijalni rad i socijalni politika (Zbornik radova III). Beograd: Fakultet političkih nauka.
1995, 2000: The Republic Statistical Office, *Household Consumption Survey.*
2002, 2003, 2006-2008: The Republic Statistical Office, *Living Standard Measurement Survey.*
Data is comparable only after 2002.

Gini coefficient
2006 – 2009: The Republic Statistical Office, *Household Consumption Survey.*2000, 2002: Retrieved from: http://www.inkluzija.gov.rs/?page_id=1186

Social expenditure
Revised Memorandum on Budget and Economic and Fiscal Policy for 2007 with Projections for 2008 and 2009.

Old-age and survivorship
Data refer to expenditure for old-age and disability insurance
1991-1966: Economic Instite, citied from Dinkic, M. (1997). Reforma penzijsko-invalidskog osiguranja u Jugoslaviji (Zbornik radova III). Beograd: Fakultet političkih nauka.
2001-2006: The Government of the Republic of Serbia, *The II Report on the PRSP Implementation,* 2007.
2008-2009: The Republic Developmental Office, *Report on Human Development in Serbia for 2009*

Health and disability
Data refers to expenditures for health care insurance
1991-1995: Economic Institute, cited from Vukovic, D. (1999). *Socijalna sigurnost i socijalna prava – Uporedni pregled sistema.*Beograd: Savez društava socijalnih radnika Srbije.
1997-2007: – The Institute of Public Health, *Health of the population in Serbia,* 2008.
2008-2009: cited from Vukovic, D. (2009). *Socijalna sigurnost.*Beograd: Univerzitet u Beogradu - Fakultet političkih nauka.

Social assistance (benefits)
Data refers to expenditure on benefits in the social assistance system
1998-2002: The Government of the Republic of Serbia, *PRSP,* 2003.
2003: The Government of the Republic of Serbia, *The I Report on the PRSP Implementation,* 2005.
2004-2006: The Government of the Republic of Serbia, *The II Report on the PRSP Implementation,* 2007.
2008: World Bank, *Doing More with Less: Addressing the Fiscal Crisis by Increasing Public Sector Productivity*, 2009.

Structure of the economy
1997-2008: The Republic Statistical Office,*Gross Value Added Per Activities*
2009: The Republic Developmental Office, *Report on Human Development in Serbia for 2009.*

List of abbreviations

EBRD	European Bank for Reconstruction and Development
EES	European Employment Strategy
EU	European Union
GDP	Gross domestic product
DM	previous German currency
FOD	Fund for Old-Age and Disability Insurance
FRY	Federal Republic of Yugoslavia
HCS	Household Consumption Survey
IDP	Internally displaced person
IMF	International Monetary Fund
LFS	Labor Force Survey
LSMS	Living Standard Measurement Survey
MSF	Material support to families
NAP	National Action Plan
NBS	National Bank of Serbia
NES	National Employment Service
NGO	non-governmental organization
SFRY	Socialist Federal Republic of Yugoslavia
SWC	Social Welfare Center
PAYG	pay-as-you-go
PRSP	*Poverty Reduction Strategy Paper*
RFHCI	Republic Fund of Health Care Insurance
RSD	national currency
WB	World Bank

List of references

Arandarenko, M. &Golicin, P. (2006). Međunarodni akteri i razvoj socijalne politike u Srbiji (od 2000. do 2006. godine). U: D. Vuković, &A. Čekerevac (ur), *Socijalna politika u procesu evropskih integracija,* pp. 255-275. Beograd: Fakultet političkih nauka.

Arandarenko, M. &Krstić, G. (2008). *Analiza uticaja politike zapošljavanja i aktivnih mera zapošljavanja u Republici Srbiji, 2003-2007. godine,* Beograd.

DevelopmentReport. (2009). *IzveštajorazvojuSrbijeu 2008.*Beograd: Republičkizavodzarazvoj.

EC. (2008). *Social Protection and Social Inclusion in the Republic of Serbia*. Retrieved February 15, 2010, fromhttp://ec.europa.eu/employment_social/spsi

FREN – Fond za razvoj ekonomske nauke. (2008). *Kvartalni monitor ekonomskih trendova i politika u Srbiji.*Jul-septembar 2008. br. 14. Beograd: FREN.

Hirose, K. (2009).Pension Reform in Serbia: Challenges and Directions for Reform,in:*Pension Reform in Serbia - from international and regional perspectives*. Budapest: ILO Subregional Office for Central and Eastern Europe. Retrieved May 12, 2010, from http://www.ilo.org/public/english/region/eurpro/budapest/download/socsec/pension_reform_serbia.pdf

Institute of Public Health of Serbia. (2009). *Pregled najvažnijih rezultata ispitivanja zadovoljstva korisnika državnim zdravstvenim ustanovama Republike Srbije 2008*. Beograd: Institut za javno zdravlje Srbije „Dr Milan Jovanović Batut".

Institute of Public Health of Serbia.(2008). *Zdravlje stanovnika Srbije – analitička studija 1997-2007*. Beograd: Institut za javno zdravlje Srbije „Dr Milan JovanovićBatut".

Krstić, G. etal. (2010). *Položajranjivihgrupanatržišturadasrbije.*Beograd: FREN.

LFS – Labor Force Survey.(2009). Beograd: Republički zavod za statistiku.

LSMS – Living Standard Measurement Survey.(2002). Beograd: Republički zavod za statistiku.

LSMS – Living Standard Measurement Survey.(2007). Beograd: Republički zavod za statistiku.

NSZ - Nacionalna služba za zapošljavanje.(2010). *Mesečni statistički bilten, februar 2010.*Beograd: Nacionalna služba za zapošljavanje.

Matković, G. Mijatović, B., &Petrović, M. (2010). *Uticaj krize na tržište radne snage i životni standard u Srbiji.* Beograd: Centar za liberalno-demokratske studije.

Mijatović, B. (2008). *Reforme u Srbiji: dostignuća i izazovi*. Beograd: Centar za liberalno-demokratske studije.

Ministry of Labor and Social Policy. (2009).Retrieved December 20, 2009, fromhttp://www.minrzs.gov.rs/cir/index.php?lang=en

Penev, G. (2009). Srbija 2008. godine: više rođenih, manje umrlih. *Demografski pregled* br. 32.

PRSP - Poverty Reduction Strategy Paper.(2003). Retrieved May 15, 2010, from http://www.prsp.gov.rs/dokumenta.jsp

Radivojević, B. (2009). Populacioni problemi u Srbiji i aktuelna ekonomska kriza, u: Vuković, D. &Arandarenko, M. (ur), *Socijalna politika i kriza,*Beograd: Univerzitet u Beogradu – Fakultet političkih nauka.

RFPIO - Republički fond penzijskog i invalidskog osiguranja. (2010). *Finansijski plan za 2010.* Retrieved February 25, 2010 fromhttp://www.pio.rs/sr/img/finansijskiplan za 2010% lat.pdf

RZZO – Republičkizavodzazdravstvenoosiguranje. (2010). *Statistički podaci.*Retrieved April 11, 2010, from http://www.rzzo.rs/index.php/baza-osiguranika-stat-menu

Satarić, N. Rašević, M., &Miloradović, S. (2009). *Oni ne mogu da čekaju -Studija o siromašnim starijim licima u Srbiji.* Beograd: Amity.

Vuković, D. (1999). *Socijalna sigurnost i socijalna prava – Uporedni pregled sistema.* Beograd: Savez društava socijalnih radnika Srbije.

Vuković, D. (1998). *Sistemi socijalne sigurnosti.* Beograd: Fakultet političkih nauka i Institut za političke studije – Centar za socijalnu politiku.

Vuković, D. (2005). *Socijalna sigurnost i socijalna prava.* Beograd: Univerzitet u Beogradu - Fakultet političkih nauka.

Vuković, D. (2009). *Socijalna sigurnost.* Beograd: Univerzitet u Beogradu - Fakultet političkih nauka.

World Bank, (2009). *Doing More with Less: Addressing the Fiscal Crisis by Increasing Public Sector Productivity*. Retrieved February 12, 2010, fromhttp://www.worldbank.rs/

Political Transformation and Socio-Economic Changes in Serbia

Slaviša Orlović

Political context of transition

Political transformation and socio-economic changes in Serbia to a significant level share the fate of other states in the region, however having their own specificities. Although the multiparty system in Serbia was established at the same time as in other Eastern European states, political changes and democratization in Serbia significantly differ. Among other things it facesthree sorts of challenges: 1. Serbia entered the transition as a part of the Federal Republic of Yugoslavia (FRY), attempting afterwards to preserve the State Union of Serbia and Montenegro with unsolved relations of these two republics; 2. Transition in Serbia has been unfolding under the pressure of the cooperation with The Hague Tribunal[226] and 3. The unsolved status of Kosovo and Metohia. Having these in mind, the transition in Serbia has been accompanied by the "unsurpassed legacy of the past". Besides, the experience of the NATO intervention makes Serbia different from other countries in the region. When speaking about the transition in Serbia, it is necessary to make a distinction between the period from the years 1990 to 2000, when Slobodan Milošević and the Socialist Party of Serbia (SPS, former communists) were in power, and the period after the political changes in Serbia and the replacement of Milošević on October 5th 2000 (the October 5th changes). This article pays particular attention to the two groups of main players – political parties and economy elites. Political parties are presented according to their programme orientations, but also according to the attention they had paid to economic-social issues at the time when some of them were in the government. Socio-economic changes in Serbia are analyzed through the process of privatization, through social reforms, reform of the pension system and changes on the labour market. The transition in Serbia led to certain changes in social stratification, and therefore to changes in value orientations, social structure of supporters of certain parties and the manner of their voting. At the end, the article points to other players that had important roles in the transition of Serbia, such as trade unions and civil society, as well as to the influence of international processes, the process of EU accessionabove all.

Serbia during the 1990s

Political changes in Serbia did not occur in 1989, the year symbolically taken to mark the destruction of the Berlin Wall and the "destruction of communism", but some ten years later. Serbia was pluralized during the 1990s, and significantly democratized after the year 2000. Slobodan Milošević came to power in the pre-pluralistic period, already in 1987 at the famous Eight Session of the CK SKS (September 23rd 1987).[227] The enthronement of Milošević, three years before the destruction of the Berlin Wall, bore consequences for the political transformation of Serbia. Once finding himself at the head of the Commu-

[226] International Criminal Tribunal for the former Yugoslavia (ICTY)

[227] This was the time of an inter-party conflict about a national issue. The epilogue of this conflict was the victory of national (nationalist) stream. A set of important political events marked this period: replacement of provincial state-party leaderships ("The Yogurt Revolution") of Vojvodina and Kosovo, change of the Constitution of Serbia and the constraint of rights of autonomous provinces. Numerous mass rallies in that period culminated with the Gazi-Mestan rally (June 28th, 1989). The birth of the national movement, with characteristics of populism and "plebiscitarian Caesarism" enthroned Slobodan Milošević as an absolute leader.

nist Alliance of Serbia (SKS), Milošević had an opportunity to use all resources and control the political agenda of the gradual pluralization of Serbia. Responding to the requests of the opposition that it is necessary first to have elections and then to pass a new Constitution, and referring to the dilemma "first the Constitution and then election, or first election and then the Constitution", Milošević passed the Constitution first. Thus he challenged the legitimacy of the Constitution, but he adjusted certain constitutional solutions to himself and his party, for example, the preservation of state ownership and introduction of semi-presidential system modelled on De Gaulle's in France. During the 1990s, the Socialist Party of Serbia (SPS) was "the dominant party". It was in power for the period 1990-2000 - after the first multiparty election (majority, two-round electoral system) independently, and then in coalition with some of the smaller partners (New Democracy, Serbian Radical Party and the Yugoslav Left). It should be kept in mind that the SPS was the party of continuity with the former party (SKS), with property and human resources inherited among other things. The support for this party was declining from one election to another, and it was forced to make ever bigger concessions to the coalition parties, with the help of which it obtained the assembly majority. Milošević's skill in the technology of rule was also assisted by the discord of opposition parties. Elections were accompanied by numerous irregularities, from manipulation of electoral lists to open electoral stealing at local elections in 1996 and in the presidential and federal election of 2000.[228]

During the 1990s, Serbia in many dimensions represented a destroyed society. This was due to long-lasting civil wars on the territories of the former SFRY, economic and political isolation of the country (the UN sanctions), economic crisis, hyperinflation, decrease of national income and general pauperization. Negative consequences of this wave reflected in the process of disintegration of Yugoslavia through civil wars (Slovenia 1991, Croatia 1992, Bosniaand Herzegovina 1993-1996). The implosion of communism was simultaneously accompanied by the explosion of nationalism. Nationalism was an incentive for war, whereas war was an additional generator of nationalism. The disintegration of the SFR Yugoslavia was an epilogue.

Serbia after 2000

The way in which the country transforms from the hands of authoritarian rulers to the hands of pro-democratic leaders has a significant influence on the quality and stability of democracy.[229] Political changes in Serbia in the year 2000 bone the elements of replacement and transformation of the regime. The replacement occurred upon election (2000), while the elements of transformation existed in negotiations between the old and new political elite. In Serbia, the change of the regime occurred through victory at a "surprise election" and defence of that victory by peaceful protests in the streets in front of the Federal Assembly building. A "surprise election" occurs when authoritarian leaders see that their legitimacy has started to decline, when they suffer increasing external and internal pressure, and when with an election they attempt to renew their legitimacy believing that in such a manner they will extend their rule. In such elections, votes have a character of protest, so that voting "against" is more present than voting "for". Milošević's term of office was to expire on June 23rd, 2001, and he called for an election to be held on September 24th, 2000,

[228] See, Goati (2001).

[229] Sodaro (2004, p. 210); Vukašin (2004, p. 273).

i.e. some eight months before the expiration of his term of office. Opposition parties united under the name of DOS (Democratic Opposition of Serbia, consisted of 18 parties and trade unions)[230]. Milošević called for an election on the president of the FRY and for the federal assembly. The attempt of the regime not to recognize the results of the election[231] only added fuel to the fire, which brought the citizens of Serbia to the streets in form of a mass protest and strike which culminated in a mass gathering in front of the Federal Assembly building on October 5th, 2000. It is estimated that some five hundred thousand to one million citizens from various parts of Serbia gathered in front of the Federal Assembly building. At first, the initial reaction of the police and army was the use of force and tear gas, but later the authorities and members of the security service refused to use force and Milošević was compelled to admit the defeat. The refusal to useforce, which was probably an estimation of who was going to be the winner, was later presented as an assistance of certain military and/or paramilitary structures to democratic forces. The cancellation of obedience to Milošević's regime was later used for preservation of obtained positions of security structures and "meritorious" combatants, who continued to disturb the democratization process. The culmination was the assassination of the Prime Minister of SerbiaZoran Đinđić in the year 2003. Considering that on September 24th 2000 the presidential election for the FRY president and parliamentary election for the FRY assembly were held, and as the seat of the governance is at the republic level, afterMilošević's electoral defeat there remainednegotiations about the republic government in Serbia, which resulted in the formation of transitional government.

Expectations of citizens after the political change were high, and therefore so were the disappointments. Democrats won, but not democracy. Adam Przeworski says that the fall of communism was an event unpredicted by anyone[232], while, as Beyme would put it, "all of a sudden everybody had known that since always"[233]. Changes in Serbia were carried out without discontinuity with the former regime and were accompanied with a liberal deficit which would reflect the dynamics and success of the reforms.

Political parties and economy elites as main players

Political parties are one of the main players permeating almost all political institutions and influencing their functioning and mutual relations, and also the political transformation and democratic consolidation of Serbia. Parties breathelife in to political institutions, but more often it seems like they are sucking the blood out of them. Modern democracy is unimaginable without political parties.[234] The starting point for analysis and research in this text is that parties are main players which significantly shape political institutions in Ser-

[230] Democratic Party, Democratic Party of Serbia, Democratic Alternative, New Serbia, Civil Alliance of Serbia, Christian Democratic ***Party of Serbia***, League of Vojvodina Social-Democrats, Social-Democratic Union, Alliance of Vojvodina Hungarians, Reform Democratic Party of Vojvodina, Sandzak Democratic Party, Coalition Vojvodina, Social Democracy, Movement for Democratic Serbia, League for Sumadija, New Democracy and Democratic Center. DOS was in that time supported by G17+ and Otpor.

[231] At the presidential election of September 24th, 2000 the DOS candidate defeated Slobodan Milošević. Vojislav Koštunica won 50.24% of votes, 2,470,304 versus 37.15% - 1,826,799 votes for Milošević. DOS also won the election for the federal parliament, winning 42.9% of votes and 53.7 % of seats versus 32.25 of votes and 40.7 % of seats for the SPS.

[232] Adam Przeworski: „This event which no one predicted in a few weeks opened a new world to millions of people in Eastern Europe" (1999, p. X).

[233] Von Beyme (2002, p. 7).

[234] Schattshneider: „modern democracy is unimaginable without political parties" (1942, p.1); Stokes, parties are „indivisible from democracy, an unavoidable part of democracy" (1999, p. 245); Aldrich, political parties lay in the heart of American politics" (1995, p. 5); Muler, Western Europeans from the West are assured that „European democracy is not only parliamentary democracy, but also party democracy" (2000, p. 309), according to, Richard, Montero, Linz (2002, p. 3).

bia, influence their work and dictate the dynamics and flow of democratization and at the same time being a potential obstacle.[235] However, the question is posed about who potentially influence parties, i.e. their leaders and oligarchic cores. It is assumed that the major influence is exercised by their financers. Certain parties in Serbia are members of European party families, however, this kind of membership does not entirely correspond to their programme contents and perception of voters.[236] The Democratic Party (DS) moved toward transformation from the position of "civil centre" toward social-democratic orientation. The DS defined itself as a "modern party of the civil centre" (DS Electoral Programme, 1992). The Programme of 1997 offers a more developed definition of the DS as a party of the centre, in the Programme of May 2001 the Party dis-ideologizes its position, while the Programme adopted in October 2001 entirely abandoned the ideological positioning of the Party. With admittance to the Socialist International, the Party turns toward social-democratization (The Electoral Programme of 2007). The DS was admitted to the Party of European Socialists (PES), the federation of social-democratic, socialist and labourist parties of the EU in the status of observer (December 2006). Although some parties did not change their formal programmes, one can observe a significantly higher presence of pro-European rhetoric in public appearances. The DS was an opposition party during the 1990s and had one of the key roles in political changes of 2000. After the political changes, it gave the Prime Minister of the first democratic government (the then president of the party, Zoran Đinđić, 2001), the majority of ministers in the Government formed in 2007 as well as the Prime Minister and the key departments in the Government of 2008. Also, the DS President (Boris Tadić) won the presidential elections of 2004 and 2008.

The Democratic Party of Serbia (DSS) shifted more clearly toward the group of populist parties. It could be characterized as conservatively-national. The DSS was admitted into the European People's Party (EPP), the federation of conservative, Christian-democratic and people's parties of the EU with the status of an associated member (June 2005). During the 1990s the DSS was an opposition party, and its president (Vojislav Koštunica) won the presidential election for the FRY president in 2000. Koštunica was also the Prime Minister of the Governments formed in 2004. and 2007.

The G17 plus, also belongs to this European family of parties (EPP), however, the programmes of these two parties differ significantly. For the DSS it can be said that they are social conservatives, whereas the G17 plus are more economic liberals. This party participated in all governments in Serbia after 2000, holding mostly the departments of economy and finance.

The Liberal Democratic Party (LDP) is a member of the European Liberals (European Liberal Democrats - ELDR). The LDP is one of young parties in Serbia and it has not participated in governance; however, it supports the European course of the Government formed in 2008. In the case of G17 plus and the LDP there is a sense of closeness to the liberal party family. The DSS, SPO, NS and PSS-BK, are closer to the conservative party family.

The Socialist Party of Serbia (SPS) has significantly changed its attitude toward the EU. At its 6th Congress this party formulated a goal – inclusion of Serbia (then FRY) to the EU, thus breaking up with its hitherto firm anti-European determination, however continuing to refuse cooperation with the Hague Tribunal (Declaration of the 6th Congress of the SPS, 2003). By entering a coalition with the Democratic Party in 2008, this party has

[235] On this, more details in: Slaviša Orlović (2008).
[236] Goati (2006, p. 48).

increasingly Europeanized and modernizesd itself as a party of the modern left. The SPS was the dominant party of the 1990s and created the axis of all governments in the period 1990-2000. After the political changes, in 2004 it first supported the minority government not participating in it, however it has participated in the Government since 2008.

At a time, the Serbian Radical Party (SRS) was the strongest individual party in the parliament of Serbia (2003- 82; 2007- 81 MPs). It has an extremely negative attitude toward the EU and the USA. The SRS is an extremely nationalist party, headed by Vojislav Šešelj, who is in custody in the Hague waiting for a verdict. The radicals have the characteristics of a populist party, attempting to combine nationalism and social demagogy, protecting interests of the losers in the transition (ethnosocialists). The radicals are the expression of protest, revolt and bitterness of voters against the post-Milošević political elite, but also the reaction against external pressures. The SRS maintains its positionof anti-Western and anti-European orientation. The SRS participated in the 1998 government with the SPS and the Yugoslav Left (JUL).

The Serbian Progressive Party (SNS) emerged from the split in the SRS in 2009. The then Deputy President of the SRS, Tomislav Nikolić and the Secretary General of the Party, Aleksandar Vučić, the two who actually led the SRS (not counting the leader of this Party, Vojislav Šešelj who is in custody in the Hague) made a turn, thus causing a significant re-composition of the political-party scene in Serbia. The SNS attempts to profile itself as a centre-right party, with a clearer European orientation; however it preserved the elements of nationalism in its action. As one of the youngest parties, it has not participated in governance under this name, but its leaders (Nikolić and Vučić) were in the government while in the SRS in 1998.

Elites are another important factor, the economic elite being the most important one. In the chaos of the collapse of socialism, those who occupied managerial positions in monopolistic, command-plan apparatuses in politics and economy managed the best. They simultaneously preserved their dominant position, postponed the transition and converted the economic wealth from social (state) treasuries to private ones. The atmosphere of civil war and sanctions favoured their illegal actions, grey economy and smuggling. According to a survey by Mladen Lazić, members of the old nomenclature, with their family and friends network, "in the beginning of the 1990s managed to grasp two thirds of elite entrepreneurial positions, which is more than in any post-socialist European country".[237] In the period when the majority of citizens of Serbia were suddenly impoverished, a narrow circle of people close to the regime rapidly got rich (through the control over state apparatuses – police, army, bureaucracy), doing business in the atmosphere of war and sanctions (trading with weapons, oil, cigarettes). Their enormous wealth shall lead to monopolies and jeopardize the process of democratic consolidation.

Changes of parties in the government and their commitment to social-economic issues

During the 1990s, political issues prevailed on the public scene and in electoral campaigns over the economic and social ones.[238] Slobodan Milošević pursued the policy of conservation of status quo with strong central-

[237] Lazić and Cvejić (2004).

[238] Pavlović and Antonić: „The character of political issues which dominated in Serbian politics of the 1990s was unsocial and noneconomic. The issues of state, national identity and pride made political parties address the voting body as a whole, rather than to address to stratums. Serbia during the 1990s was a country dominated by symbolic, and not distributive conflicts" (2007, p. 148).

ism. Although he mainatained social peace in the form of guaranteed jobs and other benefits, workers' positions actually deteriorated. Gross domestic product, where a declining trend had been recorded even before the introduction of sanctions,[239] started to decline, whereas the share of the agricultural sector increased in comparison with industry and gross domestic product. A tangible decline of employment was accompanied by the development of a black market to which a significant portion of the labour force was transferred, which together with the fictional preservation of jobs left a false impression that employment had not been reduced. The black market enabled an efficient income without tax payment. Non-payment or irregular payment of salaries, bankruptcy of large public companies, delays in payment or non-payment of social aid and pensions and poor functioning of health service during the 1990s forced a large part of the population to live in conditions of poverty and scarcity, misery and fear. Long-term shortages of basic products and goods and the consequential increase of their prices, which contributed grey economy, should be added to this picture as well. Under such circumstances, international aid was the most relevant form of assistance to the most impoverished segments of society, more important even than the assistance of national services.

After the political changes of 2000, the first democratic government in Serbia was formed on January 25th,2001, with Zoran Đinđić as the Prime Minister (Đinđić's Government, 2001-2003.). This was a coalition government, and by its composition it was a combination of political and expert government. The Prime Minister Zoran Đinđić stated as the strategic goal of the Government that "we should become a country of stable institutions and a highly qualified labour force, a society with a prevailing middle class, increased living standards and employment".[240] As the Government's priorities, he defined: general political stability in the region, regulation of relations between Serbia and Montenegro, suppression of terrorism in the south of Serbia and finding ways for coexistence in the southern Serbian province, a fight against crime and abuses from the last ten years. As a particular goal he stated that Serbiashould become a member of the European Union in 10 years at the latest.[241] Very shortly after its constitution, the new government was successful in opening the country.[242] The first transitional, reformative government, led by Đinđić had high public consumption, a high budgetary deficit caused by subsidies for unrentabile companies and for social programmes which accompanied the privatization process of 2002-2003. New owners in privatized enterprises were required to have a social programme for care for fired workers in the form of lay-off pay. The Labour Law of 2001 simplified the conditions for firing workers, but they were not absorbed by labour market. That was the "jobless economic recovery".[243] High public consumption and budgetary deficit amortized social dissatisfaction of classes mostly affected by the reforms.

[239] Sanctions of the UN Security Council against Serbia were introduced on May 30th, 1992.

[240] Expose by Zoran Đinđić, http://www.arhiva.srbija.gov.yu/cms/viev.php?id=2054 (June 18, 2007)

[241] Ibid

[242] After the period of international isolation, Serbia was admitted to the Stability Pact of South Eastern Europe and to the United Nations; its membership in OSCE was renewed and it became a member of the World Bank, World Trade Organization, International Monetary Fund. Meanwhile, the EU Council of Ministers rendered a decision on abolishment of sanctions against the FRY. Certain improvement was realized also in relations with Montenegro. After many months of negotiations and harmonization, in December 2002 the Constitutional Commission in Belgrade adopted the Constitutional Charter of the State Union of Serbia and Montenegro http://www.beograd.org.yu/cms/view.php?id=1277(June 2, 2007)

[243] Pavlović: "Although the economy of Serbia in the period 2001-2005 grew strongly, that growth was not the consequence of larger opening of jobs but of higher productivity. Out of the key determinants of growth potential – export, investments, home savings – only home savings started to show signs of recovery, and that only during the year 2004"(2006, p. 270).

The assassination of the Prime Minister of the Government of the Republic of Serbia Zoran Đinđić on March 12th 2003 was a huge loss for democratic Serbia and a step back in democratization and reforms.Zoran Živković from the DS became the new Prime Minister (Živković's Government, 2003-2004).Results and positive effects of this government are very modest. The promised economic development was missing, as was the increase of production, employment and better quality of life.The privatization process only increased the number of unemployed. Unlike the Prime Minister Đinđić who by his personal involvement and undeniable authority managed to lead the government and maintain its unity through numerous political challenges, his successor failed in this task. The conflict of Prime Minister Živković with G17 plus, which in the meantime from a group of experts became a political party, only accelerated the dissolution of the Government, with elections to be called for December 28th,2003.

The second democratic government, formed on March 3rd 2004, was minority by its character (the first Koštunica's Government, 2004-2007). It was composed of the DSS, G17+, SPO-NS with 109 MPs altogether, with support to the Government provided by the SPS with its 22 MPs. Vojislav Koštunica, the President of the DSS, became the Prime Minister, with Miroljub Labus (G17 plus) as Vice Prime Minister and 17 ministers. In his expose, the Mandatary, Koštunica, defined the problem of Kosovo and Metohia as one of the priorities,[244] together with the need for work on strengthening of the state union with Montenegro which should be made more functional. The issues of continuing with international integration, privatization, economic and institutional reforms were also a part of the plans of the new government, while it defined a three-month term for writing of the new Constitution of the Republic of Serbia. The Prime Minister Koštunica dwelled the shortest on the problem of cooperation with the Hague Tribunal, noting only that he pledged for a "two-way cooperation". The renewed cooperation with the Hague Tribunal from the beginning of 2005 was enough to provide the beginning of negotiations on association. A positive EU Feasibility Study was obtained on April 12th 2005, recommending opening of negotiations with Serbia and Montenegro on Stabilization and Association. The negotiations commenced on November 7th 2005 only to be interrupted in June 2006 due to the lack of cooperation with The Hague. The second reformative government (not counting Živković's government reconstructed after the assasination of the Prime Minister Đinđić) also took care of social peace. In his inaugual speech, the Prime Minister Vojislav Koštunica announced that "the reconstruction of large systems does not need to and must not necessarily mean the loss of jobs".[245] The second reformative government started to carry out the policy of reduction of public consumption while transforming the budgetary deficit into surplus. This was contributed by the IMF pressures, introduction of VAT, which increased the number of tax payers, and therefore the budget revenue. Also, this government started with reduction of the number of employees in public administration, army and partially in public enterprises. An improvement was recorded in relation to the facilitation ofbusiness start-up procedure.

From 2004, Boris Tadić (DS) was elected President of Serbia, so that Serbia in the period between 2004 and 2007 saw cohabitation, as the Prime Minister was from the DSS whereas the President of Serbia was from the DS. It is necessary to emphasize that in 2007

[244] Vojislava Koštunica's expose

[245] http://www.arhiva.srbija.sr.gov.yu/vesti/2004-03/02/343974.html

their parties constituted the ruling coalition in the same government, which forced them in to closer cooperation.

After the referendum in Montenegro of May 21st 2006, Serbia became an independent state. At the end of that year the new Constitution of Serbia was adopted, followed by a call for parliamentary elections which were held on January 21st 2007. After this election, the government was composed of the DS, DSS-NS and G17 plus (the second Koštunica Government, 2007-2008). Although the DSS had the Prime Minister, the majority of ministers were from the DS. On March 3rd 2007, the members of this coalition government agreed upon five programme principles that would represent the priorities of the new government. These were: preservation of Kosovo and Metohia within the composition of Serbia; acceleration of European integration, meaning the continuance of negotiations on stabilization and association to the EU; prompt fulfilment of international commitments of the country, i.e. taking of all measures to terminate the cooperation with The Hague in the shortest term possible; in economic policy: increase of employment, suppression of poverty, significant increase of direct investments and investments to infrastructure, completion of privatization and increase of living standard of all citizens; continuance and expansion of the fight against all forms of crime and corruption.[246] Due to a misunderstanding about the resolution that was to be adopted in the Assembly regarding the preservation of Kosovo and metohija within the Republic of Serbia, the Government fell. When asked why the Government fell, the President of the Republic and the Prime Minister gave two opposite answers. Vojislav Koštunica: "The Government of Serbia does not have a unique policy about Kosovo and Metohia anymore". Boris Tadić: "The Government of Serbia does not have a unique attitude about the European and economic perspective of Serbia and its citizens".

After the parliamentary election of 2008, the new government was formed, created from the Coalition for European Serbia (102) + Coalition SPS-PUPS-JS (20) + Hungarian Coalition - Pásztor István (4) + Bosniak List for European Sandžak Dr Sulejman Ugljanin (2) = 128 MPs (out of 250, the Government of Mirko Cvetković, 2008 -). Out of the mentioned parties, only the Hungarian Coalition was not a part of the Government. The key role in this government went to the DS. In a sense, this government could be characterized as a centre-left government (except for the G17 plus). In his expose, the Prime Minister indicated as the governmental priorities:[247] commitment to the European future of Serbia; non-acceptance of independence of AP of Kosovo and Metohia; necessity for strengthening the economy; strengthening of the social responsibility of the Government; enhancement of the fight against crime and corruption; and respect of international law. This government ratified the Serbia-EU Stabilization and Association Agreement, and the successes in European integration led to the liberalization of the visa regime (white Schengen) at the end of 2009 when Serbia applicated for the Candidature for the EU membership. In the economic sense, the Government put priority on alleviation of consequences of the 2009 world economic crisis.

Socio-economic changes in Serbia

"It is always risky to separate politics from its economic, social and cultural substrate."[248]

[246] Večernje Novosti, March 3rd (2007, p. 3).

[247] http://www.srbija.sr.gov.yu/pages/article.php?id=90297, (accessed on July 15th , 2008)

[248] Sartori (2003, p 113).

Changes in the socio-economic structure of Serbia shall be analyzed through changes of ownership structure, i.e. the process of privatization, changes in the field of economic relations, changes in social stratification (re-stratification) and their impact on and consequences on the manner of voting and influence on consolidation of democracy in Serbia. People's thoughts about politics to a significant measure depend on their social status. In Eastern Europe it was necessary to carry out changes in economic structure which unavoidably also changed the social profile of these states. As Sorensen emphasizes: "Three basic economic changes must happen for the economy to transform: 1. a closed economy must become integrated into the world market; 2. a centrally planned economy must become market oriented; and 3. social and state ownership must be transformed into private ownership".[249] Economic changes in Serbia were accompanied by all three dimensions. This unavoidably lead towards consequences in the form of "winners and losers" of the transition.

Privatization

Privatization is the basic element of economic structural reforms in societies in transition. In Serbia, revenues from privatization were mostly used for budgetary needs.[250] Privatization which had its impetus during the Đinđić's government was slowed down by the arrival of Koštunica in the position of Prime Minisster inthat 2004 was the poorest year from the aspect of the privatization process. During 2005, privatization had significant results, among other things, related to the fact that the best enterprises had been sold. In March 2005 the new Labour Law was adopted, bearing clear social messages both for workers and for future buyers. In the event of firing workers, new owners had to submit a programme for resolving the surplus workers in consultations with the national employment service and the representative trade union. This had a discouraging effect on future (foreign) investors and the competitiveness of the economy. The new Law on Privatization adopted in 2001 broke up with the hitherto workers' shareholding, with privatization of enterprises to be carried out through sale and free of charge transfer. Sale is done by tender (more valuable and successful enterprises) and auction (smaller enterprises), whereas free transfer was intended for citizens and employees of the enterprises under privatization. 70% of the capital (state or socially owned) is sold, while the remaining 30% are to be transferred to employees free of charge. Understanding that the requirements for social programme forced buyers to additional costs in the price of a company, and therefore to higher calculations, the state has since 2003 abolished the tender commitment for guaranteed employment of workers for the next 3-5 years and has taken over the care for social programmes in order to obtain higher revenues from sales. In that way it attempted to show and present that it cares both aboutdevelopment and workers. The statutory deadline for completion of privatization was April 2007, however, this process has not been completed. In Serbia until 2010 about thirty public enterprises remained non-privatized, among them the Electric Power Industry of Serbia *(Elektroprivreda Srbije, EPS)*, Serbia Gas Company *(Srbijagas)*, Yugoslav Airlines *(Jugoslovenski aerotransport, JAT*), Belgrade Airport, etc. During 2009 the Oil Industry of Serbia was privatized, by Russians who paid 400 million for 51% of its ownership. This business operation had both a political background and a relation to the foreign policy of Serbia. In a comprehensive picture, weaker enterprises had not been reconstructed, while subsidies to these enterprises

[249] Sorensen (1998, p. 54).
[250] Kontić (2007, p. 162).

meant the "purchase of social peace", thus "transforming the salary into pension".[251] In the process of economic transition from command to free market economy, privatization is very important. While in socialism the political elite defines the desired outcomes, in free market and private ownership economy individuals are the sole judges of their own goals.[252] In Serbia, abandoning of obtained monopolies and acceptance of essential competition, which is not introduced by opening of the market, has been procrastinated.[253] The policy pursuit in the previous period led to a non-existence of institutions that guarantee competition, and the absence of competition also conditioned the slower growth of the private sector. Monopolies are closely linked to the emergence of tycoons.[254]

Change of economic policy

After the political changes, the new government of Serbia commenced from the year 2001 with more serious reforms in the field of price liberalization, abolishment of control of foreign trade, privatization of socially owned enterprises, comprehensive fiscal reforms (including the introduction of a new taxation system), improvement of tax collection and budget consolidation, firm monetary policy, reform of banking and financial systems (with solution for the debt issue) etc.[255] Economic reforms led to a relative stabilization of growth of the gross domestic product (GDP), removal of certain macroeconomic disbalances, decrease of budgetary deficite, reduction of inflation, decline of interest rates in commercial banks, high growth of direct investments (which in the period 2002-2006 grew at average rate of 7.6% GDP, however being generally reduced to revenues from privatization), growth of export, increase of fixed investments and overall savings of population, state revenue and foreign exchange reserves. Economic growth registered in 2001-2008 was not accompanied by adequate opening of new jobs. However, this did not influence the dramatic movements of the transition losers. The reasons are hidden in the fact that reformative governments after 2000 led very cautious economic and social policy in order to amortize the difficult position of the losers, particularly the short-term ones. The structure of the Serbian economy, after the changes of 2000, suddently started to transform from hitherto prevailing agriculture and industry to an increasingly larger role of service sector.

Social reforms

For the sake of alleviation of consequences of transition and their amortization, significant attention after the political changes of 2000 has been paid to social reforms. The first important goal of social reform was an efficient management of public funds, in order foraid to reach as many beneficiaries as possible, as well as the stabilization and rationalization of the system. 2001 saw commencement of payment of accumulated and unsettled debts, first of all to families with dependant members (children, elderly, disabled, etc). A Large part of the funds was intended for refugee centres. After the wars in Bosnia and Herzegovina, Croatia and Kosovo and Metohia, Serbia accepted several waves of refugees or internally displaced persons. Estimations run to as many as 700,000. Financial support to public enterprises (e.g. losers) was

[251] Begović (2009, p. 73).
[252] Pejović, On the Privatization of „Stolen Goods" in Central and Eastern Europe, manuscript
[253] Gligorov (2007).
[254] For *nouveaux riches*, new economic magnates, various terms are being used. One is „oligarchs" – members of oligarchy, which is today defined as a „small clique of private persons exercising large influence to the government" (Collins Dictionary). The root is ancient Greek: oligos - little. Another term is *tycoon* that standardly mean "businessman of large fortune and large power" (Collins Dictionary).
[255] Pavlović (2007).

reduced, by abolishment of numerous subsidies which during the last 50 years were intact and which represented the basis for transformation of an enterprise into the source of rendering of social services. Certain innovations have been introduced after 2000 to the system of social aid and protection, thus in a way abandoning the model of functioning from the previous period. These innovations encompass: decentralization, development of alternative modes of assistance, and involvement of non-governmental organizatons to the sector of social aid. Special funds have been introduced within the project of social protection; these are the Fund for Financing of Associations of Disabled Persons (2002) and the Fund for Social Innovations (2003). With the assistance of these two funds more than 300 local projects have been started, thus shaping the policy of decentralization and reform of the social system. The first half of 2002 saw the start of the adoption of the set of laws and legislations,[256] which represented a certain improvement in understanding of social aid, as it is not anymore considered as a centralized network, but as rendering of social services in a large number of centres, with centres for social work and international NGOs being outstanding among them.

The world economic crisis reflected strongly on poverty, aggrevating the living standard of population, due to reduced salaries and employment and increase of unemployment, reduced foreign remittances, increase of living costs and more modest availability of credits and loans. In Serbia, the long-lasting trend of decrease of poverty stopped during the crisis, with a poverty rate increase in the first half of 2009 to 7.4% from to 6.1%.[257] Poverty, is, in spite of the crisis, at a lower level than recorded in 2006. The crisis influenced the increase of households-beneficiaries of the programmes for poor. The number of children – beneficiaries of child allowance continually declined, from almost 500 thousand in 2003 to 383 thousand in 2008. During 2009 the declining trend stopped. The number of beneficiaries of financial assistance after the statutory changes of 2005 significantly grew, however, the growth in 2009 was significantly higher than before. The increase of beneficiaries in 2008 was registered at the rate of 7.3% and at 9.3% in 2009, while the number of households that received monthly material provision reached 60 thousand.[258] The stated data shows that the Government of Serbia did not reduce payments for programmes of aid to the poorest households, in spite of difficulties to finance budgetary costs and long-term deficite in the time of crisis.

Reform of the pension system

Around the end of 2000 Serbia had 1.5 million pensioners. This number posed a huge challenge for the new administration.The problems with pension funds and payment of pensions emerged already in the mid-1980s, while the aggreviation of the situation was contributed by decrease of number of employees, avoiding of payment of contributions and ever larger economic dependance on the black market. Besides, during the 1990s, conditions for retirement became more liberal, yielding a significant increase of applications for retirement, which surpassed the financial capacities of the state. During the 1990s many illegal actions were taken for the sake of resolution of problems with payment of pensions, such were non-payment of all twelve pensions per year, payment of pensions in vouchers for electricity and devaluation of salaries through constant and general increase of prices of con-

[256] Law on Financial Support to Families with Children, Law on Amendments to the Law on Social Protection and Provision of Social Security to the Citizens and the Family Law

[257] Data of the Statistical Office of the Republic of Serbia, surveys on consumption of the population

[258] Matković (2009, p. 111).

sumer goods. After 2000, this problem was approached more seriously. That year the ratio was 1.26 employees to 1 pensioner. The system basically implied that pensions depend on income of workers, so that, for example, the unemployment rate directly influenced the height of pensioners' income.[259] This situation was the result of an aging population and consequental increase of number of pensioners. The fact is that this trend is not characteristic only for Serbia, but that more liberal conditions for retirement here created an additional problem. Another cause for the mentioned phenomenon is that average life span has prolonged, while the age limit for retirment remained unchanged. Dialogue with trade unions and pensioner associations started in 2001, as the system required the reform of the legal system. After a series of negotiations it was finally adopted that the retirment age is to be prolonged from 55 to 58 years of age for women and from 60 to 63 years of age for men. The minimum age limit was also increased by three years, to 53. Besides, indexing of pensions has been introduced on the basis of combining increase of workers' salaries and increase of living costs. Minimum pension has been guaranteed, amounting to 20% of average salary, instead of multiple pensions that depended on the length of work experience. The new Law which was passed in April 2003 established stronger links between height of salaries and paid contributions, attempting to make the system more fair and stimulative. In the government formed after the parliamentary election of May 11th 2008, Jovan Krkobabić, President of the Party of United Pensioners of Serbia (PUPS) was elected Deputy Prime Minister. The request of this party and the coalition within the frame of which it participated in the election (SPS-PUPS-JS) was for pensions to be gradually adjusted to the increase of salaries up to the level of 30% of the average salary in Serbia. In 2008 pensions increased twice, each time by 10%, to be followed by the decision on their freezing. This influenced the general level of costs for pensions under the conditions of reduced gross domestic product by 4% in 2009 and reduction of salaries and of overall employment by 7.5%.[260] To this we should add the data that the number of pensioners grew by 30 thousand, achieving the number of 1.6 million at the end of 2009. Having all this in mind, it can be said that pensioners did a bit better than other social classes.

Changes on the labour market

The beginning of economic transformation yielded a decrease of employment, i.e. increase of unemployment. Unemployment is at the same time both a social and political problem. Fired workers did not have othe ropportunities as there was no labour market. The number of employees between 1991 and 2000 decreased by 200,000. Precisely, from 2,200,000 to 2,000,000. The unemployment rate in Serbia is 20-30%, depending on the source (2006 -27.92%, 2007 – 26.83%, 2008 – 24.62%).[261] This aggrevation appeared, among other things, also because of the huge number of employees in Serbia in the sectors more or less dependant on the state budget. In 2006, 41% of employees depended more or less on the state budget.[262] Sectors which recorded the highest loss of jobs are the public sector and

[259] Such system is called *"pay-as-you-go"*. Workers and government contribute financing of pension system.

[260] Matković (2009, p. 103).

[261] National Employment Agency, National Bank of Serbia, Economist Intelligence Unit etc.

[262] Pavlović: „According to the IMF calculations for 2004, public sector employs 7% of employees in socially owned enterprises, socially owned enterprises about 11%, mixed property enterprise 13% whereas around 16% are on the state budget (IMF, 2005, p. 10). According to the estimation presented in the study on the national strategy of economic growth, in 2005 the overall number of employees in public social sector was 1.11 million, whereas in the same time the private sector (composed of private companies, entrepreneurs and farmers) employed 1.59 million. This means that in 2005 41% of employees were more or less dependent on the state budget" (2006, pp. 266-267).

socially owned enterprises, where employment declined by more than half a million. This contributed to the increase of employment in the private sector by more than 300,000 employees which nevertheless was insufficient to supplement the loss of jobs in public and social sector. In Serbia in the period 2000-2005, the number of employees in industry declined by 250,000 while the number of people working in non-industrial sectors increased by abt. 50,000. This decline is undoubtedly linked to the decline of domestic product, which unavoidably negatively reflected on the number of workers in production of consumer goods in public enterprises. On the contrary, the private sector established positive dynamics in opening new jobs. It is necessary to emphasize that on average the unemployed were out of work for more than a year. According to the survey on labour force of 1996, the average length of unemployment was 47.2 months; this figure was stated by more than 80% of unemployed.[263] This was influenced by permanent inflow of refugees, mostly Serbian, from Croatia, Bosnia and Herzegovina and Kosovo. The decrease of employment in public sector conditioned the blooming of the grey economy, which is the fact necessary to be taken into consideration in order to understand both the survival of the majority of citizens of Serbia and the creation of the greatest wealth in the country. Various analyses show that over 2,300,000 people in one way or another used the black market as the mode for earning, among other things because incomes were incomparably higher than in formal employment.

After 2000 it was necessary to carry out reforms of labour legislation, without which it would be hard to respond to requirements of the new economic era which Serbia was approaching. The new economic situation forced the Law on Labour Relations from 1996 to be replaced by a new legal document harmonized with requirements of transition toward a more liberal economy, and that was the Labour Law passed in 2001, followed by the adoption of the Employment Law in 2003. These laws were an integral part of public policy started by the government of Serbia for the sake of pursuing the following strategic goals: liberalization of labour market in order to make Serbia an atractive area for local and foreign investments; reduction of salary taxes and contributions for the sake of stimulation of new employment and departure from the black market; passing of attractive employment measures, with participation and support of the government; development of social programmes for those who lost their jobs. The achievement of these goals met, and still meets, obstacles in the form of balancing between increased flexiblity of the labour market, for Serbian economy to be more attractive for investments, and protection of employees' rights: dilemma which is the accompanying element of all transitions toward liberal economy. Estimations are that employment in 2009 amounted to 2.59 million.[264]

Changes in social stratification

Concentration of power at the top, which has its origin in economy and is linked to a political elite, is accompanied by the phenomenon of a new social class. Concentration of the economic elite is accompanied by an increase of social inequalities and a deeper social gap, when middle social classes lose political and economic ties with higher spheres of society. An unavoidable consequence of this situation is the dissappearance of a large middle class, which was created during Yugoslav socialism, and an emergence of an ever larger lower class, characterized by scarcity and lack of opportunities.

[263] Krstić and Stojanović (2001, p. 30).

[264] Data of the Republic Statistical Office, survey on labour, October 2009.

To this group we should add all those who emigrated for various reasons: due to war, unemployment, better professional offers abroad... (so-called "emigrants"). In the process of these social changes, strong patterns of stability are obvious in higher classes, which, although not so numerous, are protected by the newly established economic elite. On the contrary, former middle and lower classes are exposed to destabilizing patterns, such as the rapid aggrevation of quality of life, also the consequence of hyperinflation of the 1990s. This means that high instances of Serbian politics did not suffer such extreme changes as the lower classes. While the economic political elite inherited political dynamics from the past, the citizens faced uncertainty and fought with new enemies: unreliable social institutions, unemployment, limited movement, corruption and crime.

The elite recruited in socialism based its positions on command role in society as the ruling class of collective owners (nomenclature). During the post-socialist transformation, specific changes occurred in the patterns of recruitment of elites. The economic elite, mostly the directors of public enterprises, with assistance of political ties in state and party apparatus, carried out controlled privatization and transformed public (social) ownership into their private, by the simple sucking out and conversion of capital, i.e. by so-called tunelling. With the legalization of the market economy, Milošević's regime became an obstacle to their interests. The fact that almost two thirds of them then belonged to the nomenclature, while practically everybody else occupied the positions within middle classes, gives a clear insight into the continuity of personal composition of the economic elite in Serbia as a consequence of "blocked transformation".[265] Successors of this structure inherited entrepreneurial positions and higher class status, underlining, instead of socialist emphasis on workers and peasant origin, its (desirably) capitalist, higher social origin. With possession of individual capital, now the importance of party activism for recruitment into economic elite was reduced, however with an increased interest in financing of parties in order to ensure the survival of newly obtained capital of highly suspicious origin. Closing of economic and political elite against lower classes goes in parallel with increase of differences in material position between the bottom and the top of social pyramid.

The creation of the new class at the top of social pyramid was accompanied by restructuring of other social layers as well. This was contributed not only by the system transformation, but also by a rapid fall of domestic product and hyperinflation, together with civil wars, international sanctions and isolation of the country. The political changes of 2000 were followed by stabilization of the economy and, with external financial aid, growth of income and living standards of the population was registered. Numerous indicators speak about economic recovery, from the increase of gross domestic product, stopping of increase of poverty, reduction of inflation below 10%, revitalization of the banking system and the beginning of judicial reform. Accelerated privatization led to the expansion of small entrepreneurship whether the strenghtening of public sector and arrival of international organizations enabled stabilization and increase of income of middle class and its separation from the lower ones. These findings confirm that only one element of social status of the middle class was seriously jeopardized in Serbia during the 1990s, however, a very important one. That was its material position, however, only partialy in respect to financial income. Apart from that, members of urban middle class made an axis of street protests

[265] Lazić, Regrutovanje nove ekonomske i političke elite u Srbiji, Republika. Retrieved September 2007, fromhttp://www.republika.co.yu/tranzicija/03.html

during 1996/97 and the protest in 2000, which defended the electoral victory and replaced the regime in Serbia. In the opinion of Mladen Lazić, the actions of this social group were driven, among other things, by its interests, i.e. expectation that it will become one of the winners of the transformation process, which also happened in other post-socialist countries. After 2000, it turned out that such expectations were justified, as material position of the majority of middle class members had improved.[266] The problem is that this group in Serbia is an extreme minority (about ten percent) and that its members can be very sensitive to slowing down and postponing of reforms, which can lead to dissapointment in democratically oriented parties if it is estimated that they are to be blamed for the slowing of changes. This can lead them to apathy, thus creating an empty space "for repeated rise of populist ideologies" (Lazić, 2005). The middle class did not dissapear in such a measure as it was impoverished, but it primarily stopped to be a sort of intermedial layer between the top and the bottom. The coupling of political and economic elite broke ties toward the bottom, by closing into monopolies and monologues without an adequate "social dialogue".

The lower classes are comprised of routine clerks, qualified and non-qualified workers, peasants, unemployed, pensioners and the like, who inhabit smaller cities and villages. They were the axis of support to Milošević's regime. Mladen Lazić introduces objective and subjective factors to the complexity of that explanation. When speaking about objective factors, it is about redistributive and apparently egalitarian character of the "old regime", which for the members of this class meant the source of security (equality in poverty, no firing during the sanctions, etc). Subjective factors are widely spread authoritarian counciousness which characterizes the political culture of Serbia, and which features are unconditional and uncritical acceptance and celebration of political leaders. Dependance of lower classes from the state is a mutually wrong strategy.

The question is posed which factors in Serbia influenced social mobility.[267] Having in mind the division to open and closed stratification systems (those which leave little possibility for social mobility can be described as closed; those with relatively high level of social mobility are open), parties in Serbia made the stratification system relatively closed. For political careers both in the old and in the new regime, party membership was and remained the key issue. Former "moral-political eligibility" and today party membership and loyalty. Conversion of social status by having individual capital reduced the importance of party activism for recruitment into the economic elite. For liberals, private property and freedom of contracting are the basic precondition for social mobility. Ownership transformation undoubtedly influenced the changes in the social strucutre. Parties occupied numeours channels of vertical mobility and spread their presence to almost all segments of society, from political and economic to cultural ones. Party membership became an unavoidable factor for promotion in vari-

[266] Lazić (2005, p. 137).

[267] Anthony Giddens: „The expression 'social mobility' refers to movement of individuals and groups among different social-economic positions. Vertical mobility implies bottom-up or top-bottom movement along social-economic hierarchy. Those who obtain property, income or position are in upward mobility, while those who are moving the opposite direction are in downward mobility. Modern societies also recognize horizontal mobility, which refers to movement in geographic sense, from one part of the city to another, from one city to another, from one region to another. Vertical and horizontal mobility often appear simultaneously, for example, when somebody gets promoted and moves to a company branch located in another city of even in another country. There are two ways for analysis of social mobility. First, one can observe careers of individuals during their working life. This is usually called intra-generation mobility. Alternatively, one can analyse to which measure children chose the same occupation as their parents or their parents' parents. Mobility through generations is called inter-generation mobility" (Giddens, 2003, p. 306).

ous social activities, for prestigious lucrative appointments. Such logic of party membership, loyalty and trust, replaced the logic of well-known and recognized experts and their merits. The merit system has been replaced by spoil system ("patronage system").This undoubtedly leaves numerous harmful social consequences, from increase of consumption and reduction of productivity to reduction of development potential of the society. Unfortunately, human resource policy of the parties does not remain only in the field of political system, but is also spread to other sub-systems. For Srećko Mihajlović, among other things, "partocracy is the channel of social mobility which shortens the road in career building for ones, while for others, who do not have predispositions for successful career, it enables the career itself".[268]

Change of value orientation, social structure of party supporters and manner of voting

The consequence of political and social-economic transformation in Serbia was, on one hand, change in value orientation, while producing, on the other hand, winners and losers of the transition. According to Mladen Lazić, Serbia in the first decade of the new century, once again saw the constitution of "confusing value mixture, created from undifferentiated coupling of traditional and socialist value orientations, supplemented by unreflected elements of liberalism". Although that mixture of values spread across all social layers, in higher classes (winners of transition) more liberal values are present, while among lower classes (prevailed by losers) one mostly meets intertwined traditional and socialist values. Research by Mladen Lazić and Slobodan Cvejić showed that "members of middle layers mostly preserved their typical value orientations, such as modernism, openess toward the world, propensity toward market game, of course together with pro-democratic attitudes".[269] Majority presence of value orientations of nationalism, authoritarianship and traditionalism[270] confirms the inclination toward populist ideologies and toward those who build their programms and see their chance thereupon.

The question is posed what is the connection between the reluctance of transitional economy and support to the parties, i.e. what is the scope of "wallet-based" voting. The actual transition losers are the workers who lost their jobs due to the privatization process, broader layers of employees, and even pensioners, whereas the transition winners are represented by a narrow class of entrepreneurs, particularly those called tycoons. In a series of CESID surveys, according to the words of a member of this research team, generally taken, winners (somewhat less on personal, somewhat more on a social level) are oriented toward liberal-democratic parties, and particularly toward the Democratic Party.[271] These findings confirm what Herbert Kitchelt (1992) found on the material of other post-communist states already at the end of the 1980s: the winners support the parties of liberal-pro-market orientation, while the losers support authoritarian-non-market oriented parties.

On the other hand, losers are (somewhat less on personal, somewhat more on a social level) oriented toward social-nationalist parties, and particularly toward more extreme parties (SRS) The Serbian Radical Party (SRS) repositioned itself into a populist party protecting the interests of losers of the transition (ethno-socialists). After the split of the SRS, the Serbian Progres-

[268] Mihajlović (2006a, p. 157)

[269] Lazić (2005, p. 136)
[270] Lazić and Cvejić (2004, p. 59-67)
[271] Mihailović (2006b)

sive Party (SNS) sucked in the sympathizers of this orientation. The increase of social inequality and destruction of the old middle class is one of the structural explainations for mobilization of citizens' dissatisfaction. The Serbian Radical Party became an expression of protests, revolt and bitterness of voters against post-Milošević political elite, however voting for them is also the reaction to external pressures. Furthermore, those who both on a personal and social level are somewhere in the middle between the feeling of winning and losing, are primarily potential abstainers (around three fifths), while those electoraly oriented, when it is about social plans, are relatively equally divided between liberal-democratic and social-nationalist parties, between the Democratic Party and the Serbian Radical Party (since 2009 that is mostly the SNS).

Starting from the idea from a World Bank study about "double winners" and "double losers" we might say that in Serbia the process of approaching the EU shall also continue this wave which the best swimmers can survive. All in all, "the winners are: young generations that shall enjoy the benefits of integration while bearing only a part of costs, dynamic, flexible people of entrepreneurial spirit, highly educated in the fields related to the entry to the EU, those who know foreign languages, a part of public administration dealing with the EU, urban population, all consumers… Losers are more difficult to be identified as they, in case of fast and successful integration, shall be relative and not absolute losers. Absolute losers shall be the unskillful, immobile, unflexible population that does not speak foreign languages, farmers who give up their farm or job in the sector without compensation, as well as ethnic minorities which cannot cope with the process of integration, globalization and transformation".[272]

With its value system, the middle class gravitates toward political centre and avoids extreme left and right positions. Middle classes in stabile democracies and in former socialist countries significantly differ. While Western middle class is economically independent, middle class in socialism was to a significant measure dependant on the state. Both on the theoretical and empirical level it turns out that the claim according to which middle class represents an obstacle to democratic development is wrong because members of the middle class preserved their value system in spite of impoverishment.[273]

The role of other players in society: trade unions, civil society and international organizations

Trade unions in Serbia did not succeed in imposing themselves as strong social partners to the government, nor they are sufficiently representative in protection of interest of employees. It is not surpising that, in spite of the government's orientation towards market flexibility, some trade unions, for example, the Alliance of Independent Trade Unions of Serbia, resolutely opposed the measures started by the government, while others, for example UGS Nezavisnost, either took a moderate, or facile attitude, as did the Association of Free and Independent Trade Unions (ASNS).

Civil society in Serbia during the 1990s was "supressed" and "pressed". The second half of the 1990s confirms the consolidation of civil society. In spite of its weaknesses in the initial phases, civil society in Serbia made a significant contribution to maturing of citizens and buidling of democratic political culture. A network of independent media was established, gradually managing to destroy the propaganda machinery of the ruling party and offer another media

[272] Mihailović (2006b).

[273] Lazić (2000); Lazić and Cvejić (2004, pp. 39-68); Lazić (2005)

picture. The influence and contribution of civil society to the changes which occured after the election of September 24th 2000 and defence of the electoral victory of October 5th, can be confirmed in several ways: from motivation of first-time voters, through attempts for reduction of number of abstrainers at election, training and presence of a large number of controllers on voting polls and establishment of a more realistic media picture through the network of independent media, thus destorying the propaganda machinery of the ruling party, all to the concrete contributions in unification of opposition. In that way the civil sector filled in and replaced numerous weaknesses of opposition parties which caused the delay of changes. After 2000, a certain form of alliance or partnership was established in relation tocivil society – the state, in realization of joint programmes and projects, linked to the reform of economic and political system. A certain number of legal proposals came from the civil sector (laws on university, information, local self-governance, citizenship, non-governmental organizations, as well as some environemntal projects). The political changes of 2000 were followed by dwindling of enthusiasm, loss of energy, weakening of capacity of the civil sector. A part of the civil sector (non-governmental activists) was distributed to high positions.[274] International support which was characteristic for the second half of the 1990s reduced significantly. After 2000, projects were supported through governmental institutions, so that the Government of Serbia became "the biggest foreign mercenary".[275] A large number of NGOs yielded neither quality, nor principles of cooperation, i.e. they did not develop networking. Two nongovernmental organizations, G17+ and Otpor, formally transformed from the civil sector (expert group and NGO) to political parties.[276] Social resources or social capital of civil society in Serbia are insufficient and inadequate. Some of the weaknesses of the civil sector are: weak networking, absence of trust and competitions for donors. Linz and Stepan picturesquely spoke about theimportance which civil society has in the process of democratic transition and consolidation: "A robust civil society, with its capacity to yield political alternatives and control state and society, can assist the beginning of transition, help in resistance against returning to the old and in completion of the transition process, as well as to consolidation and deepening of democracy. In all phases of democratic process, therefore, an active and independent civil society is pricelessly useful".[277] The environment, the ambience in which the civil sector acted after 2000 was in many aspects relaxed, starting from more free public to a more democratic government which, if not assisting adequately, at least does not suffocate the civil sector. In the second half of 2009 the Law on Associations was adopted, contributing a lot to normative regulation

[274] Nongovernmental organization G17+, which economic part of the program was incorporated into the DOS programme, got high positions: Vice Prime Minister of the Federal Government, Governor of the National Bank of Yugoslavia, Minister of Finance in the Government of the Republic of Serbia, Assistant Minister of Foreign Affairs, Minister of Agriculture in the federal government, director of the Serbian State Company of Textbooks, "*Vreme*" No. 587; Jelica Minić, Secretary General of the European Movement became the Assistant Minister of Foreign Affairs, etc.

[275] Marija Kolin: „After the changes of 2000, donors shift from humanitarian aid to developmental projects which should assist economic recovery of the society, strategy of fight against poverty and in total – enhance social cohesion at the local level. Serbia renews its membership in international monetary organizations, while assistance projects are directed to reconstruction of macroeconomic stability and improvement of position of most endangered groups in order to reduce the social price of transition (Arandarenko, 2003). Apart from the World Bank as the biggest donor after 2000 a significant support comes from other international actors such are the European Union, UNDP and UN, while the programmes are directed to innovative and pilot programmes of support to economic and social changes (Kolin, 2005, p. 147).

[276] We announced this tendency in 2002 in the book Orlović Slaviša, Političke partije i moć, Jugoslovensko udruženje za političke nauke and Čigoja štampa(2002, p. 317).

[277] Linz and Stepan (1998, p. 24)

of associations of citizens. Civil society "as a non-exhaustable source of requirements addressed to the government" (Bobio) shall continue to play an important role of corrective factor which supplements the weaknesses of political actors (government and opposition), performs monitoring, produces alternative, but also raises democratic political culture.

Political and economic-social transformation in Serbia are to a significant measure influenced by the process of accession to the European Union. This reflects both in fulfillment of political and institutional criteria, and in harmonization of legal regulations *(aqui communitare)*. Independently from the social structure of symphatizers and party identification, politicians have a need for double legitimacy, bottom-down, toward citizens and upwards, before international players. There are mostly weak states in the Balkans, with-the international community having a strong role (protectorates). States, or small states, are called entities, souvereigns are high representatives or special envoyes, while the common expression for the teritory is – "in this region". Instead of being open, borders are hollow and identities are mixed. In relation to these challenges, the answer is not in isolation but in openess, cooperation and adjustment. The European Union encourages regional cooperation that is opposed to Balkanization.[278]. The Balkans at the same time was and has remained the synonime for "borderline position", "inter-position", cross-roads or bridge that divides East and West, Europe and Asia.[279] Bridge as a metaphore also connects different developmental phases. When speaking about Serbia, there is a direct interdependance of the processes of democratization and Europeanization. They both require conformity to certain standards and fulfillment of certain criteria. These proceses are, therefore, complementary. States that apply for membership in the EU, depending on the status and phase in that process, are monitored by the EU.[280] After ten years from the replacement of the old regime the outcome of democratization of Serbia is in the span "more than electoral, less than consolidated democracy".

A large role in stimulation of economic and institutional reforms in Serbia has in recent years been played by the International Monetary Fund (IMF) and the World Bank. The assistance was not only technical, but implied the linking of loans to reformative measures of the Government and the Assembly, through certain conditioning. Due to the consequences of the world economic crisis, the advantage was given to macroeconomic stability. Thus the IMF was softer in relation to reduction of administration and changes in pension system. In order to reduce its dependance on the IMF, the Government achieved agreements on loans with other countries (the EU, China, Russia).[281]

Conclusion

Instead of being accompanied by liberal values, the dissolution of communism was accompanied by national mobilization as a specific form of collectivism. In an apparantly non-conflict and egalitarian society, citizens were accustomed to social security, justice and equality. If for the 1990s it can be said that the public scene and electoral campaigns were dominated by political rather than economic and social issues, after 2000 focus gradually shifted to economic-social topics. Although the first reformative government

[278] Todorova: "`Balkanization` denominated not only fragmentation of large and strong political units, but it also became a synonym for return to tribal, obsolete, primitive and barbarian" (1999, p. 15).
[279] Todorova (1999,p. 37)
[280] On this in Slaviša Orlović(2007)
[281] Mijatović (2009,p. 13)

(Đinđić's one) had a somewhat more liberal course, all post-Milošević governments cared about the alleviation of the burden of transition and relaxation of losers. In an economic sense, transition from the 1990s to the 2000s was a bit milder as citizens were already partly accustomed to the market and prepared for the transition. Mild growth of employment after 2000, although maybe not sufficient for citizens to feel improvement of living standards, was yet sufficient to prevent sudden impoverishment of the population that would lead to social revolt. Reformative governments in Serbia after 2000 as well as other reformative governments of Central and Eastern Europe during the 1990s cared social programmes and habits of citizens formed in the time of communism, but economic reforms, market economy and privatization have not been completed. As Boško Mijatović stresses: "Observed in a somewhat classical coordinating system, Serbian transition by now has mostly been a combination of prevailingly liberal economic reforms and social-democratic social policy, which certainly is not the worst combination that can be imagined".[282] Serbia was not bypassed by a global debate and challenges imposed to the societies in transition. Questions were posed to what advantage should be given or how to establish balance between security and risk, regulation and deregulation, etatism and market, between "bureaucratic grasp of the state" (Ralf Darendorf) and a market-regulated society, i.e. self-regulated society. That is an attempt to combine competitiveness, creation of wealth assisted by economic growth and increase of production, on one hand, and solidarity, social justice and social cohesion, on another one. In other words, as Klaus Offe notices, "the very essence of democratic policy is represented by the question to what measure market outcome must be accepted (in the name of efficiency) or corrected (in the name of equality and justice)".[283] According to Ronald Inglehart, "the balance between rich and poor can be established only by strong intervention of the state".[284] Economic liberals do not trust in social justice, socialists do not trust in the market. Referring to difficulties of "self-sufficiency of the market", Juan Linz and Alfred Stepan state three reasons: first, a market needs a certain level of state regulation (provisions on companies, regulation of stock exchange, standards for measuring units, weight and quality, together with the measures for protection of property, both public and private); secondly, even in the best markets it must be intervened in order to enable them to continue to function well.[285] And the third reason derives from demoratic free competition about priorities and policy of the government, but without a policy which positively acts in the field of public goods, education, health care and traffic, as well as in the system of alleviation of negative consequences of market disturbances for citizens and removal of large inequalities, neither the democracy itself could sustain. According to Linz and Stepan, democratic consolidation requires efficient and strong state.

Some pecularities of the transition in Serbia are also characteristic for other states in the region. First, the concept of a weak state is a strategic decision and behaviour of elites which are united in the ever-lasting project of grabbing from the state. Secondly, in the process of transformation of society, the public and particularly the political scene is per-

[282] Mijatović (2005, p. 23)

[283] Ofe (1999, p. 11)

[284] Inglehart(1990, p. 270)

[285] Linz and Stepan: „Even an Adam Smit who speaks about an invisible arm of the market recognizes the need for the state to perform at least three functions: 1) commitment to protection of society against violence and invasion of other independent societies; 2) commitment to protection of individuals from injustice and maltreatment; and finally 3) duty of engagement in public works and formation of institutions, which otherwise individuals or small groups have no interest to realize"(1998, p. 28).

ceived as the place of inappropriate, unfair and unequal redistribution and personal enrichment, and not as the place of care and provision of public good. Thirdly, inspite of criticism addressed to (neo)liberals,[286] they never governed Balkan states, but these states nevertheless ended up financially ruined.[287] Considering an unequal burden, first of all of economic dimensions of reforms, the influence of antiliberal and anti-western ideas occassionally pervades. Fourthly, Serbia has never achieved an enviable level of long-term political consensus linked to fundamental economic transformation, privatization and market economy, integration into the European Union, but these issues were more an occassion for polarization of the society. Fifthly, although almost all governments both during the 1990s (no firing during the sanctions) and after 2000 cared about those mostly affected by the reforms, an inavoidable outcome was nevertheless the creation of winners and losers. The increase of social unequality and destruction of the old middle class are one of the structural explanations for mobilization of citizens, and therefore favourable to populistically oriented parties. The highest resistance to the reforms did not come from the part of the losers, but from the winners of the initial opening of the economy. These are businessmen, members of the old elite – who in the first wave of reforms managed to obtain large fortunes in the initial opening of the economy. Winners have motives to prevent reforms in order to preserve their wealth and obtained advantages, whereas the losers have less reasons to resist reforms as they have already become losers so they could only benefit from the exit from such a situation.

[286] An impression is gained that in using the term "neoliberals" it can be determined that the one who is using that word is not himself on the same position, but somewhat more left, while those who classify themselves under that term rather call themselves "libertarians".

[287] Krastev (2004, p. 30)

Documentary Annex

Election periods	Date of election	Election results (seats and turnout)	Parties forming the Government	Opposition parties	Main perceptions and attituteds towards socialissues and policies inthe political arena	Main welfare policies undertaken during that government period
1990-1992	1990. 9. december, first runand 3. december, second run	SPS: 194 (77,6%) SPO: 19 (7,6%) DS: 7 (2,8%) DZVM: 7 (3,2%) SDA: 3 (1,2%) Others: 19 (7,6%) Turnout: 71,5 %	SPS	SPO, DS, DZVM, SDA	Political issues prevailed on the public scene over the economic and social ones, process of disintegration of Yugoslavia through civil wars	Policy of conservation of status quo, no serious welfare reform undertaken
1992-1993	December 20, 1992	SPS: 101 (40,4%) SRS: 73 (29,2%) Coalition DEPOS:50 (20,0%) DS: 6 (2,4%) DZVM: 9 (3,6%) Others: 11 (4,4%) Turnout: 69,7 %	SPS	SRS, SPO, DS, DZVM	Economic and political isolation of the country (UN sanctions), economic crisis, hyperinflation, decrease of national income and general pauperization	Mainatained social peace in the form of guaranteed jobs (sanctions of the UN), development of black market
1993-1997	December 19, 1993	SPS: 123 (49,2%) Coalition DEPOS: 45 (18%) SRS: 39 (15,6%) DS: 29 (11,6%) DSS: 7 (2,8%) Others: 7 (2,8) Turnout: 61,6	SPS + ND (from Coalition DEPOS)	SRS, SPO, DS, DSS	Tangible decline of employment, the black market enabled an efficient income without tax payment. Non-payment or irregular payment of salaries, bankruptcy of large public companies	Delays in payment or non-payment of social aid and pensions and poor functioning of health service

1997-2000	September 21, 1997	Coalition SPS-JUL-ND: 110 (44%) SRS: 82 (32,80%) SPO: 45 (18%) Others: 13 (5,2%) Turnout: 57,4 %	SPS-JUL-SRS	SPO, DS, DSS	A large part of population live in conditions of poverty and scarcity, misery and fear	International aid, more important even than the assistance of national services
2000-2003	December 23, 2000	Coalition DOS: 176 (70,4%) SPS: 37 (14,8%) SRS: 23 (9,2%) SSJ: 14 (5,6%) Others: 0% Turnout: 57,72 %	CoalitionDOS		Political stability in the region, regulation of relations between Serbiaand Montenegro, fight against crime and abuses from the last ten years, high public consumption, high budgetary deficit caused by subsidies for unrentable companies and for social programmes which accompanied the privatization process of 2002-2003	Efficient management of public funds, large part was intended for refugee centres: Innovations encompass: decentralization, development of alternative modes of assistance, and involvement of non-governmental organizatons to the sector of social aid. Pensions depend on income of workers
2003-2007	December 28, 2003	SRS: 82 (32.8%) DSS: 53 (21.2%) DS: 37 (14.8%) G17 plus: 34 (13.6%) Coalition SPO-NS: 22 (8.8%) SPS: 22 (8.8%) Others: 0% Turnout:75%	DSS + SPO-NS+G17 plus	SRS, SPS	Government started to carry out the policy of reduction of public consumption while transforming the budgetary deficit into surplus. This was due to IMF pressures, introduction of VAT, which increased the number of tax payers, and therefore the budget revenue. Government started with reduction of the number of employees in public administration, army and partially in public enterprises	Illegal actions were taken for the sake of resolution of problems with payment of pensions, such were non-payment of all twelve pensions per year, payment of pensions in vouchers for electricity and devalvation of salaries through constant and general increases of prices of consumer goods
2007-2008	January 21, 2007	SRS: 81 (32,4%) DS: 64 (25,6%) Coalition DSS-NS: 47 (18,8%) G17 plus: 19 (7,6%) SPS: 16 (6,4%) LDP: 15 (6%) Others: 8 (3.2%) Turnout:60.62%	DS+DSS-NS+G17 plus	SRS, LDP	Increase of employment, suppression of poverty, significant increase of direct investments and investments to infrastructure, completion of privatization and increase of living standards for all citizens; continuance and expansion of fight against all forms of crime and corruption	Due to misunderstanding about the resolution that was to be adopted in the Assembly regarding conditioning of European integration by remaining of Kosovo and Metohia in the composition of Serbia, the Government fell.
2008-	May 11, 2008 and some repeated votingin places on May 18, 2008	Coalition ZES (DS, G17 plus,..): 102 (40%) SRS:78 (31,2%) DSS: 30 (12%) Coalition SPS-PUPS-JS: 20 (8%) LDP: 13 (5,2%) Others: 7 (2,8%) Turnout:61,35	Coalition ZES (DS, G17 plus,..)+ Coalition SPS-PUPS-JS	SRS, DSS-NS, LDP	The crisis strongly reflected on poverty, aggrevating the living standards of the population, due to reduced salaries and increasedunem-ployment, reduced foreign remittances, increase of living costs and more modest availability of credits and loans. Long-lasting trend of decrease of poverty stopped during the crisis	Strengthening of social responsibility of the Government; enhancement of fight against crime and corruption. The Government did not reduce payments for programmes of aid to the poorest households, in spite of difficulties to finance budgetary costs and long-term deficite in the time of crisis

List of abbreviations

DOS	Democratic Opposition of Serbia
DS	Democratic Party
DSS	Democratic Party of Serbia
G17	G17 Plus
SPO	Serbian Renewal Movement
SPS	Socialist Party of Serbia
SRS	Serbian Radical Party
PSS	Strength of Serbia Movement
NS	New Serbia
SDP	Social Democratic Party
LDP	Liberal Democratic Party
SSJ	Party of Serbian Unity
DHSS	Christian Democratic Party of Serbia
SVM	Alliance of Vojvodina Hungarians
GSS	Civil Alliance of Serbia
LSV	League ofSocial Democrats of Vojvodina
JUL	Yugoslav Left
ND	New Democracy
JS	United Serbia
PUPS	Party of United Pensioners of Serbia
SNS	Serbian Progressive Party
SDP	Sandzak Democratic Party
PES	Party of European Socialists
EPP	European People's Party
FRY	Federal Republic of Yugoslavia
GDP	Gross Domestic Product
ZES	Coalition for European Serbia

List of references

Von Beyme, K. (2002).*Transformacija političkih stranaka*, FPN, Zagreb.

Begović, B. (2009). Realni sektor, in: *Institucionalne reforme u Srbiji 2009. godine*. Centar za liberalno-demokratske studije, Belgrade.

Gidens, E. (2003). *Sociologija*. Ekonomski fakultet, Belgrade.

Gligorov, V. (2007).*Moderna ekonomija*. Ekonomski program koalicije LDP-GSS-SDU-LSVBelgrade

Gunther,R., Montero, J.R.,& Linz, J. (2002).*Political Parties, Old Concept and New Challenges.* Oxford University Press.

Goati, V. (2001).*Izbori u SRJ od 1990 do 1998 - Volja građana ili izborna manipulacija, second edition with the supplement Izbori 2000*. Centar za slobodne izbore i demokratiju, Belgrade.

Goati, V. (2006).*Partijske borbe u Srbiji u postpetooktobarskom razdoblju*. Institut društvenih nauka and Fredrich Ebert Stiftung, Belgrade.

Inglehart, R. (1990).From Class-based to Value-based Politics.In*The West European Party System*, edited by Peter Mair, Oxford University Press.

Krstić, G., &Stojanović, B. (2001).*Osnovne reforme tržišta rada u Srbiji*. CLDS and Ekonomski institut.

Kontić, L. (2007*).*Privatizacija.In *Srbija 2000-2006, država, društvo, privreda,* Editor, Miša Đurković, Institut za evropske studije, Belgrade.

Kolin, M.(2005).*Neprofitne organizacijenovi socijalni partneri*. Argument, Belgrade.

Krastev, I. (2004). Zamka nefleksibilnosti, Frustrirana društva, slabe države i demokratija, Program za razvoj ujedinjenih nacija, Beogradski fond za političku izuzetnost, Belgrade, (UNDP Issue Papers, The Inflexibility Trap: Frustrated Societies, Weak States and Democracy).

Lazić, M.,&Cvejić, S. (2004). Promene društvene strukture u Srbiji: Slučaj blokirane postsocijalističke transformacije. In *Društvena transformacija i strategije društvenih grupa: Svakodnevica Srbije na početku trećeg milenijuma*, Edited by Anđelka Milić, Institut za sociološka istraživanja Filozofskog fakulteta u Beogradu, Belgrade.

Lazić, M. Regrutovanje nove ekonomske i političke elite u Srbiji, Republika, http://www.republika.co.yu/tranzicija/03.html (accessed in September 2007)

Lazić, M. (2005).*Promene i otpori, Srbija u transformacijskim procesima*. Filip Višnjić, Belgrade.

Lazić, M.(2000). Račji hod. Filip Višnjić. Belgrade.

Linz, H., &Stepan, A. (1998).*Demokratska tranzicija i konsolidacija*- „Filip Višnjić", Belgrade.

Matković, G. (2009).Penzije i socijalna zaštita siromašnih. In *Institucionalne reforme u Srbiji 2009. godine*. Centar za liberalno-demokratske studije, Belgrade.

Mihajlović, S. (2006a). Partokratija u Srbiji, opet! In *Kako do boljeg izbornog sistema*, edited by Srećko Mihajlović, Socijaldemokratski klub i Centar za slobodne izbore i demokratiju, Belgrade.

Mihailović, S. (2006).*Gubitnici i dobitnici tranzicije u Srbiji.* Republika June 1 – July 31.

Mijatović, B. (2005). Opšti pregled tranzicije u Srbiji.In *Četiri godine tranzicije u Srbiji*, group of authors, Centar za liberalno demokratske studije, Belgrade.

Mijatović, B. (2009). Opšti pogled na institucionaslne reforme.In*Institucionalne reforme u Srbiji 2009. godine*. Centar za liberalno-demokratske studije, Belgrade.

Orlović, S. (2008).*Politički život Srbije, između partokratije i demokratije*. Službeni glasnik, Belgrade.

Orlović, S. (2002). Političke partije i moć, Jugoslovensko udruženje za političke nauke and Čigoja štampa, Belgrade.

Orlović, S. (2007). Europeanisation and Democratization of Parties and Party System of Serbia. In *Politics in Central Europe* (PCE),The Journal of the Central European Political Science Association, a special issue on Democratisation and Europeanisation of Political Parties in Central and South-Eastern Europe, Vol. 3, Number 1+2, 2007.

Ofe, K. (1999). *Modernost i država*. Filip Višnjić, Belgrade.

Przeworski, A. (1999).*Democracy and Marcet, Political and Economic Reforms in Eastern Europe and Latin America*. Cambridge University Pres, Cambridge, New York.

Pavlović, D. (2006).*Socijalna cena tranzicije*.Sociološki pregled, vol. XXXX (2006), no. 2.

Pavlović, D. (2007). Srbija, text for the Enciklopedija demokratije, (manuscript).

Pavlović, D., &Antonić, S. (2007). *Konsolidacija demokratskih ustanova u Srbiji posle 2000. godine*. Službeni glasnik, Belgrade.

Pavlović, V.(2004). Civilno društvo i demokratija, Udruženje za političke nauke Srbije i Crne Gore, Čigoja štampa, Građanske inicijative, Fakultet političkih nauka, Belgrade.

Pejović, S. On the Privatization of „Stolen Goods" in Central and Eastern Europe, manuscript.

Sartori, Đ. (2003).*Uporedni ustavni inžinjering*. Filip Višnjić, Belgrade.

Sorensen, G. (1998).*Democracy and Democratization, Process and prospects in a Changing World*. Westview Press, A Member of Perseus Books, L.L.C.

Sodaro, M. J. (2004).*Comparative Politics, A Global Introduction*. McGraw-Hill, New York.

Todorova, M. (1999). *Imaginarni Balkan*. Belgrade: Biblioteka XX vek.

Welfare States in Transition: the Development of the Welfare System in Slovenia[288]

Zinka Kolarič,
Anja Kopač Mrak,
Tatjana Rakar

Introduction

Through the specific circumstances of the development of former socialist societies a special type of welfare system evolved – a state-socialist welfare system, in which the state had a dominant role. The state was the owner, financer and controller of all institutions and organisations that provided services or paid for provision of social protection and welfare of its citizens. The means and services ensured by the state, together with those that were (by law) provided by enterprises for their employees, were not sufficient to satisfy all the needs of individuals. Therefore, informal social networks, mainly kinship, carried a large burden when it came to providing social protection and welfare to their members. Citizens had few opportunities to ensure means and services from, from the civil society (private, non-profit voluntary organisations) and the market (private, for-profit organisations). The role of private, non-profit voluntary organisations was weak because of certain formal obstacles that citizens' organisations faced, and most of all due to limitations of the social/charitable role of the Church.[289] In the sphere of service provision, neither the market nor social insurance formally existed. Furthermore, the intention to dismantle the market in general, including the labour market, was embedded in the whole system. Thus the system was based on a silent partnership between the working class and the ruling Communist party nomenclature (Županov in Svetlik, 1992), which assured the working class a lifelong employment and the resultant social protection in exchange for political legitimacy. Such circumstances did not differ considerably from those obtained when Bismarck introduced the social insurance system, hence it is not very surprising that Bismarckian principles, the contributory principle and the equity principle, were introduced into social protection systems.

The structural pattern we have described was introduced in all former socialist societies, although there were major differences in the level of development of individual structural elements, i.e. the public/state sector, and also in the potential of the informal sector and non-profit or voluntary organisations and associations. These differences were not only conditioned by differences at the level of economic development of individual societies, but also by cultural and religious differences, as well as by the character of social policy measures with which the state regulated the development of individual sectors and their interrelations.

A short history of the Slovene welfare system

In Slovenia, or former Yugoslavia, we can identify three phases in the development of social policy (Kolarič, 1992, pp. 15- 8):

[288] Parts of this chapter were previously published. See Kolarič, Z., Kopač, A., Rakar, T. (2009, pp. 444-461). The Slovene welfare system: gradual reform instead of shock treatment. In: Schubert, K. (ed.), Hegelich, S. (ed.), Bazant, U. (ed.). *The handbook of European welfare systems*. London; New York: Routledge.

[289] In the framework of socialist welfare system, the Church was formally not allowed to engage in social activities or to set up its own organisations. However, this does not mean that this did not occur. During the whole period, the Church and especially orders of nuns were "publicly invisibly" taking care of children, helping the ill, elderly and handicapped, running shelters for the homeless and abandoned, usually in close cooperation with social work centres in local environments. In parishes, there were numerous activities run by lay persons from which self-help and mutual aid groups were formed (Kolarič 1994, p. 147).

In the first phase, up to the mid-1950s, social policy decisions were made within the state-Communist party summit on federal state level. These were to provide a collective system of social protection with a uniform system of compulsory social insurance (in cases of disability, old age and sickness), free education, and the state taking over some functions of the family (by establishing crčches, kindergartens, dormitories for pupils and students, school canteens and children's holiday resorts, etc.).

In the second phase, up to the end of the 1960s, the republics' administrators made and implemented social policy decisions. Primarily, they developed and modernised public institutions and organisations in the public or state sector. The basis for this development and modernisation were high levels of economic development, as well as deliberately collected and distributed financial means according to different fields (health care, education, social security etc.).

In the third phase, in the 1970s and 1980s, social policy decisions were made and implemented at municipality level and within enterprises. These decisions were aimed at developing "local self-sufficiency", or creating a dense network of public institutions in local environments. At the same time, individual social policy decisions increased the ability of families to take care of their members (child allowances), as well as developing voluntary organisations and associations (the 1974 law on associations).

The result of this development was the formation of a specific structure of the Slovene welfare system. It was a "tripartite system", with the following constitutive elements (Kolarič, 1992, pp. 19-20):

1. The primary sector of the Slovene welfare system comprised a well-developed and regionally dispersed network of public/state organizations and institutions, with formally organised and professionalized provision of services, includingdistribution of financial compensation (pensions, disability, illness and unemployment) and financial assistance. Moreover, an important segment of this primary sector was a formally organised and professionalized provision of numerous services within enterprises (hot meals, recreation, holidays, child care and health care, education and training etc. for the employed).
2. All services that were not provided, or insufficiently provided by the primary public sector had to be provided through self-help and mutual aid by members of families, kinship networks, neighbourhoods, circles of friends etc. This was voluntary and unpaid provision of services within the informal sector, which the state, with its social policy measures, ignored.
3. Intermediate between the two basic structural elements of the welfare system – the public/state, and the informal sector – there was a partly formalised and partly informal, partly professional and partly non-professional, partly paid and partly unpaid, partly legal and partly illegal provision of services. More precisely: in connection with the public/state sector, there was the persistent 'grey' provision of all types of services by individuals employed in public institutions and organisations, who offered services to users for direct payment. This provision of services was illegal, but tolerated by the authorities, since it compensated for shortcomings in the public sector.

In financial terms the functioning of the central structural element of the tripartite welfare system the network of public/state organisations, was based on compulsory payment of contributions by employees and enterprises. They paid contributions not only for all four types of risks -disability, old age, sick-

ness and unemployment (from the 1970s onward) - but also for education, child care, care for the elderly, care for persons with special needs etc. These contributions were earnings-related, while services and benefits were distributed to rightful claimants partly based on the "Bismarckian equity principle", and partly based on the "Beveridgeian universal principle". Funds were raised by special institutions; in the second half of the 1970s and in the 1980s these institutions were self-managing communities of interest, organised at national and local levels for individual fields (education, health care, social services etc.). These institutions were the framework for the realisation of interests for both, service providers and users of services. Cash benefits (transfers) were paid from their budgets to eligible claimants (individuals and families), and (as a rule) annual grants were made to voluntary organisations and associations. These financial means were not very high, however, they enabled basic functioning of organisations and associations and they served as an instrument of state control (via annual reports).

Current Slovene welfare system

An important fact regarding the development of the Slovene welfare system during the transition period in the 90s is that, contrary to some other post-socialist countries, Slovenia did not experience a so called "welfare gap", since the transition from socialism to capitalism in socio-economic terms was rather smooth, shown also by the main socio-economic indicators (see Table in the Appendix). Hence, contrary to some other post-socialist governments, which also, as a consequence of economic crisis, introduced welfare reforms predominantly in a form of a "shock therapy", the Slovene political elite decided to introduce gradual reforms in individual social policy fields.

However, at present we are going through a process of more significant changes, mainly towards adjusting social insurance systems according to the ageing society and unfavourable economic trends. Changes in the labour market are also very important and are developing towards flexicurity, which tries to be assured by a greater role of active labour market policies with an emphasis on life-long learning and attempts of balancing labour market.

The developments in individual policy fields in the period of the last two decades were the following:

In the field of disability and old age pension policy, which is based on a compulsory insurance system for disability and old age, the first reform (1992) introduced minor changes within the existing system. With the second reform in 1999, a three-pillar system was introduced, where the second and the third pillar represent only a complement, and not a substitute for the first pillar (compulsory insurance). Currently there is an ongoing pension reform with the main goal being to ensure financial sustainability of the pension system in the context of ageing society.

In the health care, based on compulsory insurance in case of illness, a privatisation of health care services was initiated, and a supplementary private insurance within for-profit insurance agencies was introduced. The government is now preparing a comprehensive reform of the health care insurance system. Supplementary insurance will be transformed into a compulsory insurance, based on new package of rights and payments and it will be set up the same way as the compulsory insurance, meaning they will be earnings related.

In the field of employment policy and provision of social protection for unemployed persons, there was a shift from a passive employment policy based on the rights deriving from compulsory insurance against the risk of unemployment, towards an active employ-

ment policy. The principle of activation was carefully used, above all for unemployed persons and also for others entitled to social assistance. This year a comprehensive reform in the field of social protection was adopted, which introduced a new definition of minimal level of social security, unified entry point in the social assistance system and unified supervision of all forms of social assistance received by an individual.

In the field of family policy, some positive measures were introduced (for example, paternity leave, additional family benefits) that should have contributed to an easier reconciliation of work and family life. This reconciliation has a long tradition in Slovenia, due to the high level of employment among women and is not tied only to the post-socialist period.

A truly paradigmatic shift happened at the beginning of the 1990s only in the field of housing policy. The entire social/public/state housing sector was transformed into a private sector, and the state has only recently created the conditions for the construction of rental for-profit and non-profit apartments.

Table 1: Social protection expenditure

	SI		*eu25*		*eu15*	
	*per head of popul.**	*% GDP*	*per head of popul.**	*% GDP*	*per head of popul.**	*% GDP*
1996	2585.7	24.1	:	:	5848.1	27.8
1997	2621.2	24.5	:	:	5854.9	27.4
1998	2679.6	24.8	:	:	5934.9	27.0
1999	2696.2	24.8	:	:	6083.3	26.9
2000	2613.0	24.6	5360.2	26.5	6221.9	26.8
2001	2596.4	24.8	5488.4	26.7	6365.7	27.0
2002	2587.0	24.8	5638.4	27.0	6525.3	27.3
2003	2505.8	24.1	5795.7	27.4	6691.2	27.7
2004	2522.3	23.7	5877.1	27.2	6777.3	27.6
2005	2575.1	23.4 p	5962.2	27.3	6871.7	27.7
2006	2672.8		6033.7 p	26.9 p	6940.5 p	27.3 p
2007	2677.5 p		6061.7 p	26.4 p	6966.2 p	26.9 p

Source: Eurostat, ec.europa.eu/eurostat. Date of extraction: 28 July 2010
p Provisional value
:Not available
* in Euro

Table 2: Social protection benefits in percentage[290] (2005)

	SI		*eu27*		*eu15*	
Total expenditure	100.0	p	100.0	e	100.0	e
Social protection benefits	97.9	p	96.2	e	96.2	e
Family/Children	8.4	p	7.7	e	7.7	e
Unemployment	3.2	p	5.8	e	6.0	e
Housing	0.1	p	2.2	e	2.2	e
Social exclusion n.e.c.	2.8	p	1.2	e	1.2	e
Sickness and disability	39.9	p	35.2	e	35.1	e
Old age and survivors	43.5	p	44.2	e	44.0	e

Source: Eurostat, ec.europa.eu/eurostat Date of extraction: 21 July 2008
e Estimated value
p Provisional value

In the following, all the social policy fields we have discussed above are presented, as well as the indicated changes.

Pensions

In response to demographic and economic trends, Slovenia undertook two pension reforms in the 1990s: the Pension and Disability Insurance Act (PDIA) of 1992 and PDIA of 1999.[291] Both reforms were good examples of a gradualist approach to reforming the social protection system (Stanovnik, 2004). The main changes were: a gradual rise of the retirement age; a reduction in differences in retirement requirements for men and women; strengthening the link between benefits and contributions (increasing the period for which the highest average earning is calculated from 10 to 18 years, lowering the annual accrual rates, etc.); and a combination of various types of pension scheme financing (PAYG and funded schemes) (MLFSA, 2005).

Three pillar system

The reforms introduced a three-pillar system, where the first, public pillar has the leading role. Changes in the first pillar (e.g., introduction of full pensionable age at 63 for men and 61 for women, and related 'penalties' and 'bonuses', abolition of early retirement, new state pension, etc.), although substantial, were introduced gradually, with numerous exceptions. The first pillar is (still) mandatory and covers old age, disability and survivors. Social contributions (the current rate is 8.85 percent of the gross wage, paid by employers, and 15.5 percent of the gross wage, paid by employees) are collected and distributed by the (public) Institute of Pension and Disability Insurance (IPDI).

A second pillar was first introduced in 1992, but it became relevant only after the second reform in 1999. The latter introduced a voluntary secondary pillar , in the form of collective and/or individual pension schemes. This pillar is managed by pension funds or insurance companies. For some occupations, where employers are obliged to pay higher contributions in order to finance earlier retirement, the second pillar is a mandatory supplementary pension scheme. In 2007, there were 525,130 persons included in this pillar, which is about 55.19 percent of all insured persons by the first (public) pillar (MLFSA, 2008b). Due to tax incentives (i.e., premiums are exempt from corporate income tax, social secu-

[290] % of total social protection expenditure
[291] Zakon o pokojninskem in invalidskem zavarovanju (1999, 2000, 2002, 2003, 2004,2005, 2006, 2007, 2008).

rity contributions, and personal income tax), employers are highly motivated to enrol their employees in collective pension schemes. Individual pension schemes are rare, since premiums paid by individuals are exempt only from personal income tax (Stanovnik, 2004).

The third pension pillar consists of voluntary individual savings for old age, mainly in form of a life insurance administered by insurance companies or banks.

Rights

The rights provided under the compulsory insurance scheme (first pillar) include:

- old age pension;
- disability pension;
- survivorspension;
- family pension;
- partial pension;
- rights to disability insurance (a right to occupational rehabilitation, disability benefit, reassignment, part-time work, and other benefits from disability insurance, as well as reimbursement of travel expenses;
- a right to supplementary benefits (e.g., assistance and attendance allowance, and disability allowance; and other rights such as maintenance allowance and annual allowance).

An important characteristic of the compulsory pension and disability insurance in Slovenia is that is identical for everyone: workers, employees of public and private sector, farmers, self-employed etc.

In addition, there is also a state pension for persons aged 65 and over who are not entitled to a pension from a public scheme and who have no income, but have at least 30 years of residence. This is, actually, a social assistance benefit in the amount of 33,3% of the minimum base for pensions, which is regulated by PDIA.

Most of the rights – especially, pensions (i.e., old age, disability, survivors and partial) are earnings-related, while some supplementary benefits are means-tested and targeted at low-income pensioners. Such examples are the supplementary allowance[292], which is an additional benefit paid to pensioners in need, and the solitary pension allowance[293], paid this year due to high inflation. Both benefits are paid from the state budget. There is also one universal benefit, i.e., an annual allowance, which is defined on two different levels. Benefits which are earning-related are subject to taxation, while this is not the case with the means-tested benefits.

Old age pension

The entitlement to an old age pension depends on the age (varies between 58 and 65 years) and the period of insurance (varies from 15 to 40 years) and is different for men and women. According to the current law, the full retirement age for men is 63 and for women is 61. If a person retires before the full retirement age and has not completed 40 years of retirement period (for men) and 38 (for women), the pension basis is lowered. A longer working period, on the contrary, entitles the individual to a higher pension. According to the current law the increase of the retirement age and period will be implemented gradually especially for women[294]. According to the ongoing pension reform, the retirement age and period will increase.

Under the current law the pension basis is calculated from the best 18 salary years. The pension basis should not be lower than the lowest pension basis, which in 2003 amounted to 59 % of the average wage in Slovenia

[292] In 2008 it was separated from other rights provided under the compulsory insurance scheme and defined within the separate Supplementary Allowance Act (10/2008). It is financed from the state budget.
[293] Zakon o enkratnem pokojninskem dodatku (2008).
[294] The increase of full retirement years for men was implemented in 2009 and for women it will be implemented by 2023. The full retirement period for women will be implemented by 2014 (MLFSA, 2005).

and the highest pension basis should not be higher than four times of the lowest pension basis[295]. From the distribution of old age pensioners by sum pension intervals in 2009 there was the highest share of pension beneficiaries (53.7 %) who received the pension in the amount of 500,01 to 1000,00 Euro, 30.8 % received pensions in the amount from 100,01 to 500,00 Euro, 7,7 from 1000,01 to 1500,00, however there were also 5,6 % of those who received pension amount less than 100,00 Euro (ZPIZ, 2009).

Pension reforms in the 1990s succeeded in stabilizing public pension expenditures as a percentage of GDP. After the introduction of the 1999 Pension and Disability Insurance Act, the actual retirement age started to increase, and the ratio between the average old-age pension and the average wage started to decrease.

Table 3: Pension expenditures and replacement rates

Year	*Pension expenditure (% of GDP)*	*Average replacement rate[296] (%)*
1992	:	70.7
1994	:	68.5
1996	10.9	67.5
1997	10.9	67.3
1999	10.9	68.5
2000	11.1	68.1
2001	11.2	66.3
2002	11.3	65.8
2003	10.8	64.5
2004	10.5	63.7
2005	10.3	62.7
2006	10.3	62.5
2007	9.7	61.3
2008	:	61.6
2009	:	61.3

Source: Pension expenditure (Eurostat, ec.europa.eu/eurostat. Date of extraction: 28 July 2010);
average replacement rate (ZPIZ, 2005, 2009)
:Not available

[295] For example in 2008 the lowest pension basis was 494,65 Euro and the highest 1.978,60 Euro (ZPIZ, 2009).
[296] Ration of the average old age pension to the average wage.

Future reforms

Due to a gradual approach to pension reforms and an ageing population[297], further reforms of the pension system are required to assure a financial sustainability of the system. The ratio of contributors to pensioners has dropped from 1:2.3 in 1990 to 1: 1.62 in 2007 (ZPIZ, 2008). According to the Ageing Working Group projections of 2005, public pension expenditure is projected to increase to 18.3 per cent of GDP in 2050. The future challenge will certainly be to assure a financial sustainability and adequacy of the pension system. Long-term projections show that the gross replacement rate of the first pillar will decline from 64 per cent (in 2005) to only 39 per cent in 2050 (EC, 2006).

As a consequence there is an ongoing pension reform, which is still in the process of negotiation, with a major goal of ensuring financial sustainability and decent level of pensions in the context of an ageing society. The pension reform introduces an increase of the retirement age to 65 years for men and women (with 15 years of pensionable service), the possibility of early retirement for men at the age of 60 and with 40 years of pensionable service and at the age of 58 with 38 years of pensionable service for women, however, the pension basis remains lowered. These reforms will be gradually introduced until 2025. Under less restrictive conditions, workers who started to work very early will be able to retire, men at the age of 60 with 43 years of pensionable service and women at the age of 58 with a 41 years of pensionable service. Also in this case there is a transition period till 2016. The period for calculating the pension base will be each year prolonged for one year until 2026, when it will amount to the best 30 years of

[297] Demographic trends will result in a significant increase in the old-age dependency ratio, from 21% in 2004 to 56% in 2050 (EC, 2006).

insurance, minus 3 most unfavourable years. The new legislation also includes stimulations for prolonging the working period[298].

Workplace injuries and occupational diseases

The risk of workplace injuries and occupational diseases is covered by the pension and disability insurance and a health insurance. Some additional specifications are provided within the Health and Safety at Work Act (1999),[299] especially in respect to the rights and the obligations of employers and employees for ensuring safety at work. As such, insured persons are those covered by social (health, pension and disability) insurance. In addition, pupils, students and mentally handicapped children during internships and similar employment are covered, as well as other categories (i.e., disabled people, unemployed persons, volunteers, etc.) engaged in certain occupations.

In case of occupational disease or workplace injury, the insured person is entitled to medical treatment and rehabilitation services as well as wage compensation (100 per cent of the average monthly salary before the injury or disease) if the personal physician approves sick-leave. In case of a long-term health-related (longer than one year) absenteeism, a disability pension is considered.

Health care

According to Stropnik et al. (2003) the Slovenian health care system is in general, quite transparent, well-structured and financially more stable than in some other post-socialist countries. Funding, purchasing and delivery are under government supervision. The Ministry of Health is responsible for health policy and legislation, while an independent public Institute for Health Insurance of Slovenia (IHIS) is responsible for a compulsory health insurance (CHI) and handles all individual cases related to health care. Health care coverage applies to persons covered by compulsory health care insurance (CHI) and their family members. The health-related social security schemes are therefore insurance schemes. They are uniform for the whole working population and their family members. Contributions are not dependent on the number of insured family members. Despite the contribution system, the coverage is almost 100 percent. The most important characteristic of the Slovene health care system is that entry into the system is insurance based, while rights are universal, based on the principle of equity. The system is based on the principle of solidarity, as the funds are redistributed from the rich to the poor, from the healthy to the sick, and from the young to the old. As a consequence the indicators of the population's health status are relatively good in comparison to the EU average (Table 4).

Table 4: Life expectancy and infant mortality rates

	SI		*EU 25*	
	Life expectancy	*Infant mortality rate*	*Life expectancy*	*Infant mortality rate*
1995	74.72	5.5	:	6.7
1996	75.17	4.7	:	6.3
1997	75.17	5.2	:	5.9
1998	75.31	5.2	:	5.7
1999	75.69	4.5	:	5.4
2000	76.15	4.9	:	5.2
2001	76.39	4.2	:	5.0
2002	76.58	3.8	78.21	4.8
2003	76.42	4.0	78.20	4.7
2004	77.25	3.7	78.85	4.5
2005	77.49	4.1	78.95	4.3
2006	78.27	3.4	79.42	4.2
2007	78.41	2.8	79-61	.
2008	79.14	2.1	:	.

Source: Eurostat, ec.europa.eu/eurostat

Date of extraction: 30 July 2010.

[298] Source: MLFSA web page, available http://www.mddsz.gov.si/ (accessed 5 September 2010).
[299] Zakon o varnosti in zdravju pri delu (1999, 2001).

Financing

Health care services and benefits disbursed by the IHIS are mainly financed by social security contributions from employers, employees, self-employed, farmers and others, such as professional sportsmen and artists (approximately 80 per cent of revenue). Employers and employees each contribute 6.36 percent of gross wages, and employers additionally pay 0.53 percent for professional diseases and injures at work. These contributions are in a fund controlled by the IHIS. A much smaller source of revenue (approximately 18 percent) for the IHIS comes from transfer payments from other social security funds, community and state budget. Non-tax revenue, capital income and received donations comprise the remaining two per cent of the IHIS income (Stropnik et al., 2003).

In addition to compulsory insurance, voluntary health insurance (VHI) was introduced under the auspices of the IHIS. This later evolved into an independent mutual insurance association and, soon after, two private insurance companies entered the field. VHI covers payments for health services above the share covered by CHI. The amount of payment is currently around 24 Euro per month and is uniform for the whole population.Incomes from voluntary insurance are officially defined as private sources. It has to be noted that VHI could be regarded as compulsory, since the majority of the population cannot afford not to be insured. Hence, most of the population (95%) in Slovenia is "voluntarily" insured. Furthermore, poorer population groups are forced to pay for VHI, and the out-of-pocket payments in case of sickness represent a considerable burden for them. Therefore, VHI has been criticised for increasing social inequality in Slovenia (Stropnik et al., 2003). Consequently, the state recently introduced state coverage of VHI for the poorest population (unemployed, social assistance beneficiaries etc.), which came into force on 1.1.2009.

In addition to the voluntary insurance for co-payments in obligatory health insurance, a supplementary insurance for better services is available, but this form of insurance is not very common.

With regards to financing in general, so far, relatively stable and balanced funding has been ensured for the health care system in Slovenia. The proportion of public expenditure on health care has been stable at around seven percent of GDP. Of these seven per cent, the majority of resources came from CHI, approximately 0.20 percent came from the state budget, including investments in the sector, while sources from community budgets are less than 0.10 percent. The level of private funding from VHI has been rising since 1992 and accounted for 1.28 percent of GDP in 2001. The total proportion of health care funding from private funds (including VHI, self-payment of services and medicines, and other health care expenditure) is around 20 percent and thus comparable to other EU countries (Stropnik et al., 2003).

Service provision

As regards to provision of health care services, most of the health care providers – hospitals and health clinics – are state-owned. On the other hand, the privatisation of health care services has been gradually increasing. The number of private doctors, particularly specialists, dentist and general practitioners, has been slowly growing and there are also some private hospitals. Most of the private provision in health care is carried out in the form of private, non-profit organisations operating on the basis of concession agreements with the government. This means that they are tied to the public health care system by way of financing; the proportion of their incomes de-

riving from direct payments is relatively small (Stropnik et al., 2003). Despite the increase in the private non-profit provision of health care services, its share in the structure of private non-profit sector is very small. Only 2.1 percent of private, non-profit organisations in Slovenia are active in health care (Kolarič et al., 2006), which is substantially lower than in other European countries, as well as other post-socialist countries (Salamon et al., 2003).

The issue of centralisation/decentralisation is not very important in Slovenia, due to its relatively small size. Apart from the comprehensive net of primary level health care centres, each major region has a regional hospital. They are approximately equally developed and equally financed. Additionally, there are two major tertiary medical centres.

Future reforms

However, in future, the health care system in its current form, according to Stropnik et al (2003), is not financially sustainable by itself. Financial sustainability being further exacerbated by unfavourable demographic trends, and the preservation of the principle of solidarity, will be the main issues that need to be addressed in future reforms among which is also the introduction of the long term care insurance. In a recently adopted Resolution on a National Plan of Health Care 2008-2013 "Satisfied Users and Service Providers" (MH, 2008), the development of long term care is listed as a priority. With the adoption of the Act on Long Term Care and Long Term Care Insurance, long term care should become ensured and financially available for those who are due to illness, injures, disability or general weakness for a longer period of time dependent on others. The adoption of such law is a necessity in order to insure the continuity in the holistic approach toward patients and at the same time a link between health care and social protection would be introduced (MH, 2008).

In the present year an extensive reform of the health care system is in preparation in order to ensure financial sustainability of the system and higher quality of services. There will be an important change in the supplementary insurance, which is currently paid by 95 % of population in an equal amount and is carried out by insurance association and insurance companies. Accordingly to the new law proposal, supplementary insurance will become compulsory and will be paid as employers' contribution; hence it will become earnings related.

Unemployment
Unemployment benefit

The unemployment insurance scheme is defined by the Employment and Unemployment Insurance Act (ZZZPB, 1991), which has been revised and amended several times.[300] The most important changes came into force in October 1998, when the activation principle was introduced (i.e., rights became more closely related to obligations) (Kopač, 2007). In 2006 the activation principle was further strengthened and connected with financial curtailment. The reform has abolished unemployment assistance (UA – income based) to which unemployed people in need were entitled to, after the expiry of their unemployment benefit (UB- earnings-related). Unemployed people who register at the employment office are therefore entitled to an unemployment benefit and to a mobility allowance and have the right to participate in active employment policy programmes and the right to health, pension and disability insurance.

The unemployment insurance scheme covers all employees who have signed an employment contract for a fixed or unlimited period and who are working full-time or

[300] Zakon o zaposlovanju in zavarovanju za primer brezposelnosti (1991, 1992, 1993, 1994, 1997, 1998, 2001, 2002, 2004, 2006, 2007)

part-time which is not below the minimum of half "full-time" hours (i.e., 20 hours). All these employees are compulsory insured. Self-employed persons can be insured against unemployment on voluntary basis. There are also no specific provisions for separate occupational groups regarding their unemployment insurance conditions and cash benefits (Kopač, 2007).

The basis for calculating a person's UB is the average monthly gross wage in the twelve months prior to their unemployment. The UB amounts to 70 percent of this amount in the first three months, and 60 percent thereafter. However, the amount may not be below the 45.56 percent of minimum wage and cannot be three times higher than the lowest possible amount. The duration of UB depends on both, the working/insurance record and the age of the claimant. It can be claimed from three months up to two years.

The UB is financed (partly) out of the compulsory contributions paid by employees (insured persons – 0.14 percent of their gross wage) and their employers (0.06 percent of the gross wage). However, the money collected from social contributions covers only some 18.9 percent of the expenditure related to payment of unemployment cash benefits. The rest is covered by the state from the national budget (ESS, 2005). The data on expenditure for unemployment is presented in the Appendix.

Under the current law, the duration of unemployment benefit is as follows: for 1 to 5 years of employment or unemployment insurance, the duration of unemployment benefit is 3 months, for 5 to 15 years of employment, the duration of benefit is 6 months, for 15 to 25 years of employment, the duration of benefit is 9 months, for those employed for more than 25 years, the duration of unemployment benefit is 12 months, for those employed for more than 25 years and who are more than 50 years old, the duration of benefit is 18 months and for those older than 55 the duration of benefit is 24 months.

The number of unemployed people receiving cash benefits is relatively low – only every fourth (registered) unemployed person is entitled to the UB. This is mainly due to the fact that the labour market is becoming more and more flexible (i.e., the number of fixed-term contracts is growing), while the social security system remains the same as it was a century ago – i.e., related to full-time, permanent employment. The concept of flexicurity has not being properly introduced yet. At the moment, labour market reforms are more concerned with flexibility, and less with security.

According to the proposed reforms in the field of labour market there are some changes envisaged in regard to the entitlement and duration of unemployment benefit. The required employment period for entitlement to unemployment benefit is shortened from 12 months in the last 18 months to 9 months in the last two years. With this change the share of young people will increase in the entitlement to unemployment benefit, since young people are currently, due to unstable and short term employment often shorter than 12 months, less frequently entitled to unemployment benefit. There will be an increase in the level of unemployment benefit from 70 % to 80 % of average wage in the last 8 months (and not 12 months) before the unemployment period for the first three months of unemployment, the level of benefits thereafter remains unchanged - 60 % of the average. For the eldest population (older than 55 with more than 25 years of employment) the period of receiving unemployment benefit is prolonged from 24 to 25 months. The lowest unemployment benefit will be higher (350 Euro) and the highest will be three times that of the lowest. The right to the payment of pension and disability insurance, which the unemployed persons were en-

titled to for the period of three years, will be shortened only to one year, due to an attempt to increase the involvement of the elderly in the labour market, also by tax reliefs for the employment of the elderly and special measures dedicated to active ageing.

Table 5: Harmonised unemployment rates (annual average)

	SI	*eu25*	*eu15*
1995	:	:	10.0
1996	6.9	:	10.1
1997	6.9	:	9.8
1998	7.4	9.4	9.3
1999	7.3	9.1	8.5
2000	6.7	8.6	7.7
2001	6.2	8.4	7.3
2002	6.3	8.8	7.6
2003	6.7	9.0	8.0
2004	6.3	9.1	8.1
2005	6.5	8.9	8.1
2006	6.0	8.2	7.7
2007	4.9	7.2	7.0
2008	4.4	7.1	7.1
2009	5.9	9.0	8.9

Source: Eurostat, ec.europa.eu/eurostat Date of extraction: 30 July 2010.

Active labour market policies

Within employment policy, the active dimension (i.e., active labour market programmes) is becoming more and more important. The entitlement to cash benefits is conditional upon the preparedness of the unemployed to become (re)employed or participate within active labour market programmes. The latter can be divided into five different types: job search assistance and career guidance; education and training programmes; support for self-employment; public works; and other programmes, such as subsidies and payment of contributions for new jobs, or programmes focused on disabled workers, e.g., training, sheltered workshops and labour funds.

The nature of passive and active employment policy, as well as social policy, has changed considerably in the last few years (e.g., rights have become more closely related to responsibilities; the subsidiary nature of cash benefits is strongly emphasised, and the emphasis is on active or activation rather than passive measures (Ignjatović et al., 2002). The activation principle (mainly implemented as 'work-oriented' policy and less as 'participation-oriented' policy) introduced within European employment and social policy has had, in this respect, an important influence. Meeting the Lisbon targets became a clear policy priority.

Future reforms

Currently, there is an ongoing reform regarding the changes in the conditions for the entitlement for unemployment benefits. In the legislation procedure there is a new legislation in the field of labour market (Managing the Labour Market Act), which will introduce new measures of active labour market policies (job sharing and job rotation) and there is more emphasis on the role of lifelong career orientation. The concept of flexicurity is strengthened, which is one of the main goals of the envisaged reforms of the labour market in Slovenia. Furthermore, the government prepared Small Work Act, with which different forms of periodic and occasional work will be regulated. Small work can be performed by students, pupils, retired persons, unemployed and inactive population. Small work is limited in duration (60 hours per month, with an exception of pupils and student work, where there is a yearly limit of 720 hours), small work is also limited from the view of employers. There is a fixed amount of minimum hour payment (4 Euro) and a yearly income of 6.000 Euro, which is adjusted with the increase in the minimum wage. For the unemployed, small works is voluntary and

does not affect the rights from the unemployment insurance. Unemployment benefit remains unchanged up to the amount of 200 Euro of income from small work. With the introduction of small work, the government is trying to limit the grey economy and encourage the inclusion of all capable of work in the labour market and that the limitations on the level of individual and on the level of employers should ensure that small work does not harm regular employment[301].

Social assistance

Financial social assistance, which is defined within the Social Protection Act,[302] provides minimum means forsurviving. Subsistence is considered to be provided if the entitled person receives an income, after deduction of taxes and compulsory social security contributions, amounting to the minimum income (from 1.7.2009 226,80 Euro). The general social assistance scheme provides a benefit for people in need with a permanent residence in Slovenia. The aim is to alleviate the situation of those individuals who do not have the essential means to support themselves. The assistance is means-tested and applies to families.

More recent reforms, especially those introduced after 1998 (i.e., so-called activation reforms) which abolished UA and tightened the conditions for entitlement to UB, caused a rise in the number of unemployed receiving (financial) social assistance. In July 2007, around 70 per cent of all recipients of financial social assistance were unemployed (MLFSA, 2008).

Besides general financial social assistance, there is also an exceptional financial social assistance, which can be granted in exceptional circumstances. It can also be granted in cases where the ceiling set for financial social assistance is surpassed but the entitled person is found in financial distress for reasons beyond his/her control. The entitled person must use the received assistance for the purpose for which it was granted.

Financial social assistance is initially granted for a maximum period of three months and can be granted again for a maximum period of six months (depending on the circumstances which are evaluated by a social work centre official); provided that the improvement of the beneficiary's social position cannot be expected (aged over 60, illness or disability) such assistance can be granted for a maximum period of one year; permanent financial assistance is granted to a person aged over 60 or permanently incapable of work, without any income, receipts or property and with no person obliged to provide for his/her subsistence and living at his/her home[303].

Persons receiving financial social assistance are also entitled to other rights, exemptions from payments, subventions and other forms of help (exemption from national TV payment and voluntary health care insurance payment, free child care, subventions of meals in schools and transport etc.). They are also exempt from payment of institutional care and home care.

[301] Source: MLFSA web page, available http://www.mddsz.gov.si/ (accessed 5 September 2010).
[302] Zakon o socialnem varstvu (1992, 94, 99, 2000, 2001, 2002, 2004, 2006,2007).
[303] Source: MLFSA web page, available http://www.mddsz.gov.si/ (accessed 5 September 2010).

Table 6: At-risk-of-poverty rates[304]

	SI	*eu25*	*eu15*
	total	*total*	*total*
1995	:	:	17
1996	:	:	16
1997	:	:	16
1998	:	15	15
1999	:	16	16
2000	11	16	15
2001	11	16	15
2002	10	:	:
2003	10	15	15
2004	:	16	17
2005	12.2	15.9	15.7
2006	11.6	16.1	16.0
2007	11.5	16.2	16.5
2008	12.3	16.1	16.4

Source: Eurostat, ec.europa.eu/eurostat Date of extraction: 21 July 2010.

Note: Cut-off point: 60% of median equivalised income after social transfers

Data on expenditure on social protection in total and by different fields is presented in the Appendix.

Future reforms

In the near future the Social Protection Act will be replaced by two new laws: Act on Social Protection Benefits[305] and the Act on Social Protection Services. The first one was adopted in July 2010 and includes changes in the arrangements of (financial) social assistance. According to the new law (financial) social assistance is more linked to the individual beneficiaries according to the duration of benefits, capability to work, age and work activity. It remains means-tested, but a novelty is that individual wealth and property play a greater role in the entitlement for social assistance. For the recipients of social assistance there are some financial supplements in the amount of 150 Euro if they engage in work activity, In the future some special programmes of social activation are envisaged, which will be adjusted to the special needs of the social assistance beneficiaries.

Reconciliation of work and family

Social policy measures related to family and high labour market participation of women have more than a half-century tradition in Slovenia (Černigoj Sadar, 2005, p. 236). Their development was sustained by the development of a widespread network of childcare services (i.e. kindergartens), the introduction of insurance-based social security schemes in case of maternity (i.e. maternity/parental leaves) and other family-related benefits (e.g. child benefits). Additionally, an individual tax system was established. However, this political shift in women's role in society was not reflected in actual practice where patriarchal relations and 'traditional' images of motherhood were (to an important degree) preserved. Women became full-time employees and at the same time did most of the child care and typical household/family tasks (i.e. informal/unpaid domestic work). The unequal gender distribution of labour in the private sphere placed a double burden on women, which is becoming more and more acute in the era of (global) intensification of work (Kopač, 2005).

In Slovenia the most common strategy women use to reconcile work and family obligations is to stay at home for one year after childbirth and return to full-time work thereafter (Kanjuo Mrčela, 2005). For this strategy, the provision of publicly subsidised childcare services and paid leave arrangements are crucial.

[304] This indicator from the EU Survey on Income and Living Conditions (EU-SILC) is based on a relative and monetary approach to poverty. The at-risk-of-poverty rate is defined as the share of persons with an equivalised disposable income that is below the at-risk-of-poverty threshold, set at 60 % of the national median equivalised disposable income. The rate is expressed after social transfers.

[305] Zakon o socialno varstvenih prejemkih (2010).

Child-care services

In Slovenia there is a widespread network of publicly subsidised child-care services, enabling parents (especially mothers) to reconcile (full-time) work with family obligations. Child-care services are widely available (in 2007/2008 68 percent of all children of the appropriate age were enrolled in kindergartens – SORS, 2008) and relatively affordable. Pre-school child-care institutions are funded by municipalities, by fees paid by parents (depending on the income per family member and family property), the sale of services and products, donations and other sources. Parents contribute with 10 to 80 percent of the programme costs for a first child, while for a second child (being included at the same time as the first) parents do not need to pay anything. In recent years the average parental contribution has been around 25-30 percent of the programme costs (Kanjuo Mrčela, 2005).

Paid leave arrangements

Parental Care and Family Benefits Act (2001)[306] defines four types of parental leave: maternity leave, paternity leave, leave for nursing and caring for a baby, and adoption leave.

All forms of parental leave are financed by the state social security system, which collects contributions paid by employees and their employers. They are insurance-based rights enabling beneficiaries (mainly women) to maintain the social position they have attained (i.e. earnings-related benefits). The major eligibility condition is that the potential beneficiary is insured (i.e. employed) the day before the start of their parentalleave, and since 2005, the beneficiary must has been insured for at least 12 months in the three years prior to the commencement of parental leave (Kopač, 2005).

Maternity leave is the exclusive right of mothers to 105 days of paid leave (100 percent income replacement rate), which must start at least 28 days before giving birth (or for medical reasons, 45 days prior to birth). After the ending of the maternity leave (105 days), one of the parents is entitled to 100 percent paid leave for nursing and caring for the baby for an additional 260 days. The leave for nursing and caring for the baby can be taken as full-time or part-time absence from work; in the latter case, the duration of leave is prolonged to 520 days, or it can be used in different time sequences, or even as a lump sum for certain purposes defined by law (e.g. payment for child care, rent, resolution of housing problems). However, leave for nursing and caring for a baby is most often used by mothers as full-time (one-year) absence from work. In 2001, paternity leave as a non-transferable father's right to 90-day absence from work was introduced with the aim of encouraging men to take a more active role in child care. At least 15 days must be used during the first six months and the remainder, 75 days, before the child's third birthday. However, only 15 days of paternity leave offer 100 percent wage replacement, while for the remainder, the state covers only social security contributions (based on minimum wage). The latest data from the Ministry of Labour, Family and Social Affairs shows that 15,289 fathers used paid paternity leave in 2007 (approximately 77 percent of all eligible fathers) (MLFSA, 2008a). And finally, adoption leave is defined as the right of an adoptive parent to 150 days (for a child aged from one to four) or 120 days (for a child aged from four to ten) of 100 per cent paid absence from work (Kopač, 2005).

Additionally, insured parents (in the case of parenthood) have the right to work part-time (in agreement with their employers) until the child's third birthday, or sixth birthday in the case of two children. During this period, the parent's

[306] Zakon o starševskem varstvu in družinskih prejemkih (2001, 2003, 2005, 2006, 2007, 2008).

wage depends on actual hours worked, while the state makes up the social contributions (up to full-time). In addition, a parent who leaves the labour market to care for four or more children has the right to state payment of social security contributions based on the minimum wage until the youngest child has reached ten years of age**.** This option was introduced in 2006.

In addition to various types of parental leave and payments of social contributions, employees also have the right (defined within the Health Care and Health Insurance Act, 20/2004) to a leave of absence (up to 15 working days per year) to care for a sick child/ family member (80 percent wage replacement) (Kopač, 2005).

Family benefits

Additionally, families may be entitled to other family benefits (financed from the state budget), such as: child allowance (means-tested); assistance for a newborn child (universal); large family allowance (universal); allowance for nursing a child who needs special care and nursing (universal); partial payment for lost income when one parent stops working or starts working part-time in order to care for a severely physically or mentally handicapped child; and parental allowance (universal). Child allowance, which is a supplementary family assistance to partially cover the costs of supporting a child, is most widely used. It is means-tested and targets middle-income families (90 percent coverage of children) (Kanjuo Mrčela, 2005). It can be increased by 10 percent when a child lives in a one-parent family and by 20 percent if a pre-school child does not attend kindergarten. The parental allowance is a lump sum (in 2010 it was 195,56EUR) payment to parents who are not entitled to insurance-based parental leave.

Slovenia has rather generous public policies related to the reconciliation of work and family obligations, but they are not supported at the enterprise level. The enterprise environment/ culture often has a negative impact on the use of statutory defined rights, due to employers' tendency to perceive long parental or sick leave as their indirect cost (Černigoj Sadar & Kersnik, 2004). Such an attitude often leads to discriminatory practices against women (and parents). Reconciliation policy needs to be supported on individual and organisational level by measures which stimulate more active parenting by fathers, and by changing stereotypical gender roles (i.e. socialisation model) (Kopač, 2005).

In the near future the government is planning a comprehensive family policy reform, as despite the existing comprehensive and relatively generous family policy; we continue to have one of the lowest fertility rates in Europe.

Housing policy

Housing policy can be seen as an underdeveloped and marginalised part of the welfare system in Slovenia. The reasons for this can be attributed to the privatisation of social housing that transformed many post-socialist countries into societies with predominantly home ownership and a marginalised rental sector, and a huge deficit in social and non-profit rental housing (see Cirman, 2004; Sendi, 1999). The data for 2001 reveal that a very small percentage of households live in the socially rented sector (5.2 percent) and the privately rented sector (2.4 percent), while the homeownership rate is very high (83.1 percent).[307] Social housing and financial assistance (subsidies and rent allowances) are the main instruments of social policy relating to housing and are based on very restrictive means-tested criteria which do not correspond to needs. Social assistance beneficiaries rent-

[307] Household Consumption Survey, Statistical Office of the Republic of Slovenia, 2003 in Cirman (2004).

ing an apartment are entitled to a rent allowance up to the level of the non-profit rent in social housing, but this cannot be higher than 25 per cent of the basic amount of the minimum income. The number of beneficiaries is very low, some 2,500 in recent years (Stropnik et al., 200, p. 99), which shows that housing allowances are virtually non-existent in Slovenia. Housing subsidies usually takes the form of controlled (below-market) rents for non-profit and social tenancies (Stanovnik, 2004). Priority in social housing is given to vulnerable groups such as families with more children, families with a small number of employed, young families, disabled persons and families with disabled members. The so-called object subsidies related to the construction and renting of apartments were implemented in 1999. Public housing loans have been disbursed by the National Housing Fund to non-profit housing associations for the construction of non-profit rentals. In the period 1999-2001, some 1,350 non-profit apartments were constructed; some 6,000 non-profit apartments and 7,000 apartments in social housing are still needed (Stropnik et al., 2003).

The housing policy in Slovenia can be described as pro-ownership, and according to Cirman (2004), despite taxation and housing finance subsidies being rather tenure-neutral, the policy is fully in line with the dual housing policy defined by Kemeny (1995) due to the marginalisation of rental housing. Hence, the pressure for home ownership is very high, since this is seen as the only option for independent housing. According to Cirman (2004), with highly restricted qualification criteria, the government's low housing priorities and unattractive conditions for private capital to invest in the provision of non-profit housing, we cannot expect renting to become an appropriate substitute to home ownership in the near future. This will become one of the main problems in the future, since the affordability of owner-occupied housing in Slovenia is very low as the price-to-income ratio has reached seven, one of the highest in the transitional countries, so the current high rate of home ownership is unsustainable in the long run (Cirman, 2004, pp. 2, 20).

Conclusion and future trends

The described changes introduced through the reforms in the last two decades in individual fields of the Slovene welfare system in general cannot be labelled as paradigmatic. The structure of the system can therefore be described through the following elements:

1. The foundations of the whole system are compulsory social insurance systems based on social partnership. These are the primary instrument for assuring social security of employees and their family members (based on the principle of equity for the pension and disability insurance and the insurance for the unemployment), while the healthcare insurance system is founded on the principle of solidarity in the sense of universal rights and equality. This instrument complements the instrument of social assistance, intended for those who cannot enter the labour market or are excluded from it for a longer period of time. This instrument is means tested and is becoming more and more linked to the principle of activation.
2. In the field of pension and health care insurance, along with compulsory insurance schemes, supplementary private insurance schemes are developing, which are a market category and represent the beginning of the development of private for-profit sector.
3. The network of public/state institutions still holds central place in the provision of different services that are accessible to all citizens on equal terms. However, in the

complementary relation to the public sector, the importance of private non-profit organisations is growing, especially those established by The Catholic Church.

4. Through the process of privatisation in certain fields, especially health care, private for-profit organisations are emerging, which in connection with the previously mentioned private insurance schemes represent the beginning of the development of the market sector, offering an alternative for those who can afford it.
5. The family as the most important unit of the informal sector still carries a very important share of the burden in the provision of social protection and welfare of its members, and its role is supported by positive measures within family policy.

Such a welfare system structure incorporates the principle of social justice (in the sense of equal opportunities to access certain levels of social protection and certain amounts and types of services), upgraded with a meritocratic principle, as well as the principle of solidarity or equality.

In the context of the transition from socialist to post-socialist society, the Slovene welfare system "got rid of its particularity", and in the first half of the 1990s, in formal legal terms, constituted as a dual model, combined of elements that are the basic constitutive elements on one side of the conservative-corporate and on the other side social-democratic welfare system. First of all, the compulsory social insurance systems, which are based on social partnership and are, as such, the basic constitutive element of a conservative-corporate welfare system, became fully transparent and the primary instrument for the provision of social protection for employees and their family members. On the other hand, the strong public/state sector maintained the status of a main service provider of all types of services to which all citizens are equally entitled. Gradually a complementary relationship between public/state and the non-profit voluntary sector was established, as well as state support for the informal sector - the family in the sense of reconciliation of work and family life. All the above-mentioned are distinctive elements of social-democratic welfare systems.

The formation of such a dual model of the welfare system was based on the decision of the Slovene leftist oriented political elite to reject measures and recommendations for reforms based on the principle of shock therapy that were advocated by experts from international monetary institutions. The rightist political elite, which in Slovenia came into power in 2004, designed and partly implemented some reforms, which were in accordance with the neoliberal doctrine of international monetary institutions. They set up a process of quick privatisation of economic organisations as well as many reforms leading to privatisation of social risks, which did (or would if they were put in place), discharge the state of its responsibility for the social protection and well-being of its citizens and turned over this responsibility to individuals, family and civil society organisations. In other words, the planned reforms set up the processes of re-decomodification, re-familisation and quick establishment of for-profit and non-profit organisations as carriers of insurance schemes and service providers. Strong resistance, not only from trade unions, but also from the general public in Slovenia, stopped the implementation of the proposed reforms and contributed to the defeat of the rightist political elite on the next elections in 2008.

However, in the last two years when the leftist political elite came back into power, we are witnessing a paradox. Current government also sees the way out from the sharpened economic and financial circumstances in discharging the state responsibility for social protection and well-being of its citizens and

are continuing the reforms that the former government did not carry out. The engagement of the trade unions and employers in decision-making based on social dialogue and the pressure from civil society and public opinion, are forcing the government to legitimise its decisions. On one side it seems that the decision makers are aware that the central question for the future development of the Slovene welfare system, exacerbated by the current economic and financial crisis, should not be how to replace one instrument for the provision of social protection with another, one principle of social justice with another, but how to combine and bind together different instruments, sectors and principles. However, on the other side, at the level of the formation of concrete reform measures, which are stretched between the interest of employers (the capital) and employees (trade unions), the aforementioned decision makers are not very successful in this.

The above stated certainly does not mean that further reforms in the Slovene welfare system are not necessary. On the contrary, through our analysis we identified problems in each field of social policy. In seeking appropriate solutions, we should take into account previous experience with a gradual and well considered approach when introducing reforms.

INDICATORS	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP (per capita)	4 700	4 800	5 400	6 100	8 000	8 300	9 000	9 700	10 400	10 800	11 400	12 300	12 900	13 600	14 400	15 500	17 100	18 400	17 100
GDP growth rate	-8,9	:	:	5,3	4,1	3,5	4,6	3,8	4,9	4,4	2,8	4,0	2,8	4,3	4,5	5,8	6,8	3,5	-7,8
General government debt (% of GDP)	:	:	:	:	-8,4	-1,1	-2,4	-2,4	-3,0	-3,7	-4,0	-2,5	-2,7	-2,2	-1,4	-1,3	0,0	-1,7	-5,5
Consumer price index -HICP (2005=100)- Annual data	:	:	:	:	:	56,50	61,21	66,05	70,09	76,36	82,90	89,09	94,16	97,60	100,00	102,54	106,39	112,28	113,25
Employment rate	:	:	:	:	:	61,6	62,6	62,9	62,2	62,8	63,8	63,4	62,6	65,3	66,0	66,6	67,8	68,6	67,5
Unemployment rate	:	:	:	:	:	6,9	6,9	7,4	7,3	6,7	6,2	6,3	6,7	6,3	6,5	6,0	4,9	4,4	5,9
Average wage (average annual gross earnings)	:	:	:	:	8 682,6	8 991,2	9 572,7	10 208,7	10 700,0	11 146,6	11 830,2	12 525,3	13 018,0	13 454,5	13 914,7	14 580,1	15 439,0	:	:
Labour productivity (per person employed) index 2000=100	:	:	:	:	79,6	84,2	90,0	93,4	97,0	100,0	102,4	104,8	108,2	112,5	117,8	122,8	127,3	128,2	120,8
(At risk of) Poverty rate	:	:	:	:	:	:	:	:	:	11	11	10	10	:	12,2	11,6	11,5	12,3	:
Inequality of income distribution (Gini coefficient)	:	:	:	:	:	:	:	:	:	22	22	22	22	:	23,8	23,7	23,2	23,4	:
Social expenditure (total expenditure on social protection) % of GDP	:	:	:	:	:	23,5	23,9	24,1	24,1	24,2	24,5	24,4	23,7	23,4	23,0	22,7	21,4	:	:
Old age	:	:	:	:	:	44,1	43,6	43,5	43,2	43,2	43,6	44,7	43,3	43,3	42,4	38,0	39,3	:	:
Sickness/Health care	:	:	:	:	:	30,8	30,7	30,9	30,7	30,7	31,4	31,3	32,4	32,2	32,3	32,2	32,1	:	:
Survivors	:	:	:	:	:	2,0	2,0	1,9	2,0	2,0	1,9	1,8	1,7	1,7	2,0	7,5	7,4	:	:
Disability	:	:	:	:	:	8,5	8,5	8,4	8,9	9,0	8,7	8,6	8,3	8,2	8,5	8,2	7,8	:	:
Unemployment	:	:	:	:	:	4,3	4,9	5,4	4,8	4,3	3,7	3,1	3,1	3,1	3,3	3,0	2,3	:	:
Family/Children	:	:	:	:	:	8,5	8,5	8,2	8,7	9,2	8,9	8,5	8,6	8,6	8,6	8,6	8,7	:	:
Housing	:	:	:	:	:	0,0	0,0	0,0	:	:	:	:	:	:	0,1	0,1	0,1	:	:
Social exclusion	:	:	:	:	:	1,8	1,9	1,7	1,6	1,6	1,8	2,0	2,6	2,8	2,8	2,4	2,3	:	:

: Not available

Source: Eurostat, ec.europa.eu/eurostat. Date of extraction: 28 jul 2010

FRIEDRICH EBERT STIFTUNG

List of references

Cirman, A. (2004). *Modelling Housing Tenure Preferences: The Case of Slovenia*. Paper presented at the ENHR Conference, Cambridge, July 2004.

Černigoj Sadar, N. (2005). Labour Market integration of women and childcare in Slovenia. In B. Pfau-Effinger & B. Geissler (eds.),*Care arrangements and social integration in European Societies,* Bristol: The Policy Press.

Černigoj Sadar, N., &Kersnik, P. (2004).Parents experiences in the workplace. In I. Svetlik & J. Nadoh (eds.),*Human Recourse Management in a Knowledge-based Economy*, conference proceedings, Ljubljana: Faculty of Social Sciences.

ESS – Employment Service of Slovenia (2005). *Annual Report, 2004*. Retrieved 24 July, 2008, from http://www.ess.gov.si/eng/AnnaulReport/lp05/index.htm

EC – European Commission (2006). *Synthesis Report on adequate and sustainable pensions. Country summaries*. Retrieved 24 July, 2008, from http://ec.europa.eu/employment_social/social_protection/docs/2006/rapport_pensions_final_en.pdf

Eurydice (2002). *The Education System of Slovenia*. Retrieved 15 April, 2006, from http://www.eurydice.org/Eurybase/Application/frameset.asp?country=SI&language=EN

Eurydice (2005). National Summary Sheets on Education Systems in Europe and Ongoing Reforms – Slovenia. Retrieved 23 April, 2006, fromhttp://www.eurydice.org/Documents/Fiches_nationales/en/frameset_EN.html

Ferge, Z. (2001). Welfare and 'Ill-Fare' Systems in Central-Eastern Europe. In R. Sykes, B. Palier, & P.M. Prior (eds.), *Globalization and European Welfare States. Challenges and Change.* Hampshire, New York: Palgrave.

Ignjatović, M., Kopač, A., Svetlik, I.,& Trbanc, M. (2002). Slovenia's navigations through a turbulent transition. In J.G. Andersen, J. Clasen, W. Oorschot, & K. Halvorsen (eds.),*Europe's New State of Welfare. Unemployment, Employment policies and Citizenship*. Bristol: The Policy Press.

Kanjuo Mrčela, A. (2005).*Reconciliation of work and private life in Slovenia*. External Report commissioned by and presented to the EU Directorate-General Employment and Social Affairs, Unit G1 'Equality between women and men', photocopies.

Kemeny, J. (1995).*From Public Housing to the Social Market: Rental Policy Strategies in Comparative Perspective*. London: Routledge.

Kolarič, Z. (1992). From socialist to post-socialist social policy. In I. Svetlik (ed.),*Social Policy in Slovenia – Between tradition and innovation*, Avebury: Aldershot, Brookfield USA, Hong Kong, Singapore, Sydney.

Kolarič, Z. (1994). Neprofitno volonterske organizacije v Sloveniji (Nonprofit Voluntary Organisations in Slovenia).*Časopis za kritiko znanosti*, vol. 22, no. 168–169, 143–50.

Kolarič, Z., Črnak-Meglič, A., Rihter, L., Boškić R., &Rakar T. (2006). *Velikost, obseg in vloga zasebnega neprofitnega sektorja v Sloveniji* (Size, Scope and Role of the Private Non-profit Sector in Slovenia), Raziskovalni projekt v okviru CRP - Celovita analiza pravnega in ekonomskega okvirja za delo nevladnih organizacij, Ljubljana: FDV.

Kopač, A. (2005). *Increasing the employment of women through flexible work arrangements. Statements and Comments – Slovenia*.Retrieved 24 July, 2008, from http://pdf.mutual-learning-employment.net/pdf/norway%2005/SI_Kopac.pdf

Kopač, A. (2007). Contribution to EIRO comparative study on social partners and the social security system - case of Slovenia. Retrieved 25 July, 2008, fromhttp://www.eurofound.europa.eu/eiro/2005/09/study/si0509202s.htm

MH (2008). Resolution on a National Plan of Health Care 2008-2013 "Satisfied Users and Service Providers". Ur. l. RS 72/2008. Retrieved 15 February, 2010, fromhttp://www.uradni-list.si/1/objava.jsp?urlid=200872&stevilka=3163

MLFSA (2002). *Izvajanje strategije socialnega vključevanja s poročilom o uresničevanju programa boja proti revščini in socialni izključenosti* (Implementation of the Strategy of Social Inclusion with the Report on the Realisation of the Programme of the Fight against Poverty and Social Exclusion).Retrieved 12 April, 2010, from http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti__pdf/Strategija_socialnega_vkljucevanja.pdf

MLFSA (2005).*Republic of Slovenia National Strategy Report on Adequate and Sustainable Pensions*.Retrieved 14 April, 2010, fromhttp://europa.eu.int/comm/employment_social/social_protection/docs/2005/si_en.pdf

MLFSA (2008). *Število izplačanih denarnih socialnih pomoči za mesec glede na status vlagatelja* (The number of paid (financial) social assistance by the status of applicants).Retrieved 25 January, 2010, from http://www.mddsz.gov.si/si/statistika/denarna_socialna_pomoc/stevilo_izplacanih_dsp_za_mesec_glede_na_status_vlagatelja/

MLFSA (2008a). *Family benefits – parental leave*. Retrieved 25 January, 2010, fromhttp://www.mddsz.gov.si/si/statistika/druzinski_prejemki/

MLFSA (2008b).*Število vključenih v prostovoljno dodatno pokojninsko zavarovanje* (The number of participants within the voluntary supplementary pension and disability insurance).Retrieved 24 May, 2010, from http://www.mddsz.gov.si/si/statistika/dodatno_pokojninsko_zavarovanje/

Rakar, T. (2005). The Role of the Roman Catholic Church in the Service Provision of Education in Slovenia and Hungary.*Social Compass* 52(1), pp. 83-101.

Salamon, Lester M., Sokolowski, S. W., &List, R. (2003). *Global Civil Society. An Overview. The Johns Hopkins Comparative Non-profit Sector Project*. Baltimore: Centre For Civil Society Studies, Johns Hopkins University.

Sendi, R. (1999). Housing Construction in the Transition Period: Slovenia's Non-starter Situation.*Housing Studies*, Vol. 14, No. 6, pp. 803-19.

Stanovnik, T. (2004). Social Sector Development. In M. Mrak, M. Rojc & C. Silva-Jauregui (eds),*Slovenia. From Yugoslavia to the European Union*, The World Bank: Washington, D.C.

Stropnik, N., Stanovnik, T., Rebolj, M.,&Prevolnik-Rupel, V. (2003).Study on the Social Protection Systems in the 13 Applicant Countries – Slovenia, Country Study. Retrieved 13 May, 2010, fromhttp://europa.eu.int/comm/employment_social/soc-prot/social/slovenia_final.pdf

SORS - Statistical Office of Republic of Slovenia (2008). Kindergartens, Slovenia, school year 2007/2008. Retrieved 25 July, 2008, from http://www.stat.si/eng/novica_prikazi.aspx?id=1579

Svetlik, I. (1992). Changing Labour Market and Employment Policies.In I. Svetlik (ed.), *Social Policy in Slovenia – Between tradition and innovation*. Avebury: Aldershot, Brookfield USA, Hong Kong, Singapore, Sydney.

ZPIZ – Zavod za invalidsko in pokojninsko zavarovanje (2005).Letno poročilo 2005. Retrieved 3 September, 2010, from http://www.zpiz.si/src/letno_porocilo/2005/

ZPIZ – Zavod za pokojninsko in invalidsko zavarovanje (2008).Insured persons. Retrieved24 May, 2010, from http://www.zpiz.si/src/predstavitev/zavarovanci.html

ZPIZ – Zavod za invalidsko in pokojninsko zavarovanje (2009).Letno poročilo 2009. Retrieved 3 September, 2010, fromhttp://www.zpiz.si/src/letno_porocilo/2009/

Slovenian Social Policy in a Consensual Political System: the Dilemmas of a Delayed Transition

Igor Guardiancich

Introduction[308]

Slovenia is the only neo-corporatist, inclusive democracy in Central, Eastern and South-eastern Europe, placed on the far right of the majoritarian-consensual spectrum (Bohle & Greskovits, 2007;. Lijphart, 1999). The transition from socialism to a market economy was gradual, path-dependent and characterized by the preservation of existing power balances. Slovenia developed a thick web of political checks and balances, a moderately pluralist party system and powerful social partners, especially the Association of Free Trade Unions of Slovenia (ZSSS).

These legacies, in the long run, proved to be blessings in disguise. On the positive side, Slovenia avoided the social disruption that ravaged post-socialist countries. On the negative side, there were severe repercussions on the type of capitalism and on policymaking procedures that Slovenia developed.

Slovenia reveled in insider privatization, thereby avoiding 'making capitalism without capitalists' (Eyal, Szelényi, & Townsley, 1999). A national economic elite formed through the appointment of politically loyal cadres in top economic positions and the creation of quasi-state-owned investment funds following the Ownership Transformation Act. The recent global financial crisis revealed the amateurishness and recklessness of these home-bread tycoons.

The policymaking front is more important for this article. Slovenian politicians were forced into lengthy and cumbersome negotiations, had problems in facing organized interest groups. A perennially quarrelling and factionalist political class exhausted, after two decades, the initial advantages and failed to implement structural reforms. The result is widespread *immobilismo*, the exacerbation of the insider-outsider problem and agenda-hijacking by some interest groups, such as pensioners, represented by the powerful Democratic Party of Pensioners of Slovenia (DeSUS) (Guardiancich, 2009).

The paper elucidates these controversial aspects of Slovenian policymaking by putting forward two distinct propositions. The first claim is rooted in classical elite turnover theories of transition (Hellman, 1998), arguing that the belated break with the socialist past took place only in 2004 under Janez Janša, leader of the conservative Slovenian Democratic Party (SDS). This happened after former political and economic elites had ruled the country almost uninterruptedly for more than a decade, under Janez Drnovšek's Liberal Democracy (LDS), the heir to the League of Socialist Youth of Slovenia.

During its incumbency, LDS embarked on a gradual transition to a market economy, avoided major structural reforms and took control of the country's socio-economic resources. After its defeat, the Slovenian New Right did not fare better: it did not shed either its autocratic tendencies or its objective to disrupt former socialist oligarchies and political structures (through the so-called 'cadres tsunami'), thereby exacerbating domestic political conflict.

The second proposition directly relates to the difficulties of decision-making when party competition in a consensual democracy is particularly heated due to fractiousness and state capture by powerful groups (Immergut & Anderson, 2007).

[308] I would like to express my gratitude for the invaluable contributions by Prof. Tine Stanovnik, Dušan Kidrič and the three authors of the paper on the workings of Slovenian social policy, Prof. Zinka Kolarič, Tatjana Rakar and Anja Kopač-Mrak.

Neither of the two policymaking styles that have prevailed since 1991 was conducive to structural reforms. Under LDS, which formed bipartisan governments (six out of nine executives during 1990-2010 were grand coalitions), internal compromises were often so difficult that reforms could not be but piecemeal and incomplete. During the SDS interlude, PM Janša espoused neoliberalism and adversarial policymaking, which failed in a system rife with checks and balances. The heralded and later abandoned flat tax reform is a case in point.

Hence, the country represents only a mixed success story. Social policy remained generous and coverage relatively high, leaving unprotected only a handful of social categories (Stanovnik, 2004). However, needed systemic reforms in key areas such as healthcare, pensions, family benefits and the labour market have been avoided (Guardiancich, 2004; Tajnikar & Došenovič, 2005), leading to fiscal sustainability and labour competitiveness problems. This was mainly the result of widespread opposition by the pro-welfare coalition, which is in Slovenia headed by the union ZSSS on the corporatist side and, among others, the pensioners party DeSUS on the political front.

The transition

Slovenia declared independence on 25 June 1991, following a gradual and consensual process driven by the League of Communists of Slovenia (ZKS). Early transition was characterized by a short spell of extraordinary politics. The Democratic Opposition of Slovenia (Demos) led the country to independence and military success during the Ten-Day War against the Yugoslav People's Army. The quarrelsome coalition never dared to break with the socialist past; it soon fell apart and gave way to politics as usual, dominated by Janez Drnovšek's Liberal Democracy (LDS). The heir to the League of Socialist Youth of Slovenia espoused gradual transition to a market economy and formed bipartisan governments.

As a result, the real break with the socialist past happened only with the ascendancy in late 2004 of Janez Janša, leader of the conservative Slovenian Democratic Party (SDS). The Slovenian New Right fully applied its imperative policymaking style and adversarial stance to uproot the ruling socio-economic elites, among others the so-called *rdeči direktorji* (red directors). Despite four years of heightened domestic political confrontation, the country successfully integrated into the European Union, adopted the Euro, and presided over the European Council.

The SDS-led coalition was voted out office in September 2008. A centre-left coalition led by PM Borut Pahor's Social Democrats (SD), the heir of the League of Communists of Slovenia, pensioner party Desus and what is left of the LDS camp, which in the meanwhile collapsed generating the splinter group Zares, took over and waded through the worst crisis Slovenia has experienced since independence.

Political economy

Slovenia is often regarded as a post-socialist success story. Notwithstanding, two interrelated problems beset the country: marginal replacement of former socialist elites and slow economic restructuring, owing to the deliberate choice of reform gradualism. These were fully exposed during the recent global financial crisis: a number of politically appointed tycoons squandered the accumulated wealth, thereby generating unemployment and a GDP slump of 8.1% in 2009.

Stanojević (2010) divides the country's transition to a market economy into four periods: juncture (1988-1992), stabilization and recovery (1992-1996), accommodation to the

European Union (EU) and Economic and Monetary Union (EMU) (1996-2007), post-Euro period (2007-ongoing). After a mild transformational recession, Slovenia experienced 15 years of sustained growth, which averaged 4.3% from 1993-2008 and low unemployment and inflation at Euro-area level. The accessions to the EU and EMU were relatively simple. Since Demos did not disrupt existing socialist legacies, Janez Drnovšek's governments underscored political continuity and reform incrementalism. By contrast, SDS's centre-right coalition overturned the LDS legacy: Premier Janez Janša embraced economic neoliberalism and resorted to a sweeping cadre replacement strategy. Its party did not have enough political capital to withstand organized interests. The most radical proposals failed due to massive protests. The re-election of Borut Pahor's centre-left coalition put an end to the aspirations of the Slovenian New Right.

Converting the political-institutional structures inherited from Yugoslavia was a complicated and gradual exercise, which profoundly impacted on the Slovenian transition (Mrak, Rojec, & Silva-Jáuregui, 2004). The country's affluence, social peace and consensualism prevented shock therapy from being applied to any policy but monetary stabilization. Understandably, transforming a regional economy into a national economy, breaking away from Yugoslavia, and peacefully overcoming its socialist legacies (limited pluralism and self-management in a quasi-market economy) demanded caution and broad consensus (Šušteršič, 2004). Slovenian gradualism has often led to suboptimal results, due to administrative inefficiency and dilution of systemic reforms.

In sum, Slovenia underwent an endogenous transition, where the elites secured political primacy and economic advantages (Šušteršič, 2000). Employers and unionized labour retained or increased their resources and organizational structures. The 1989 Marković laws (named after the last federal Premier) spurred widespread insider privatization (Uvalić, 1997). Under LDS, the old elites were socialized into the new political system and maintained their pre-transition status (Adam & Tomšič, 2002).

Disputes over the allocation of economic privileges and elite extrication itself culminated in the Ownership Transformation Act, which started the privatization of Yugoslav social property process in November 1992. This was a compromise between gradual and decentralized privatization and the rapid and centrally administered distribution of shares (Simoneti, Rojec, &Gregorič, 2004). The former would benefit existing elites; the latter would advantage players not holding privileged positions, i.e. the emerging New Right.

The results were delayed privatization, inefficient buy-outs, hybrid Privatization Investment Funds and quasi-state funds (the Capital and Restitution Fund, KAD and SOD). Excessive gradualism marked the development of financial services: banks were liberalized slowly, private insurance lacked foreign competition and did not develop modern services, the capital market is characterized by insider trading (Štiblar & Voljč, 2004; Mramor & Jašovič, 2004). These failures show Slovenian policymakers' will to continue managing state-owned enterprises. This generated distrust towards institutional investors, kept foreign owners out of the country, and created powerful yet inefficient majority shareholders of the Slovenian enterprise sector.

In an attempt to eliminate these inefficient legacies, Janez Janša's centre-right coalition rejected gradualism and social-democratic policies. In order to rekindle the Slovenian economy, Janša hired the so-called 'young economists', such as the Minister for reforms Jože Damjan. The government set up a Committee of Reform pooling more than 200 experts. These drew an ambitious, neoliberal

reform agenda, whose core were the flexibilization of the labour market and the introduction of a flat tax rate. The reform, however, ended with a memorable debacle.

Janša's adversarial attempt to push a neoliberal-populist agenda clashed against ZSSS's protests and Slovenian consociationalism. The initially very inclined public opinion became swiftly disaffected: the approval rate plunged from an astounding 70% in December 2004 to 45% less than one year later (Čok et al., 2009). Simultaneously, the SDS-led coalition launched a 'cadre tsunami' to dismantle most Slovenian socioeconomic networks (Delo, 4 October 2005). Instead of introducing structural reforms, the New Right veered towards economic populism, in line with the excessively generous coalition agreement (Koalicijska pogodba, 2004), thereby attracting harsh criticisms from the very 'young economists' hired at the beginning of incumbency.

During the 2008 electoral round, Slovenians clearly rejected Janša's confrontational style and voted him out of office. PM Pahor's centre-left coalition took power during the harshest crisis to hit the tiny republic. The global financial meltdown exacerbated all the negative traits of the Slovenian economy and its unresolved structural problems. As the solutions are being currently debated, the capacity of the new government to tackle these problems is still open to question.

Political-institutional structures

The Slovenian political-institutional structure did not undergo significant change during the post-independence period. The social democratic country maintained a neocorporatist institutional setting, low party institutionalisation, an electoral system that does not generate solid majorities and strong social partners that have to be consulted on socioeconomic issues. These generate a thick web of checks and balances, within which divisive policymaking fails and where negotiated solutions are the norm.

Institutions of government

The Slovenian Constitution was adopted on 23 December 1991. Since then, Slovenia has been a parliamentary democracy that has espoused asymmetric bicameralism (see Table 1). The National Assembly is directly elected and has almost exclusive legislative power. The National Council's members are representatives of key economic interest organizations and have the right to veto legislation and force the Assembly to vote again on a given issue (Lukšič, 2001). Slovenia's neocorporatist character is testified by the long tradition of social pacts (see Table 4). The proportional electoral system has low thresholds leading to party fragmentation (Toplak, 2006). Before Janez Janša's executive, all but one government were grand coalitions (Lukšič, 2003).

As a result, *divide et impera* is not a policymaking option in Slovenia. Lengthy legislative procedures and the diversity of interests to accommodate, force Slovenian policymakers to table only incremental reforms. Ultimately, excessive consensualism prevented systemic change in important areas, such as the judiciary, tertiary education and the labour market (Šušteršič, 2004). The negative impact of the financial crisis is partly attributable to these deficiencies.

Table 1: Political institutions in Slovenia

Separation of power	Players	Rules of investiture and dissolution	Rules of decision-making
Executive	President	5-year term; directly elected.	Calls elections to the National Assembly; promulgates laws; proposes a candidate for premier.
	Prime Minister (*Predsednik vlade*)	Elected by the majority of National Assembly members; is held accountable via a constructive vote of no confidence.	Right to pass decrees, introduce and propose legislation, proposeand enforce the state budget.
Legislative	National Assembly (*Državni zbor*)	4-year term, 90 members; PR electoral rules in the Constitution.	Three readings; there are summary and urgent procedures.
	National Council (*Državni svet*)	5-year term, 40 members: 4 reps of employers, 4 of employees, 4 of farmers, crafts and trades, independent professions, 6 of non-commercial fields, 22 of local interests.	Proposes laws to National Assembly; consultative rights; suspensive veto on a given law prior to promulgation.
Judiciary	Constitutional Court (*Ustavno sodišče*)	9-year term, 9 judges elected by the National Assembly; these elect their President for a 3-year term.	Judicial review and supervisory rights; decides by 2/3 majority on the impeachment of the President.
Electoral	Referendum	Compulsory for EU accession; called by the National Assembly, by 1/3 of MPs, 40,000 voters, the National Council.	Majority of votes and majority of voters.
Territorial units	210 municipalities (*občine*), 11 with urban status	-	Limited local self-government rights.

Source: Slovenian Constitution.

Elections and parties

Throughout transition, Slovenia experienced moderate party competition, which evolved into political alternation after 2000, see Table 2 and Annex for a summary. The Liberal-democratic Party dominated the Slovenian political scene until 2004. Although it forged grand coalitions, its Ministers enjoyed a high degree of autonomy. They were frequently solely responsible for a determinate project, which clashed against the consociational nature of Slovenian democracy. After the Slovenian Democratic Party won the 2004 elections, former dissident Janez Janša departed from

consensualism by sidelining the trade unions and dismantling existing socialist oligarchies. Even though Janša did not succeed, LDS collapsed under the weight of its failures. Finally, the single-issue Democratic Party of Pensioners (DeSUS) has participated uninterruptedly to each executive since 1997, thereby blocking most structural reforms of the Slovenian retirement system.

During the late 1980s, the League of Communists of Slovenia (ZKS) decentralized, introduced market reforms, and resisted Belgrade's attempts to stop liberalization. The pluralization of politics and the founding elections witnessed the triumph of the six-party coalition Democratic Opposition of Slovenia (Demos). Under Premier Lojze Peterle, Demos formed the first non-socialist Slovenian government. Notwithstanding, some cohabitation emerged: the Party of Democratic Renewal, the successor of ZKS, secured Milan Kučan as President of Slovenia for two terms.

Despite achieving independence, winning the Ten-Day War against the Yugoslav People's Army and obtaining international recognition, Demos collapsed in December 1991 due to factionalism and disagreement. Peterle's government was extremely unstable. Most notably, controversial privatization plans led to the resignation of Finance Minister, Marko Kranjec and Economic Minister, Jože Mencinger. The Left returned to power already following the second parliamentary election. In 1993, PM Janez Drnovšek formed a grand coalition led by the Liberal-democratic Party, the heir to the League of Socialist Youth of Slovenia, a moderate and progressive socialist faction in Yugoslavia. Drnovšek served as Premier during 1992-2002 and as President almost until his death (2002-2007). Under his leadership, LDS became the most important political entity in Slovenia, governing almost uninterruptedly until 2004, consolidating the country's economy and politics, and leading it to EU membership.

Factionalism and scandals plagued most grand coalitions: the United List of Social Democrats (ZLSD) left the second Drnovšek government in 1996 after a row on pensioner rights and social expenditures; the Social Democratic Party of Slovenia (precursor of SDS) abandoned that same coalition in 1994, after the dismissal of its leader and Minister of Defence Janez Janša. Finally, Premier Anton Rop discharged the populist People's Party (SLS) in 2004.

Political analysts have had a hard time explaining why the Slovenian political landscape changed dramatically following the October 2004 elections. After scoring a convincing victory and after protracted negotiations, the Slovenian Democratic Party (SDS) became the leader of a conservative coalition (despite attempts to create an ideologically diverse alliance) and served a full term under Premier Janez Janša.

Fink-Hafner (2005, pp. 1183-1184) argues that LDS underwent a shift to the left after Premier, Drnovšek was elected President in December 2002 and Finance Minister Rop became the new Premier. At the same time both the United List of Social Democrats under Borut Pahor and SDS conquered the centre. In contrast to previous electoral rounds, Janša avoided campaigning on standard ideological issues, e.g. pro- versus anti-communism. He focused on the failures and weaknesses of 12 years of LDS executives (clientelism and corruption), pressing social issues (rights of the Roma and Muslim minorities, of ex-Yugoslav 'erased' immigrants), the worsening relations with Croatia and the lack of a clear programme by the incumbents. Janša managed to win the vote of the undecided at the last minute, as none of the polls predicted his party's breakthrough.

The Slovenian New Right did poorly in government. Premier Janša's autocratic tendencies, questionable appointment of cadres, clientelism and abandonment of the reform

programme eclipsed his party's accomplishments, such as the adoption of the Euro and a relatively trouble-free Presidency of the European Council. SDS was defeated in the 2008 elections. The new Premier, Borut Pahor, led the Social Democrats from marginal successor of the League of Communists to the most powerful party in the country. Due to its individualistic nature, LDS almost disintegrated after 2004. The party is now a junior partner playing a minor role in government.

Finally, the single-issue, Democratic Party of Pensioners of Slovenia took part in all coalition governments since 1997 (in 2000 it gave external support to Premier Andrej Bajuk). This probably qualifies it as the most successful pensioner party in the world. Owing to its pivotal role in coalition governments, DeSUS more often than not prevented even slight changes to the country's retirement system.

Table 2: Party system in Slovenia (after 2008 elections)

Party family affiliation	Acronym	Party name	Ideological orientation	Establishment and merger details	Foundation
Right	SNS	Slovenian National Party (*Slovenska nacionalna stranka*)	Radical nationalist		1991
Centre-right	SDS	Slovenian Democratic Party (*Slovenska demokratska stranka*)	Liberal conservative	Successor of Slovenian Democratic Union (SDZ – *Slovenska demokratična zveza*). Until 2003 known as Social Democratic Party of Slovenia (SDSS –*Socialdemokratska stranka Slovenije*).	1989
Centre	SLS	Slovenian People's Party (*Slovenska ljudska stranka*)	Agrarian populist	Successor of Slovenian Agrarian Union (SKZ – *Slovenska kmečka zveza*). Merged with Slovenian Christian-democrats (SKD – *Slovenski krščanski demokrati*) in 2000, SLS+SKD. This split into SLS and New Slovenia – Christian People's Party (N.Si – *Nova Slovenija – Krščanska ljudska stranka*). Ran the 2008 election in coalition with Youth Party of Slovenia (SMS – *Stranka mladih Slovenije*).	1905, banned in 1945, re-established 1992

Left	LDS	Liberal Democracy of Slovenia (*Liberalna demokracija Slovenije*)	Social liberal	Successor of League of the Socialist Youth of Slovenia (ZSMS – *Zveza socialistične mladine Slovenije*) as the Liberal-democratic Party (LDS – *Liberalno demokratska stranka*). Renamed and merged in 1994 with Democratic Party of Slovenia (DSS – *Demokratska stranka Slovenije*), Socialist Party of Slovenia (SSS – *Socialistična stranka Slovenije*) and Greens – Ecological-social Party (ZESS – *Zeleni – Ekološko socialna stranka*).	1990
	SD	Social Democrats (*Socialni demokrati*)	Social-democratic	Successor of League of Communists of Slovenia (ZKS). Renamed in 1990 into Party of Democratic Reform (SDP – *Stranka demokratične prenove*). Merged in 1993 with parts of DeSUS, Socialist Party of Slovenia (SSS – *Slovenska socialistična stranka*), Social Democratic Union (SDU – *Socialdemokratska unija*), Workers' Party of Slovenia (DSS – *Delavska stranka Slovenije*) into United List of Social Democrats (ZLSD – *Združena lista socialnih demokratov*). RenamedSD in 2005.	1993
	Zares	For Real – New Politics (*Zares – Nova politika*)	Social liberal	Founded by runaway LDS members.	2007
Pen-sioners	DeS-US	Democratic Party of Pensioners of Slovenia (*Demokratična stranka upokojencev Slovenije*)	Single-issue		1991

Social partners and social pacts

In contrast to low party institutionalization and feeble governments, Slovenian trade unions strengthened during transition, securing a uniquely firm socioeconomic role among post-socialist countries. They are at the same time key civil society representatives as well as defenders of the state bureaucracy. Public and private employees basically rely on the same unions for representation. Their influence is however declining: union density was 44.3% in 2003, down from two thirds a decade earlier.

Due to pluralization, the labour movement split along pro- and anti-communist lines. The successor union ZSSS retained one third of the labour force, maintaining its primacy during the last two decades. Before changing the statute, ZSSS had formal ties with the United List of Social Democrats, as the union's longstanding president Dušan Semolič appeared on the party's list. Other left-leaning unions, i.e. Pergam and Konfederacija '90, distanced themselves from ZSSS. Demos created Independence, which embraced the New Right, but lost many of its members. In 2006, seven public employee unions, including the largest Education, Training and Science Union (SVIZ), formed the Confederation of Trade Unions of the Slovenian Public Sector (KSJS). Table 3 below provides a short summary.

Table 3: Trade unions and membership (2004 and latest)

Association of Free Trade Unions of Slovenia (*Zveza svobodnih sindikatov Slovenije*)	ZSSS	300,000
Confederation of Trade Unions of Slovenia Pergam (*Konfederacija sindikatov Slovenije Pergam*)	Pergam	87,000
Confederation of Trade Unions of the Slovenian Public Sector (*Konfederacija sindikatov javnega sektorja Slovenije*)	KSJS	73,000
Independence, Confederation of New Trade Unions of Slovenia (*Neodvisnost, Konfederacija novih sindikatov Slovenije*)	KNSS	40,000
Confederation of Trade Unions '90 of Slovenia (*Konfederacija sindikatov '90 Slovenije*)	Konfederacija '90	40,000

Source: European Commission (2008b).
Lukšič (2003) presents the figures for 1997. ZSSS: 435,816; KNSS: 196,000; Pergam: 87,627; Konfederacija '90: 40,000.

During 1991-2006, two employer organizations – the Chamber of Commerce and Industry of Slovenia (*Gospodarska zbornica Slovenije*, GZS) and the Chamber of Craft and Small Businesses of Slovenia (*Obrtno-podjetniška zbornica Slovenije*, OZS) – represented all entrepreneurs due to compulsory membership. Since 2006, membership has been voluntary and employer associations' density decreased, as they now employ some 80-90% private sector employees. Since collective agreements require a density threshold of 50% for automatic extension, further declines may be detrimental.

The social partners have a dual role in welfare state matters in Slovenia: i) an advisory role through the Economic and Social Council (*Ekonomsko-socialni svet*, ESC); ii) an administrative role through their own representatives in the tripartite boards of the Institute for Pension and Disability Insurance (IPDI), the Health Insurance Institute of Slovenia (HIIS) and the Employment Service of Slovenia (ESS) (Kopač, 2005).[309] In general, the New Right tried to change the com-

[309] The social partners' influence on the Employment Service is much smaller, because all financial resources are managed at Ministerial level.

position of these administrative boards to significantly weaken the role of social partners. As for the ESC, this has 15 seats, five for each partner. The Council is not underpinned by any legal act, apart from government regulation, but it nonetheless holds disproportionate power: the Parliament only discusses socioeconomic legislation that had already been debated by ESC members.

Slovenia has now a long tradition of concertation which started after the transformational recession was over. The social partners draft every year or two a social pact outlining their mutual obligations and collectively negotiate economic, social and wage policy.[310]

Three annual pacts were signed in 1994-1996, after the economy stabilized and restarted to grow. These pacts promoted restrictive income policies and the formation of a centralized collective bargaining system. The pacts institutionalized a tripartite macro concertation process, resulting in the establishment of the Economic and Social Council (ESC) in 1994, at the request of trade unions, the Associations of Employers of Slovenia and the Labour Ministry. The formation of the ESC was a *quid pro quo* between the unions and the government. The former traded wage restraint for the institutionalization of social dialogue. The weak centre-left government had to include unions and employers into the policy formation process.

Tensions erupted during this first period. After ZLSD left the LDS-led coalition, various public employee unions started to mobilize (for example, medical doctors won various concessions). In 1996, the unilateral proposal of a disadvantageous collective agreement by employers triggered a general warning strike.

The period preceding the accession to the EU and EMU (1996-2007) started with the unsuccessful attempt to draft a comprehensive pact. Hence, the government unilaterally set restrictive income policy in 1997-1998, thereby significantly de-indexing the economy. The unions tacitly agreed. The radical pension reform proposal triggered a large rally in March 1998 and prevented the agreement on a social pact in 1999. As a result, the reform was significantly watered down. In 2000, the new labour code was agreed upon, amid much less controversy than pensions, as well as an Agreement on Income Policy for 2001-2003, basically continuing on the already trodden path.

A more comprehensive three-year social pact was signed in 2003, just before Slovenia joined the EU. It covered part of the new electoral cycle, as elections were scheduled for late 2004. This pact had a markedly European content: disinflation was prominent and to be achieved through wage growth lagging behind productivity. Tax and healthcare reform plans were spelled out in detail. Legal security was emphasized.

The neoliberal turn of the SDS-led centre-right coalition in 2004-2005 triggered unprecedented outcry. ZSSS, Pergam, Independence, Konfederacija sindikatov '90 and a host of smaller unions organized a big campaign against reforms with TV and newspaper ads and organized in November 2005 the largest protest march since independence, under the slogan: 'Where are the government's reforms leading us? Do not allow them to break our backs.[311] The flat tax rate was swiftly abandoned and the rest diluted. In 2007-2008, after successfully joining the Euro, inflation in Slovenia started to grow again. Between November 2007 and May 2008 a series of rallies marked the abandonment by trade unions of consensualism on wage restraint. However, neither private nor public employees hammered out significant concessions as the government quite effectively neutralized them with relatively mild compromises.

Notwithstanding Janša's adversarial style, social pacts were a source of legitimation for the New Right as well. A three-year pact (2007-2009) was signed during the post-Euro period.

[310] These contain only negotiating frames for key systemic laws, such as the Pension and Disability Insurance Acts. See Stanojević (2010) for a comprehensive account.

[311] See http://www.zsss.si/index.php?option=com_content&task=view&id=137&Itemid=235.

As in the past, restrictive income policy and inflation were prominent. Additionally, the pact emphasized the need to reduce public spending as well as indirect labour costs to improve the country's international competitiveness. Emphasis on competitiveness was all the more prominent: social partners even agreed on mild flexibilization of the labour market, provided that *flexicurity* principles are respected.

As for the pacts' content, Table 4 provides a comprehensive illustration.

Table 4: Content of Slovenian social pacts

	Agreement on income policy 1994	**Social pact 1995**	**Social pact 1996**	**Law on income policy 1997-1998**	**Agreement on income policy 1999-2001**	**Agreement on income policy 2001-2003**	**Social pact 2003-2005**	**Social pact 2007-2009**
Income policy	X	X	X	X	X	X	X	X
Minimum wage		X	X	X	X	X	X	X
Prices		X	X				X	X
Taxes		X	X				X	X
Employment		X	X				X	X
Vocational training							X	X
Safety and health at work							X	X
Public finance		X	X				X	X
Social security		X	X				X	X
Pensions		X	X	Pension reform			X	X
Healthcare							X	X
EU integration; S&T; R&D; competitiveness			X				X	X
Social dialogue and ESC	X	X	X				X	X

Source: adapted from Stanojević (2010)

Welfare state reforms

Kolarič, Rakar and Kopač Mrak's (this volume) key finding is that Slovenia introduced welfare reforms that were not paradigmatic, except perhaps in housing and partly in healthcare. The compulsory social insurance schemes – representing an archetypical Bismarckian sys-

tem – are still prevailingly providing social security for employees and their families.

Such gradualism is hence a confirmation of the first proposition, i.e. that caution and social dialogue were the prevailing policymaking mode during the 12 years of the LDS governments. Notwithstanding, even during this period characterized by the institutionalization of social pacts, individual radical proposals made it to the agenda and failed only due to the social partners' opposition.[312]

A major change in attitude happened with the election of Janez Janša's centre-right coalition in 2004. By hiring neoliberal economists, who devised radical reforms in healthcare and the labour market (pensions were by and large excluded due to the presence of DeSUS in the coalition), and by staging an all-out attack against the social partners, SDS tried to impose a different pace to Slovenian policymaking. However, in line with proposition two, this was incompatible with Slovenia's political-economy configuration, which does not function without consensus building. Most of the reform attempts failed or got diluted.

Hence, International Financial Institutions' influence, especially during the heyday of neoliberalism, was only ideological and never really materialized in concrete policy changes. Instead, what Slovenian governments faithfully and rather uncritically followed was the harmonization of social and labour legislation with the *acquis communautaire*. European Community (EC) law and European Court of Justice (ECJ) case-law are considered as something determined and not variable, and whose adoption is believed to help transition to a market economy (Kresal, 2008). Harmonization of the Slovenian legal system began already in 1993, when the Standing Orders of the Government laid down the obligation that the compliance with pertinent EC regulations and directives be explained for every draft act, with the goal of assuring conformity with the existing EC law (Končar, 2006). This could be clearly seen with the adoption of the 2002 Employment Relationships Act.

The voting into power of Premier Borut Pahor's centre-left coalition happened during one of the worst moments for the Slovenian economy in decades. Even though the coalition agreement (Koalicijski sporazum, 2008) stated that some social security reforms are necessary (e.g. the extension of voluntary pension insurance and rationalization of healthcare), the extent of the crisis forced the government to propose unpopular measures, such as the increase of the retirement age for all to 65. A difference with the previous government is, of course, greater respect for social dialogue and involvement of social partners. Given, however, that the debates are ongoing at the time of writing, no firm conclusions can be drawn from the current government's experience.

The next few paragraphs outline the most salient policymaking phases for four key social policy domains from 1991-2009: pensions, family policy, labour market and unemployment insurance, as well as healthcare.

Pensions

Among all social security fields, pension reforms have been the most heatedly debated during the last two decades. Table 5 lists the main steps of the reform process.

[312] I refer here to the White Papers by Ministers Rop and Keber, respectively on pensions and healthcare. The two rather radical proposals made it to the legislative stage due to the relative independence of individual portfolios within LDS. Stanovnik (2002) quotes Prof. Vlado Miheljak, who describes the LDS as an extremely decentralized party, where individualists predominate: *"That is why nobody in the party bothers about factions and dissenters; considering the inner dynamics of the party, these are meaningless terms."*

Table 5: Main pension reform steps

1992 Pension and Disability Insurance Act (ZPIZ, legislated)
– Slight reduction in accrual rates (benefits for a full pension qualifying period limited at 85% of the pension base). – Elimination of pure seniority pensions. – Complex valorization formula due to wage growth freezes in 1990-1991. – Creation of the Institute for Pension and Disability Insurance (IPDI), which substituted the existing 'self-managed community of interest'. – Introduction (inconclusive) of voluntary private fully funded pension schemes.
1994 Amendment to the Pension and Disability Insurance Act (ZPIZ-A, legislated)
– Rebalancing of the members of the assembly of IPDI.
1996 Pension and Disability Insurance Act (ZPIZ-B, legislated)
– Eligibility restrictions and less favourable indexation. – Decrease in the contribution rate for employers (from 15.5% to 8.85%).
1997 White Paper on the Reform of the Pension and Disability Insurance in Slovenia (rejected by social partners)
– Equalization of full retirement age at 65 by 2022. – Introduction of a mandatory funded pillar with 6% contribution. – Change in the defined-benefit formula to a German-inspired point system, or alternatively the elongation of the calculation period from 10 to 25 years, less generous accrual rates and permanent decrements for retiring early.
1999 Pension and Disability Insurance Act (ZPIZ-1, legislated)
– Gradual increase of the conditions for acquiring a right to old-age pensions for women (age 58/61 with 38/20 year qualifying period or age 63 with 15 year insurance period). The reform will bephased in by 2022. – Bonuses and maluses. Permanent decrement for early retirement if the full qualifying period is not met (35/40 years for women/men). Higher accrual rates for working longer. – Widening of the calculation period from ten to 18 best consecutive average net wages. – Change in the PAYG benefit formula: 38% and 35% of the assessment base for women and men for first 15 years of contributions and 1.5% for every subsequent year. – Different indexation rates, due to the strict horizontal equalization of benefits across cohorts. – Introduction of a state pension to all persons above 65, who lived in Slovenia for 30 years and who do not qualify for a first pillar pension. The benefit is equal to one third of the minimum assessment base. – Reform (delayed by three years) of disability pensions and new cash benefits. – Guaranteed participation in the Compulsory Supplementary Insurance Fund for those categories that qualified for an insurance period with bonus. – Incorporation into the ZPIZ-1 law of the entire bulk of regulations concerning supplementary and voluntary private pensions (pension funds, pension companies and direct providers of pension schemes).
2001 Amendment to the Pension and Disability Insurance Act (ZPIZ-1C, legislated)

– Mandatory division between individual and collective supplementary pension schemes. – Collective schemes' regulation relaxed: employers need to include at least 51% of employees instead of 66%. – Clarification of the rules governing the taxation of premia to supplementary pension schemes, thereby advantaging collective schemes.
2002 Creation of a quasi-mandatory funded pillar for the public administration (repealed by the Constitutional Court)
– Conversion of salary increases for the public administration (33 thousand people) into premia. – 5-7 private pension funds.
2003 Creation of a quasi-mandatory funded pillar for public employees (legislated)
– Conversion of salary increases public employees (160 thousand people) during 2003 into premia. – Flexible premia depending on seniority. – One close-end mutual pension fund, administered by the state-owned *Kapitalska družba*.
2005 Amendment to the Pension and Disability Insurance Act (ZPIZ-1F, legislated)
– Indexation brought back to net wage growth. – Elimination of IPDI's executive board and assembly and their replacement with a committee that penalized the participation of social partners.
2006 Amendment to the Pension and Disability Insurance Act (ZPIZ-1G, legislated)
– Adoption of Directive 2003/41/EC on the Institutions for Occupational Retirement Provision (IORP Directive).

Source: Guardiancich (2009)

The 1992 Pension and Disability Insurance Act converted the self-governed Community for pension and disability insurance into the Institute for Pension and Disability Insurance. This marked a return to the pre-socialist Austrian tradition. IPDI is a monolithic institution; almost exclusively responsible for the retirement system (the Tax Administration collects contributions). The Institute enjoys relative autonomy, but is subordinate to the Labour Ministry, so does not shape pension-related legislation (Stanovnik, 2002). It is characterized by extreme institutional continuity. Even though the Slovenian government approves the general director, Janez Prijatelj occupied the post for 26 years until 2005.

One of the bones of contention is the composition of the Institute's executive board and assembly (now committee). The management of IPDI is one major concern of the Slovenian trade unions. The issue only slowly gained in prominence as trade unions and the government had a honeymoon period during early transition. After that, the board composition changed constantly: in 1994, 1996, 1999 and 2005. During the New Right's crusade against the socialist establishment, the longstanding director Prijatelj was ousted, the board and assembly eliminated and the committee's composition rebalanced in favour of the government.

With respect to the rules of the public pension system, path-dependence is the norm. The 1992 reform has been described by Stanovnik (2002) as 'too little, too late'. The final outcome of the 1999 reform was

slightly more ambitious, but does not guarantee long-term financial sustainability concerns (EPC, 2007). The only exception to the parametric nature of Slovenian pension reforms was the creation of the Closed Mutual Pension Fund for Public Employees in 2004. Despite the incremental character of reforms, the underlying debates were fierce.

Before 1992, the Executive council, the interim Demos government led by Lojze Peterle, planned some structural changes. However, due to internal disagreement (the Grey panthers, a pensioner party, even drafted a proposal of their own), the 1992 Pension Act did not live up to the expectations. The package also had temporary status, as the National Assembly required further restructuring.

During the run-up to the 1999 reform, three phases are worth emphasizing. Before 1996, the United League of Social Democrats (ZLSD) held the Ministry for Labour, Family and Social Affairs and vehemently disagreed on the future composition of IPDI's assembly and changes in indexation, as envisaged in the 1996 Pension Act. Consequently, the Social Democrats abandoned the executive in January 1996. The Act passed despite the narrow majority, a National Council veto, and the threat by pensioner associations to hit the streets (Prijatelj, 1996).

After the rupture, Premier Drnovšek expressly appointed new Labour Minister Anton Rop, LDS's rising star, to reform the ailing pension system. This changed the government's attitude to reforms, since Rop invested most of his future political career in the endeavour. Minister Rop was inspired by 'Averting the Old Age Crisis' and took very seriously the joint IMF-World Bank 1995 report 'Republic of Slovenia: New Challenges Confronting the Social Insurance System'(IMF, 1995). The two organizations, however, were not directly involved in decision-making, apart from the indirect effect of a Bank's promised Structural Adjustment Loan.

Hence, in the White Paper (Ministry of Labour RS, 1997), Rop proposed neoliberal reform measures such as a mandatory funded pillar and the shift to a point system. These elicited unparalleled outrage. The main trade union ZSSS (and limitedly the pensioner party DeSUS) feared a 'hidden agenda' behind the introduction of a mandatory funded pillar, aiming at the gradual elimination of public pension provision. Fiscal considerations definitively set the funded pillar aside.

The equalization of retirement age at 65 and elongation of the calculation period to 25 years elicited more protests. ZSSS staged the largest demonstration rally in Slovenian history. Female organizations and the public at large – 55% opposed the White Paper and 76% age equalization (Finance, 29 April 1998) – demanded amendments. These were duly introduced. In addition to the social partners, junior coalition partners SLS and DeSUS had to be granted policy concessions. Indexation to wage growth (later contested due to a transgenerational solidarity element) and a legal obligation that the budget cover all IPDI deficits appeased DeSUS. SLS obtained a universal non-contributory national pension for its rural electorate, a unique feature in the region's pension panorama.

The need for innovative solutions increased after 2000, during the run-up to EU accession, as DeSUS uninterruptedly took part in any coalition government in power. As a dangerous side payment for support, Janša's SDS lifted indexation to net growth level in 2005, further destabilizing the pension system's fiscal prospects.

Before these populist aberrations, however, a major concern for Slovenia was the compliance with the Maastricht criteria and a swift adoption of the Euro.

Anton Rop, Minister of Finance in 2002, attempted to unilaterally impose the con-

version of salary increases for the public administration into premia for a quasi-mandatory funded scheme. The Union of State and Social Organs (SDDO, *Sindikat državnih in družbenih organov Slovenije*) and part of the affected administration appealed to the Constitutional Court (Finance, 4 July 2002), which ruled the unconstitutionality of the law. The following Finance Minister, Dušan Mramor was far more cautious. He involved the social partners, and especially the Education, Training and Science Union (SVIZ), and hammered out a bilateral deal including all public employees into the Closed Mutual Pension Fund for Public Employees.

The financial service lobby, which emerged after voluntary private solutions became an attractive business, experienced its most intense mobilization during the selection of the scheme's provider in 2003-2004. Not only did private providers long for a slice of the cake and insurance companies feared increased competition, but the state also wanted to increase its stake in institutional investment through the Pension Fund Management Company (*Kapitalska družba*, KAD), which ultimately won the public tender (Guardiancich, 2009).

Family policy

Family policy inherited from ex-Yugoslavia underwent only incremental reform in Slovenia. There were changes in eligibility and coverage, but the overall generosity was retained, see Table 6. The much decentralized administration was rationalized.

Table 6: Main family policy reform steps

1993 Family Benefits Act (ZDPre, legislated)
– It introduced a comprehensive array of family benefits and supplements: a. parental leave benefits: 365 days in total, almost always for the mother, granting full compensation based on the average wage of the previous 12 months and wage-indexed. b. parental allowance for Slovenian mothers not receiving any wage or wage compensation (flat-rate); c. child allowance. This was meant to start in 1996, be universal and depend on the age of the child up to 15 (26 in case of schooling). However, due to budget constraints, previous regulations were retained until April 1994 and temporary rules introduced until December 1995. These maintained means-testing, restricting eligibility to families whose income per member did not exceed 50 percent of the average wage in Slovenia. The child allowance for a severely ill or disabled child was 50 percent higher than the regular allowance. d. birth grant (a *una tantum* contribution in cash or in kind for mothers). – Explicit maternity leave contributions introduced.
1994 Amendment to the Family Benefits Act (ZDPre-A, legislated)
– The birth grant extended to any child whose mother or father is resident in Slovenia.
1994 Draft Amendment to the Family Benefits Act (rejected)

– Extension of parental leave benefits from one to three years, albeit entailing a decreasing replacement rate (100 percent during the first year, 75% during the second and 50% during the third).
1995 Amendment to the Family Benefits Act (ZDPre-B, legislated)
– Considerable expansion of child benefits, as the means-tested ceiling per family member is lifted up to 110 percent of the average wage in Slovenia and benefits rendered more progressive. – In 1996, the child allowance for a severely ill or disabled child was complemented with a new flat-rate social benefit, the allowance for nursing a child was introduced, decoupled from child allowances.
1996 Preschool Institutions Act (ZVrt, legislated)
– The full fee for participating in pre-school institutions (public, private or family-based) is paid only by families, whose income per family member is greater than 110 percent of the average gross wage. – Full exemption to families on social assistance. – Pre-school fees are further reduced if more than one child is participating.
1999 Amendment to the Family Benefits Act (ZDPre-C, legislated)
– Extension of the allowance for nursing a child up to 18 years of age (26 if studying). – Lower income ceiling (99 percent of the average gross wage) to be eligible for child allowances. Benefits differentiated with regard to the birth order and income per family member (more brackets).
2001 Parental Protection and Family Benefit Act (ZSDP, legislated)
– Inclusion of provisions regarding sickness leave and compensation previously included in the Employment Relationships Act. – Division ofparental leave into: 105 days of maternity leave wage compensation (almost exclusively for mothers) and 260 days of compensation for childcare (meant either for the mother or father). 75 days of the latter may be used until the child is eight. – Gradual introduction of paternity leave, fully operational since 2005: up to 90 days for each child, 15 days during maternity leave (after birth) and fully compensated; 75 days before the child is eight years old, only social security contributions paid from the minimum wage. – Changes to the child allowance: 10% increase in case of single-parent household (since 2004) and 20% if the child does not participate in preschool education (since 2003). – Recalibration of adoption leave, up to 150 days for children younger than four and up to 120 days for children aged between four and ten. – Recalibration of the right to payment of social contributions for shorter working time in case of childcare up to age three (or to a handicapped child). The employee works at least half time and is accordingly paid, but the state supplements full social security contributions based on the minimum wage. – Introduction of the large family allowance, a non-means-tested yearly lump sum for families with three or more children, entitled to ordinary child allowances. – Introduction of parental compensation for forgone income, if the parent of a handicapped child has to stop working or work shorter hours. The benefit is the minimum wage, on which the parent pays contributions. The compensation stops at retirement. – Minor changes to the other benefits (benefits expressed in nominal terms and not as wage shares and different timing).

2003 Amendment to the Parental Protection and Family Benefit Act (ZSDP-A, legislated)
– Elimination of residence requirements due to the prospective accession of Slovenia to the European Union. – Shorter preferential treatment of mothers with respect to the parental allowance (from 105 to 77 days after giving birth). – Specification of the subjects paying social contributions in case of parental compensation for foregone income.
2004 Social Protection Act (ZSV, legislated)
– Creation of the professional category 'home carers' for elderly people with disabilities or mobility problems. Home carers receive compensation for forgone income up to the minimum wage.
2006 Amendment to the Parental Protection and Family Benefit Act (ZSDP-B, legislated)
– Relaxed eligibility requirements for parental leave (12 months of insurance during the three years preceding the birth of the child). – Expansion of parental rights in case of shorter working time, i.e. payment of full social contributions on the minimum wage if one of the parents works at least 20 hours weekly, until the child is three (six in case of abandonment of the labour market, ten if the household has four or more children). Extension of this right to farmers and self-employed. – Changes to the fruition of paternity leave: 15 days until the child is six months old, 75 days untilthree years old.
2008 Preschool Institutions Act (ZVrt-D, legislated)
– Full exemption (under certain conditions) of schooling fees for the second child, provided that both children are participating simultaneously.
2008 Amendment to the Parental Protection and Family Benefit Act (ZSDP-C, legislated)
– Changes in the amounts of the child allowance.

Source: Grželj (2007)

Family policy was in former Yugoslavia well developed, as the inclusion of women into the active labour force required the development of so-called combination security to guarantee a sustainable work-life balance. Hence, pre-school arrangements, mandatory parental insurance and child supplements had been known in Slovenia since the 1950s (Kolarič, Rakar, & Kopač Mrak, this volume). Due to the lack of a clear break with the socialist past, LDS continued to support all sorts of benefits and even expanded them.

In fact, before 1993, the parental allowance was meant for jobseekers and students (hence work-centred). Since then housewives and the rural population were fully included into family policy. At the same time, however, some fiscal realism stopped short the attempt to convert child allowance from means-tested to universal. The very developed socialist pre-school childcare provisions were retained (a policy instrument to encourage female employment), and the 1996 Act was the first encompassing the whole field.

The only contentious episode, which elicited a wealth of debate in Slovenia was the proposal, already contained in a 1993 resolution on family policy (Uradni list RS, 40/93), by three MPs of the then-ruling Slovenian Christian-democrats (SKD) to extend parental leave from one to three years with progressively decreasing compensation. The argument was that longer parental leave could increase the very low Slovenian fertility, in line with the Catholic orientation of the party. Lower spending for unemployment benefits (a very flawed argument) and for kindergartens would offset the costs.

Neither the LDS-led government nor the Parliamentary Committee for Women's Policy endorsed the proposal; the main reasons being insufficient evidence that longer parental leave would lead to higher fertility and fears that discrimination against women on the labour market would simply increase. Finally, public opinion was extremely divided on the issue, 45.8% of those polled were against elongation and 44.9% in favour (Grželj, 2007).

By 1999, the child allowance became an instrument of population policy, as more births were financially encouraged. A renewed reform effort in 2001 stemmed from the need to regulate family and sickness benefits with one law. Most importantly, fathers' leave was introduced by the Državni zbor in the run-up to EU accession. The Parliament rubberstamped the European Council Directive 1996/34/EC on the framework agreement on parental leave, which requires that parental leave be an individual right for both genders, with a minimum duration of three months (Stanovnik, Kump, & Čok, 2006).

Labour market and unemployment insurance

In general, Slovenian performance on the labour market has been satisfactory throughout transition. Unemployment has remained relatively low and declined mainly due to the privatization model, which maintained the status quo and prevented large layoffs. Policymakers avoided social tensions with high state subsidies to loss making firms. However, similarly to the other sectors analyzed in this paper, labour market reforms have been endlessly postponed in Slovenia, resulting in various rigidities, such as restrictive labour market regulations, firing legislation, wage inflexibility, high tax rates and social security costs, problems with employing immigrants, employment of women in the private sector and inadequate education (Čok et al., 2009).

Apart from implementing new employment programmes and minor adjustments, most labour market reforms remained at the proposal stage (see Table 7 for details). At the same time, however, Kump (2008) observes that the 1998 reform of unemployment insurance and the 2003 labour code reduced employment protection, legalized temporary work agencies and restricted the eligibility to unemployment benefits, thereby abiding to some of the most pressing demands by employers.

Table 7: Main labour market reform steps

1990 Labour Relations Act (ZDR, legislated under Yugoslavia)
– Establishment of the rights of redundant workers, of workers' obligations and the protection of their rights. – Employers were allowed to lay off employees, but this implied: 6 months of notice, severance pay of half monthly salary for each year of service and high procedural costs. – Provisions for collective agreements and special labour relations with private employers. – More liberal regulations regarding fixed-term contracts, with no limits in duration and number of successive contracts. – Provisions about temporary and casual work and the work of pupils and students.
1991 Employment and Unemployment Insurance Act (ZZZPB, legislated)
– Establishment of unemployment insurance and of the Employment Service of Slovenia (ZRSZ) as of January 1992. – Two types of benefits: insurance-based unemployment benefit and unemployment assistance benefit (means-tested and flat rate). – Duration of benefits between 3 and 24 months with the possibility to extend it for another 36 months if meeting old-age retirement conditions. – Unemployment benefits amount to 70% of the average wage in the last 12 months for the first three months, 60% after.
1994 Agreement on Income Policy
– Wage restraint traded against the establishment of the Economic and Social Council.
1995 Social Pact
– Collective agreements defined as the key instrument for determining base salaries. – Minimum wages defined as 40% of the average gross salary. – Narrower gap between minimum and maximum base salaries.
1998 Amendment to the Employment and Unemployment Insurance Act (ZZZPB-D, legislated)
– Unchanged length of fruition and amount of unemployment benefits, but more demanding requirements with respect to the insurance period (certain benefits were halved). – Narrower difference between the benefit's floor (from 80% to 100% of the guaranteed wage) and ceiling (from 320% to 300%). – Extension of the means-tested flat rate unemployment assistance benefit from 6 to 15 months after the expiry of the insurance-based allowance. – Elimination of the additional 3-year period of unemployment benefits for elderly people who are sufficiently close to retirement. Substitution of the allowance with the payment of mandatory social security contributions by the National Employment Office. – Introduction of the activation concept.

2002 Employment Relationships Act (ZDR, legislated)

- Most comprehensive shift from associative to contractual labour relations, containing:
  a. general definition of all work categories;
  b. specification of most contractual arrangements, including fixed-term, part-time, temporary and home work;
  c. rights, duties and responsibilities in a contractual employment relationship (including during probation periods);
  d. protection of categories at risk (women, disabled, workers under 18, older workers and employees on parental leave);
  e. judicial protection and arbitration;
  f. activity and protection of workplace trade union representatives;
  g. inspection control;
  h. other special provisions.
- Prohibition of discrimination with regards to the access, participation and termination of an employment relationship, especially on the basis of gender.
- Rule of equal treatment.
- Rule on equal pay for equal work of women and men.
- Protection of workers in case of transfer of undertakings or businesses.
- Additional requirements in case of collective dismissals.
- Mandatory written contracts requiring basic information about the employer and employment relationship.

2005 The Framework of Economic and Social Reforms for Increasing the Welfare in Slovenia (rejected by social partners and diluted)

- New, more flexible wage system to guarantee greater uniformity within and between the public and private sectors. Industry collective bargaining would lose importance and would only determine minimum wages, salaries would be directly agreed on at firm level.
- Greater activity of the unemployed by including them in job-seeking programs, increasing the number of advisors, liberalizing part employment and part retirement, introducing the Danish model of job-rotation, by compulsorily including the unemployed and later social assistance recipients into employment programmes.
- Understanding of employment policy as inter-ministerial, supplemented by Active Employment Policies and special projects to directly intervene on the labour market.
- Stimulation of life-long learning.
- Introduction of system of scholarships for the young to eliminate duplication of capacity, increase the coordination with employers and allow for coordination with the system of social transfers.
- Increased flexibility of the labour market by introducing *flexicurity* arrangements. This entails the expansion of all flexible labour arrangements and consequent proportional reduction in attached benefits, lower regulation of most work arrangements, relaxed collective dismissals, shorter notice periods, less seniority arrangements.

2006 Law on the Determination of the Minimum Wage (ZDMP, legislated)

- Establishment of a legal framework for minimum wage determination, away from reiterated social agreements.

2006 Amendment to the Employment and Unemployment Insurance Act (ZZZPB-F, legislated)
– More stringent obligations for the unemployed: after three (six) months, the unemployed person has to accept jobs one (two) level(s) below their educational attainment. – Elimination of the 15-month unemployment assistance benefit and shift of the longer-term unemployed onto social assistance (shift from the Employment Service of Slovenia to the Centres of Social Work). – Change in the composition of the ZRSZ Administrative Board, renamed the Service Council. The original structure of 4 representatives each for the government, unions, employers and 1 representative for ZRSZ employees was rebalanced into 6 representatives for the government, 3 each for unions and employers and 1 for ZRSZ employees.
2007 -2009 Social Pact
– Retention of collective agreements as main instrument to negotiate income policy.
2007 Amendment to the Employment Relationships Act (ZDR-A, legislated)
– Prohibition of discrimination and of retaliatory measures. – Prohibition of harassment and psychological violence. – Extension of flexible types of employment. Fixed-term contracts are now allowed when there is no suitable candidate for the job (up to 1 year), to replace an absent worker, to hire managerial staff and to hire personnel for specific tasks (up to 2 years). Telework as a category of homework was added. – New and clearer regulation for contract termination and dismissals. – Uniform periods of notice, reduced overtime work and consistent rules regarding severance pay, compensations for periods of absence or training and profit-sharing. – More favourable provisions with respect to combination security, i.e. flexible working hours when raising children, and prohibition of dismissal during parental leave.
2010 Minimum Wage Act (ZMinP, legislated)
– Minimum wage in line with minimal living expenses and changed indexation (from expected to past inflation).

Source: Government Office for Growth (2006); Kopač (2005); Skledar (2007, 2002) and Vodopivec (2004).

At the beginning of transition, important changes occurred in the area of employment and wage determination. It became legal for employers to lay off workers (albeit very costly) and hence, unemployment insurance was rapidly set up. As for self-managed wage setting, this was substituted by collective agreements, a new labour code and income policy. The 1991 labour code remained almost intact until 2003, thereby maintaining high employment protection legislation (especially for standard contracts), financing a comparatively generous unemployment insurance scheme, imposing heavy taxes on employers, granting high minimum wages and stimulating employment through Active Labour Market Policies (Vodopivec, 2004).

It took almost seven years of negotiations to hammer out the 2002 Employment Relationships Act, which represents the most important step towards the Europeanization of Slovenian labour law, thereby ending the transition from self-management to a market economy in employment, i.e. from associative to contractual labour relations (Skledar, 2002). The harmonization with EC law led to

the introduction of new institutions (transfer of undertakings), additional legal provisions to existing principles (prohibition of discrimination) and more detailed regulation of rights and obligations.

The centre-left government, under Minister of Labour, Family and Social Affairs Vlado Dimovski, chose a consensual approach, placing at the core the tripartite Economic and Social Council. Hence, this Act has been legislated without any major labour union protests, in contrast to the 1998 Pension and Disability Insurance Act and despite a long discussion concerning relatively minor points – payment of holiday reimbursements, obligatory daily 30-minute break during a full-time job, regulation of fixed-term employment. The new labour code became the second systemic law (after pensions) that resulted from the consensual decision making of the social partners (Kavčič, 2004).

The most comprehensive attempt at increasing the flexibility of the Slovenian labour market was proposed by the New Right's team of young economists under Janez Janša in 2005. As stated above, the ambitious package was severely diluted due to the opposition of trade unions and a negative campaign in the media. In November, the Prime Minister met with all trade unions, which complained against the worsening of social dialogue under Minister for Labour, Family and Social Affairs, Janez Drobnič. The protest wave and adverse public opinion led to the resignation of Drobnič in December 2006 and his substitution with Marjeta Cotman, who had a far less adversarial stance towards the unions. The reshuffle also led to a significant dilution of the original package.

It took one year of tough negotiations between employers and trade unions to amend the 2003 Employment Relationship Act. The social partners agreed through the ESC on a compromise between employers' demands for increased labour market flexibility and lower labour cost. They exposed the following most binding restrictions: high labour costs (paid break, fringe benefits and seniority allowance), long periods of notice, complicated firing procedures and high severance payments. The proposed changes were met by strong opposition and even mass demonstrations supported by unions. Hence, whereas employers vented their dissatisfaction at the deal (mainly the Chamber of Commerce and Industry), ZSSS's president Dušan Semolič expressed his contentment for the successful safeguarding of a number of endangered workers' rights (Kump, 2008 ; Skledar, 2007).

The continuing influence of the *acquis communautaire* on the amendment to the labour code was consistent. The prohibition of retaliatory measures, harassment and psychological violence as well as the regulation of overtime work all resulted from the harmonization of Slovenian law with European Directives and the European Social Charter (Skledar, 2007).

If in the early 1990s, minimum wages were determined through collective agreements, with the 1995 Social Pact, statutory minimum wages were introduced (40% of the average gross wage). Subsequent tripartite agreements were implemented by law. As the private sector collective agreement on pay policy for 2006-2007 did not encompass the minimum wage, the Ministry of Labour, Family and Social Affairs prepared the draft Law on the Determination of the Minimum Wage, which was discussed and approved by the ESC. Creating a framework law was a constant demand of labour unions as to avoid recurring discussions during social pact negotiations on whether a minimum wage is actually necessary (Skledar, 2006). Finally, in February 2010, the National Assembly unanimously voted for the increase of the minimum wage in line with minimal living expenses. Indexation was also changed from expected, to the past year's average inflation (Delo, 11 February 2010).

Although comparatively generous, unem-

ployment insurance is perhaps the weakest link within social protection policies in Slovenia, as it secures relatively low benefits, which have been periodically reduced (Stanovnik, 2004). In this vein, Slovenia espoused the European Social Model's *leitmotiv* to couple passive unemployment benefits with activation policies, i.e. to implement some model of *flexicurity*. In fact, the Unemployment Insurance Act was amended a number of times, most dramatically in 1998, when benefits were cut and activation introduced – agreed by the social partners, and in 2006, when the obligations for the unemployed became more stringent.

Additionally, Janez Janša's centre-right government reduced the administrative role of the social partners within the Employment Service of Slovenia (already a body with limited powers) using the urgent legislative procedure. The government's argument for increased dominance was that the existing structure did not serve the European Employment Strategy, as the board did not include all Ministries responsible for its implementation. Whereas key political parties in opposition (LDS and the Social Democrats) as well as trade unions opposed the amendment, employer organizations and other political actors were far less involved (Kopač, 2005).

Healthcare

Since the 1974 Constitution, health insurance was managed by self-managed communities of those interested in health, i.e. local associations of people (150 thousand at least) handling all insurance funds. Health centres were introduced at the regional level, encompassing hospitals, primary health centres, pharmacies and the respective regional institutes of public health, which provided most preventive and curative services. They were characterized by loss of cost control and over-bureaucratization. By 1990 the health care system in Slovenia was on the verge of financial collapse and even today there is a mismatch between citizens' demands and the system's capacity (Albreht et al., 2009).

Due to these structural strains, Slovenia overhauled its healthcare system in 1992, promoting compulsory (basic) and voluntary (supplementary) health insurance and reintroducing private practice. Through contribution-based financing, Slovenia reasserted the primacy of its Bismarckian health insurance system. However, neither the division between basic and supplementary insurance nor the boundaries between public and private practice had been sufficiently specified, thereby engendering still ongoing and mostly inconclusive reform and regulatory attempts (see Table 8). In addition, many provisions remained *letter morte*, e.g. a comprehensive network of public health services has never been created.

Table 8: Main healthcare reform steps

1992 Health Care and Health Insurance Act (ZZVZZ, legislated)
– Introduction of compulsory (public) and voluntary (private) health insurance. – The Government took over healthcare strategy planning and the network of public healthcare services at secondary and tertiary levels. It became the owner and founder of healthcare institutions at secondary and tertiary levels. – Municipalities became responsible for health centres at primary level, the network of public health services and investment for public providers. – Employers became responsible for health and safety in the workplace, paying of the employee contribution for healthcare and a contribution for injuries at work and occupational illness. – The self-governed community of interest for health became the Health Insurance Institute of Slovenia (HIIS). It is responsible for mandatory health insurance, for the introduction of complementary health insurance, contribution collection and stipulation of contracts with health care service providers, pharmacies, medical equipment suppliers etc. – State-owned healthcare institutions became responsible to implement the Slovenian healthcare plan, preventive and curative programmes as well as publish professional directives. – Individuals became liable to contribute. – The Act introduced the right to choose a doctor.
1992 Health Services Act and Pharmacists' Services Act (ZZDej and ZLD, legislated)
– Personal physicians were allocated certain competences, given the authorization to provide prescriptions, evaluate their patients' inability to work, refer them to specialists (only for a limited period of time). Other doctors were not allowed to do this any longer. – A personal physician can be a general practitioner, a specialist in childcare or paediatrician at primary level or a specialist in women's healthcare and gynaecologist. The Act introduced personal dentists.
1999 Medical Services Act
1999 Separation of Vzajemna health insurance from the Health Insurance Institute of Slovenia (HIIS)
– Vzajemna became a mutual insurance company.
2003 White Paper on Healthcare Reform
– An encompassing, 300-page long document, which aimed at a comprehensive reform of the Slovenian healthcare system to achieve six broad objectives: a. equity in financing the resources for healthcare (including an increase in the contribution rate of 1.95% on gross wages and the shift of supplementary to basic insurance, thereby creating a Slovenian national health service); b. allocation of resources based on individualneed; c. equal access to healthcare (better definition of the rights and duties of patients); d. development of Total Quality Management (establishment of an independent national authority for quality management); e. greater efficiency and better regulation of healthcare (including, *inter alia*, a lesser role for tripartite administration); f. strengthened public health.

2004 Health Services Act
– Introduction, among others, of Diagnostics-Related Groups to improve the financing of hospital services.
2005 Draft Amendments to the Health Care and Health Insurance Act (rejected by the social partners and diluted)
– It contained a number of measures, primarily aimed at: a. adapting the system of compulsory health insurance to ensure its economic sustainability (by introducing systematic cost-benefit analysis, national standards, priority measures) and introducing systemic insurance for long-term care; b. improving the work of providers of public health services, by improving, decentralizing and increasing the responsibility of their management.
2005 Amendments to the Health Care and Health Insurance Act (ZZVZZ-H, legislated)
– Insurance companies have to insure any person, which is mandatorily insured and treat them equally. – Insurance contracts cannot be shorter than 1 year. – The insured can abandon the scheme after 1 year of membership and 3 months notice. An insurance company can recede the contract only if the insured does not pay premia (there is a 60 days notice). – Since March 2006 the premia are uniform and independent of gender, age and health status of the insured. – Introduction of 3 month waiting period from the signature of an insurance contract and the effective coverage of medical expenses. – Introduction of balancing schemes for complementary health insurance schemes. Those insurance companies with a better risk profile, depending on the insured gender and age, contribute to those schemes whose risk profile is worse.
2008 Resolution of the National Health Plan 2008–2013 and Health Services Act
2009 Vzajemna health insurance placed under government/appointed administration

Sources: Albreht et al. (2009) and individual legislation.

In 1991-1992, when the Slovenian health-care system was adapted to the nascent market economy, there was little opposition against the elimination of public exclusivity in provision and introduction of supplementary insurance, aimed at covering co-payments (maximum 15% of the service's total cost). Trade unions encouraged this supplementary insurance and three providers emerged: HIIS itself, as well as private insurance companies Adriatic (now Adriatic Slovenica) and Triglav. The scheme is unique in Europe, as it soon became quasi-mandatory (1.4 million people are voluntarily insured here, against 900 thousand in the compulsory scheme).

Due to the Insurance Companies Act of 1999, HIIS could not be at the same time the carrier of basic and supplementary insurance and hence a mutual insurance company Vzajemna was created. Managerial and representation problems marked the ten years of the scheme's existence. Neither an elective assembly nor one reflecting the membership's composition assured fair representation or intergenerational solidarity. Due to mismanagement, in late 2009, the Insurance Supervisory

Agency placed Vzajemna under an appointed administration, headed by Dušan Kidrič.[313]

The quasi-mandatory nature of supplementary insurance has also created a number of heated debates both at political and corporatist levels. On the political side, the main dilemma was, whether this insurance should just become compulsory. As part of the Social pact 2003-2005, LDS Minister for Health Dušan Keber presented in mid-2003 the White Book on Healthcare Reform, which was, despite claims to the contrary, mainly aimed at the rationalization of runaway healthcare spending and its insufficient financing. One proposed solution was the incorporation of supplementary insurance into the compulsory part. However, this would have meant: i) the elimination of a large number of voluntarily insured and hence greater fiscal stress; ii) the shift of part of financing onto employers, which would have hampered international competitiveness. The main mistake by Minister Keber was to criticize and fail to sufficiently involve the doctors' lobbies. The White Paper's relative failure is, hence, partly attributable to the Minister's adversarial stance and ensuing criticisms by the Medical Chamber of Slovenia (cf. ZZS, 2003). One of the things Keber managed to introduce is Diagnostics-Related Groups, which may sensibly improve the financing of hospital services.

On the corporatist side, trade unions – ZSSS *in primis* – in a truly Bismarckian fashion advocated a privileged role in the management of both compulsory (basic) and voluntary (supplementary) insurance. Whereas the former is possibly legitimate, the latter is not, as a trade union is not representative of the voluntarily insured. Adding up to the problem, the government failed to pass important regulations during these two decades, hence, HIIS had to step in and provide secondary legislation by itself. The continuing incapacity to control healthcare, led to the paradoxical decision to rather change the composition of HIIS's leadership than to regulate. This triggered one of the harshest rows over healthcare reform in Slovenia, which happened, again, at the beginning of Janez Janša's incumbency. The reform proposed by Minister of Health Andrej Bručan in 2005-2006 was heavily criticized by trade unions (and even employers), leading to the complete halt of negotiations within the Economic and Social Committee in June 2005.

The bones of contention regarded both the mode as well as the content of the proposal. The government opted for the urgent legislative procedure, which would have sidelined social dialogue and avoided important decisions to be taken by the ESC, touching upon the Employment Relationships Act. Owing to haste, most experts deplored the lack of adequate research on the welfare of the insured, which was missing from the proposal.

As for the content, first, and not dissimilarly from Keber's reform attempt, the government proposed to shift the voluntary (supplementary) insurance of 100 thousand low-income members to the compulsory insurance system. According to ZSSS this would require either the increase of the contribution rate or a substantial cut in healthcare rights. Retrenchment measures, such as sweeping benefit cuts, shorter sick leave and related waiting periods, were all equally unacceptable. What HIIS agreed upon was the rationalization and regulation of voluntary insurance, which was ultimately carried out (ZSSS, 2005a).

Second, SDS unsuccessfully tried to radically change the composition of both HIIS and Vzajemna. Since 1992, HIIS's assembly included 45 members, of which 20 were nominated by employers (16 representatives of, mainly, the Chamber of Commerce and Industry of Slovenia and four of the government). The reform sought to reduce the number of the HIIS' assembly members to 37, ten nominated by

[313] See, for example, http://www.rtvslo.si/slovenija/vzajemno-bo-vodila-izredna-uprava/215239 (accessed on 16 June 2010).

the government, nine by employers (four GZS, three OZS and two for farmers), and 18 by the insured (ten representatives of local health committees, six of pensioners and two of disabled). This meant that employers would have nominated members both directly (through the Chambers) and indirectly via local health committees, thereby eclipsing trade unionrepresentation (ZSSS, 2005b). A similar clash happened over the composition of the assembly of Vzajemna, which would have been rebalanced in favour of the government.

Finally, Minister Bručan managed to relatively liberalize private practice, without, however, properly regulating the complex system of public tenders and outsourcing. Irregularities, ranging from procedural mistakes to proper fraud attempts, undermined the Minister's credibility. Due to a number of scandals, Bručan had to resign in August 2007.

During Borut Pahor's centre-left government, Slovenian healthcare reforms again entered a period of stasis, not least due to the recent resignation of Minister of Health Borut Miklavčič. Vzajemna is under appointed administration, but no regulation has been produced yet. As for the regulation of the boundaries between public and private practice, the new Minister, Dorijan Marušič, is probably heading in the wrong direction, as he is a staunch representative of those in favour of public exclusivity in the provision of basic health services.

Conclusions

Slovenian gradualism – a natural response to the social, economic and political threats during the collapse of the Yugoslav federation – and consequent institutionalization of neocorporatist institutional structures – a continuation, mainly, of the Yugoslav self-management tradition – are inherent characteristics of its politicians' policymaking styles. Of course, as the article amply shows, decision-making in social policy is no exception to the rule.

The steady, incremental fine-tuning of social policies to meet the demands for a leaner and more flexible economy have been occasionally interspersed by radical, unilateral attempts to impose reforms with a neoliberal flavour (pensions in the late 1990s, healthcare during the early and mid-2000s and labour market changes after these).

The paper illustrates that these attempts had different origins – the relative independence of individual Ministers during the LDS era, and a generalized attack on the Slovenian neo-corporatist tradition during the SDS interlude – but a similar fate: they failed due to the successful opposition of a the pro-welfare coalition, mainly headed by the highly organized Association of Free Trade Unions of Slovenia (ZSSS).

These two decades of reforms help us to draw two broad conclusions regarding Slovenian welfare state reform. First, and in contrast to what happened in most of Central, Eastern and Southeastern Europe, the influence of external actors, such the Bretton Woods' institutions has been limited and stayed mainly at an ideological level without massively penetrating the policy domain. Due to concrete prospects of EU accession, this was the only supranational player, from whom Slovenian politicians attained a number of policy solutions. Harmonization of national legislation to the *acquis communautaire* was often swift and uncompromising.

Second, gradualism helped Slovenia to ensure social peace, and maintain a high degree of social solidarity, at a time when the rest of the region embarked on painful benefit cuts and restrictions of individual rights. However, there is an obverse side to this success story. Lack of structural reforms and of much needed rationalization exacerbated the recent crisis, which hit the tiny country badly. The current centre-left government is hence called to clean up the mess. Whether it will muster enough strength to succeed is still an open question.

Annex 1: Elections, executives and main social security reforms in Slovenia (1990-2010)

Election periods	Date of election	Election results (seats and turnout)[a]	Parties forming the Government	Opposition parties	Main perceptions and attituteds towards socialissues and policies inthe political arena	Main welfare policies undertaken during that government period
1990-1992	April 8, 1990	SDP: 14 (17.3%) ZSMS: 12 (14.5%) SKD: 11 (13.0%) SKZ: 11 (12.6%) SDZ: 8 (9.5%) Zeleni: 8 (8.8%) SDSS: 6 (7.4%) SSS: 5 (5.4%) SOS: 3 (3.5%) Turnout: 83.5%	Demos: SKD, SKZ, Zeleni, SDZ, SDSS, SOS Premier: Lojze Peterle (SKD) Vote of no confidence, since May 14, 1992: LDS, SDSS, SDP, Zeleni, SSS, DSS Premier: Janez Drnovšek (LDS)	SDP, ZSMS (LDS)	Nation-state building and sovereignity issues coupled with the need to shift from self-management to a market economy. Gradualism was chosen over shock therapy.	Adaptation of all social security institutes (IPDI, HIIS, ESS) to a market economy with the elimination of the self-managed communities of interest. The Pension and Disability Insurance Act (ZPIZ) was legislated in 1992, entailing a parametric pension reform and the introduction of voluntary schemes. Adaptation of Yugoslav labour law to a market economy through the 1990 Labour Relations Act (ZDR), which allowed mass layoffs and liberalized atypical contracts, and through the 1991 Employment and Unemployment Insurance Act (ZZZPB), which introduced unemployment insurance. The 1992 Health Care and Health Insurance Act (ZZVZZ) introduced mandatory public and voluntary private health insurance, and liberalized private practice. Private health insurance soon became universal.
1992-1996	December 6, 1992	LDS: 22 (23.5%) SKD: 15 (14.5%) ZLSD: 14 (13.6%) SNS: 12 (10.0%) SLS: 10 (8.7%) DSS: 6 (5.0%) Zeleni: 5 (3.7%) SDSS: 4 (3.3%) Turnout: 85.6%	LDS, SKD, ZLSD (until January 31, 1996), SDSS (until March 29, 1994) Premier: Janez Drnovšek (LDS)	SNS, SLS	First of the grand coalitions: the Ministry of Labour, Family and Social Affairs was in the hands of the United League of Social Democrats (ZLSD), which used it as a personal fiefdom. Hence, protracted immobilism and recurrent government crises marked the period.	In 1993, the Family Benefits Act (ZDPre) was legislated, introducing an array of family benefits: parental leave, parental and child allowances and birth grants. Heated discussion on the extension of maternity leave, supported by SKD. Lower social security contributions for employers, from 1996, to spur competitiveness.

1996-2000	November 10, 1996	LDS: 25 (27.0%) SLS: 19 (19.4%) SDS: 16 (16.1%) SKD: 10 (9.6%) ZLSD: 9 (9.0%) DeSUS: 5 (4.3%) SNS: 4 (3.2%) Turnout: 73.7%	LDS, SLS, DeSUS Premier: Janez Drnovšek (LDS) Vote of no confidence, on June 7, 2000: SLS+SKD, SNS Premier: Andrej Bajuk (SLS+SKD, N.Si)	SLS, SKD, SNS	Social policy reforms were mainly enacted to increase the fiscal sustainability of the Slovenian welfare state. Due to the opposition of trade unions and of pensioner party DeSUS (which has been a junior partner in every coalition government since 1996), radical reforms were abandoned.	Major discussion on pension reforms with the 1997 White Paper, which then became the 1999 Pension and Disability Insurance Act (ZPIZ). The original structural reforms were rejected by the social partners. After considerable dilution, the reform became chiefly parametric. Separation of Vzajemna health insurance from the Health Insurance Institute of Slovenia (HIIS). Vzajemna became a mutual insurance company.
2000-2004	October 15, 2000	LDS: 34 (36.3%) SDS: 14 (15.8%) ZLSD: 11 (12.1%) SLS+SKD: 9 (9.5%) N.Si: 8 (8.7%) DeSUS: 4 (5.2%) SNS: 4 (4.4%) SMS: 4 (4.3%) Turnout: 70.1%	LDS, ZLSD, SLS+SKD, DeSUS Premier: Janez Drnovšek (LDS) Premier: Anton Rop (LDS), from December 19, 2002	SDS	Due to the inclusion of Slovenia into the accession process already in 1997, Europeanization became the main item on the political agenda, leading to widespread harmonization of Slovenian social policies with EU practice.	Creation of a quasi-mandatory funded occupational pension pillar for public employees in 2002-03. The Parental Protection and Family Benefit Act (ZSDP) was legislated in 2001, adopting a number of EC provisions for family benefits, such as paternity leave. The 2004 Social Protection Act (ZSV) created the professional category of home carers. In 2002, the Parliament adopted the Employment Relationships Act (ZDR), which introduced a number of EC norms into Slovenia, especially on equal treatment. It completed the transition from associative to contractual labour relations. The 2003 White Paper on Healthcare Reformaimed at rationalizing runaway healthcare spending and its insufficient financing. The reform endeavour failed.

2004-2008	October 3, 2004	SDS: 29 (29.1%) LDS: 23 (22.8%) ZLSD: 10 (10.2%) N.Si: 9 (9.1%) SLS: 7 (6.8%) SNS: 6 (6.3%) DeSUS: 4 (4.0%) Turnout: 60.6%	SDS, N.Si, SLS, DeSUS Premier: Janez Janša (SDS)	LDS, ZLSD	Adversarial stance by the SDS-led centre-right coalition government with respect to social partners, leading to changes in the composition of various social insurance boards, and support for a neoliberal agenda, including the further flexibilization of the labour market and the introduction of a flat-rate tax regime. Accession to the EU in 2004 and to the EMU in 2007, creating all the direct and indirect constraints on fiscal and social policy typical for a Member State.	The 2005 Framework of Economic and Social Reforms for Increasing the Welfare in Slovenia, which would have rendered the Slovenian labour market much more flexible, was rejected by the social partners and diluted. The amendments, in 2006-07, to unemployment insurance and employment relations created more stringent conditions for the fruition of benefits, but at the same time introduced a number of EC norms, such as the prohibition of all sorts of discrimination. The 2005 Draft Amendments to the Health Care and Health Insurance Act, shared the fate of the 2003 White Paper, and were rejected and then diluted by the social partners.
2008-now	September 21, 2008	SD: 29 (30.5%) SDS: 28 (29.3%) Zares: 9 (9.4%) DeSUS: 7 (7.5%) SNS: 5 (5.5%) SLS+SMS: 5 (5.2%) Turnout: 62.2%	SD, Zares, DeSUS, LDS Premier: Borut Pahor (SD)	SDS	The 2007-09 financial crisis had a great impact on Slovenian socioeconomic policymaking. The SD-led Pahorgovernment announced many unpopular savings measures, such as the freeze on pension and social benefits indexation as well as to public salary growth. The 2010 pension reform elicited a rupture between the government and the social partners and within the government with coalition partner DeSUS.	Discussion since 2008 on a new Pension and Disability Insurance Act (ZPIZ-2), still under consideration. In 2010, the Minimum Wage Act (ZminP) institutionalized this practice, which was before based on negotiations in the social pacts. The Vzajemna health insurance was placed in 2009 under appointed administration due to protracted mismanagement.

Notes: [a] The National Assembly has 90 seats, of which two are reserved for the Italian and the Hungarian national minorities.

List of abbreviations

Demos	Democratic Opposition of Slovenia
DeSUS	Democratic Party of Pensioners of Slovenia
EC	European Community
ECJ	European Court of Justice
EMU	Economic and Monetary Union
ESC	Economic and Social Council
ESS	Employment Service of Slovenia
EU	European Union
GZS	Chamber of Commerce and Industry of Slovenia
HIIS	Health Insurance Institute of Slovenia
IMF	International Monetary Fund
IPDI	Institute for Pension and Disability Insurance
KAD	Capital Fund, later Pension Fund Management Company
KSJS	Confederation of Trade Unions of the Slovenian Public Sector
LDS	Liberal Democracy
OZS	Chamber of Craft and Small Businesses of Slovenia
SD	Social Democrats
SDDO	Union of State and Social Organs
SDS	Slovenian Democratic Party
SKD	Slovenian Christian-democrats
SLS	Slovenian People's Party
SOD	Restitution Fund
Zares	For Real – New Politics
ZKS	League of Communists of Slovenia
ZLSD	United List of Social Democrats
ZSSS	Association of Free Trade Unions of Slovenia
SVIZ	Education, Training and Science Union

List of references

Adam, F., &Tomšič, M.(2002). Elite (Re)configuration and Politico-Economic Performance in Post-Socialist Countries. *Europe-Asia Studies* 54 (3), pp. 435-454.

Albreht, T., Turk, E., Toth, M., Ceglar, J., Marn, S., Pribaković Brinovec, R., &Schäfer, M. (2009). Slovenia: Health System Review. *Health Systems in Transition* 11 (3), p. 168.

Bohle, D., &Greskovits, B.(2007). Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe. *West European Politics* 30 (3), pp. 443-466.

Čok, M., Domadenik, P., Redek, T.,& Verbič, M. (2009). Labour Market Reforms in the Context of Political Power Theory: The Case of Slovenia. *Proceedings of Rijeka Faculty of Economics, Journal of Economics and Business* 27 (1), pp. 57-82.

Delo. (4 October 2005). Spremenjena podoba Slovenije. Obletnica političnega obrata.

Delo.(11 February 2010). Poslanci sprejeli zakon o minimalni plači.

EPC.(2007). Pensions Schemes and Projection Models in EU-25 Member States. In *European Economy Occasional Papers Number 35 - November 2007*. Brussels: The Economic Policy Committee and Directorate-General for Economic and Financial Affairs.

European Commission.(2008b). *Employee Representatives in an Enlarged Europe*. Vol. 2. Brussels: Directorate-General for Employment, Social Affairs and Equal Opportunities Unit F.2.

Eyal, G., Szelényi, I., & Townsley, E. (1999).*Making Capitalism without Capitalists: The New Ruling Elites in Eastern Europe*. London: Verso.Finance. 4 July 2002. Uradniki brez dodatne pokojnine. *Simona Toplak*.

Hočevar, B. (29 April 1998). Minljivost kozmetike.

Fink-Hafner, D. (2005). Slovenia. *European Journal of Political Research* 44 (7-8), pp. 1179-1187.

Government Office for Growth.(2006). *The Framework of Economic and Social Reforms for Increasing the Welfare in Slovenia*. Ljubljana: Government Office for Growth of the Republic of Slovenia.

Grželj, S. (2007).*Družinski prejemki v Sloveniji (1993-2006), Diplomsko delo*. Ljubljana: Univerza v Ljubljani, Ekonomska fakulteta.

Guardiancich, I. (2004). Welfare State Retrenchment in Central and Eastern Europe: The Case of Pension Reforms in Poland and Slovenia. *Managing Global Transitions* 2 (1), pp. 41-64.

Guardiancich, I. (2009). *Pension Reforms in Central, Eastern and Southeastern Europe: Legislation, Implementation and Sustainability*. PhD Dissertation, Social and Political Sciences, European University Institute, Florence.

Hellman, J. S. (1998). Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics* 50 (2), pp. 203-234.

IMF (1995).*Republic of Slovenia: New Challenges Confronting the Social Insurance System*. Washington, DC: International Monetary Fund, Fiscal Affairs Department.

Immergut, E. M., &Anderson, K.M. (2007). Editors' Introduction: The Dynamics of Pension Politics. In *The Handbook of West European Pension Politics*, edited by E. M. Immergut, K. M. Anderson and I. Schulze. Oxford and New York: Oxford University Press, pp. 1-45.

Kavčič, F. (2004). Ekonomsko-socialni svet 1994-2004. In *Ekonomsko-socialni svet 1994-2004*, edited by F. Kavčič. Ljubljana.

Koalicijska pogodba. (2004). Koalicijska pogodba o sodelovanju v vladi Republike Slovenije za mandat 2004 - 2008. *Slovenska demokratska stranka, Nova Slovenija – krščanska ljudska stranka, Slovenska ljudska stranka in Demokratična stranka upokojencev Slovenije*.

Koalicijski sporazum. (2008). *Koalicijski sporazum o sodelovanju v vladi Republike Slovenije za mandat 2008-2012*. Ljubljana: Socialni demokrati - SD, Zares - nova politika, Demokratična stranka upokojencev Slovenije - DeSUS, Liberalna demokracija Slovenije - LDS.

Kolarič, Z., Rakar, T., & Kopač Mrak, A.(2010). *Slovenski sistem blaginje v procesu postopnega spreminjanja*. Ljubljana: Friedrich Ebert Stiftung.

Končar, P.(2006). Slovenian Labour Law and European Integration. *Transition Studies Review* 13 (1), pp. 38-40.

Kopač, A. (2005). Contribution to EIRO Comparative Study on Social partners and the Social Security System - Case of Slovenia. *EIROnline.*Retrieved from http://www.eurofound.europa.eu/eiro/2005/09/study/si0509202s.htm.

Kresal, B. (2008). Slovenian Labour and Social Law in Relation to the EC Law. In *50 Jahre EU - 50 Jahre Rechtsprechung des Europäisches Gerichtshofs zum Arbeits- und Sozialrecht*, edited by F. Müntefering &U. Becker. Baden-Baden: Nomos.

Kump, N. (2008). Slovenia. In *Adjustment Capacity of Labour Markets of the Western Balkan Countries: (Countries Studies - Volume II), Economic Papers 346*. Brussels: European Commission, Directorate-General for Economic and Financial Affairs and the Vienna Institute for International Economic Studies,

Lijphart, A. (1999). *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*. New Haven, CT and London: Yale University Press.

Lukšič, I. (2001). *The Political System of the Republic of Slovenia: A Primer*. Ljubljana: Znanstveno in publicistično središče.

Lukšič, I. (2003). Corporatism Packaged in Pluralist Ideology: The Case of Slovenia. *Communist and Post-Communist Studies* 36, pp. 509-525.

Ministry of Labour RS.(1997). White Paper on Pension Reform. Ljubljana: Ministry of Labour, Family and Social Affairs of the Republic of Slovenia.

Mrak, M., Rojec, M., & Silva-Jáuregui, C.(2004). Slovenia's Threefold Transition. In *Slovenia: From Yugoslavia to the European Union*, edited by M. Mrak, M. Rojec &C. Silva-Jáuregui. Washington, DC: The World Bank, xx-lvi.

Mramor, D., &Jašovič, B. (2004). Capital Market Development. In *Slovenia: From Yugoslavia to the European Union*, edited by M. Mrak, M. Rojec &C. Silva-Jáuregui. Washington, DC: The World Bank, pp. 276-291.

Prijatelj, J. (1996). *Novo slovensko pokojninsko in invalidsko zavarovanje: zakon z uvodnimi pojasnili in komentarji*. Ljubljana: Center Marketing International.

Simoneti, M., Rojec, M.,& Gregorič, A. (2004).Privatisation, Restructuring, and Corporate Governance of the Enterprise Sector. In *Slovenia: From Yugoslavia to the European Union*, edited by M. Mrak, M. Rojec &C. Silva-Jáuregui. Washington, DC: The World Bank, pp. 224-243.

Skledar, Š. (2002). New Labour Relations Law Passed. *EIROnline*, http://www.eurofound.europa.eu/eiro/2002/06/inbrief/si0206101n.htm.

Skledar, Š.(2006). New Law Fixes Minimum Wage. *EIROnline*, http://www.eurofound.europa.eu/eiro/2006/08/articles/si0608019i.htm.

Skledar, Š. (2007). Social Partners Agree on Amendments to Labour Relations Law. *EIROnline*, http://www.eurofound.europa.eu/eiro/2007/06/articles/si0706019i.htm.

Stanojević, M. (2010). Social Pacts in Slovenia. In *After the Euro and Enlargement: Social Pacts in the EU*, edited by P. Pochet, M. Keune &D. Natali. Brussels: ETUI and OSE, pp. 317-344.

Stanovnik, T. (2002). The Political Economy of Pension Reform in Slovenia. In *Pension Reform in Central and Eastern Europe Volume 2, Restructuring of Public Pension Schemes: Case Studies of the Czech Republic and Slovenia*, edited by E. Fultz. Budapest: ILO Subregional Office for Central and Eastern Europe, pp. 19-73.

Stanovnik, T. (2004).Social Sector Developments. In *Slovenia: From Yugoslavia to the European Union*, edited by M. Mrak, M. Rojec & C. Silva-Jáuregui. Washington, DC: The World Bank, pp. 315-333.

Stanovnik, T., Kump, N.,&Čok, M.(2006).The Gender Dimensions of Social Security Reform in Slovenia. In *The Gender Dimensions of Social Security Reform Volume 2: Case Studies of Romania and Slovenia*, edited by E. Fultz. Budapest: ILO Subregional Office for Central and Eastern Europe, pp. 19-73.

Štiblar, F., &Voljč; M.(2004). The Banking Sector. In *Slovenia: From Yugoslavia to the European Union*, edited by M. Mrak, M. Rojec &C. Silva-Jáuregui. Washington, DC: The World Bank, pp. 263-275.

Šušteršič, J. (2000). From the Socialist Cycle to the Endogenous Transition. *Economic and Business Review* 2 (1), pp. 29-59.

Šušteršič, J. (2004).Political Economy of Slovenia's Transition. In *Slovenia: From Yugoslavia to the European Union*, edited by M. Mrak, M. Rojec,& C. Silva-Jáuregui. Washington, DC: The World Bank, pp. 399-411.

Tajnikar, M., &Došenovič, P.(2005). Reform and Transitional Adjustment of the Health Care System in Slovenia. *Proceedings of Rijeka Faculty of Economics: Journal of Economics and Business* 23 (1), pp. 151-165.

Toplak, J. (2006). The Parliamentary Election in Slovenia, October 2004. *Electoral Studies* 25, pp. 809-831.

Uradni list RS. 40/93. Resolucija o temeljih oblikovanja družinske politike v Republiki Sloveniji.

Uvalić, M. (1997). Privatisation in the Yugoslav Successor States: Converting Self-Management into Property Rights. In *Privatisation Surprises in Transition Economies: Employee-Ownership in Central and Eastern Europe*, edited by M. Uvalić &D. Vaughan-Whitehead. Cheltenham, UK: Edward Elgar, pp. 266-300.

Vodopivec, M. (2004). Labor Market Developments in the 1990s. In *Slovenia: From Yugoslavia to the European Union*, edited by M. Mrak, M. Rojec &C. Silva-Jáuregui. Washington, DC: The World Bank, pp. 292-314.

ZSSS.(2005a). *Predsestvo Zveze Svobodnih Sindikatov Slovenije je na 25. seji dne 25. maja 2005 oblikovalo stališča k delovnemu gradivu Ministrstva za zdravjez dne 18. maja 2005: Predlog sprememb in dopolnitev Zakona o zdravstvenem varstvu in zdravstvenem zavarovanju*. Ljubljana: Zveza Svobodnih Sindikatov Slovenije.

ZSSS.(2005b). *Preglednica določil delovnega gradiva z dne 18. maj 2005 predloga Zakona o spremembah in dopolnitvah ZZVZZ*. Ljubljana: Zveza Svobodnih Sindikatov Slovenije.

ZZS.(2003). *Stališča Zdravniške zbornice Slovenije do zdravstvene reforme*. Portorož: Zdravniška zbornica Slovenije.

Conclusion:

The Post-Yugoslav Welfare States – from Legacies to Actor Shaped Transformations

Marija Stambolieva

The contributions in this publication describe the welfare systems of the successor states of Yugoslavia, providing a succinct account of the main elements that comprise the welfare system and of the political, social and international constellations that influenced its development. The most important socio-economic data have been collected and the pension, health-care, labour market and social protection policies have been illustrated. Additionally, the main actors and processes relating to the welfare policies' development have been presented. The country studies take stock of the major developments starting from the secession from Yugoslavia up to present-day. They make an effort to provide a comprehensive overview of the most relevant components, actors and processes throughout the entire transitional period.

This has proven to be a demanding endeavor, considering the extent of information that needed to be first collected and then fittingly packed in the framework of a publication. We undertook the challenge precisely because the data and the developments in the area of welfare in the countries of the former Yugoslavia are not systematically gathered nor followed. Partial or periodical studies in all or some of these countries are insufficient for capturing their welfare systems. Furthermore, expanded research would be successful with prior understanding of the status of welfare, which could be achieved by having relevant information about it. In that sense, the primary goal of the publication is to offer the presented information for the purpose of future analyses. This however does not mean that the country studies are free from any analytical effort. Through the descriptions, the authors, although refraining from deeper reflections, do not remain immune to their own judgment. Taking into account the narrative and some included assessments, we conclude the publication with an organized comparative analysis of the separate welfare sectors and the factors that contributed to that in the different states. At the same time, although the publication has no intention of developing a theoretical framework for the study of these welfare states, it does take accountthe existing state in the theory of welfare research and examines the place of these South-eastern European countries in relation to that. Thus, the conclusion represents an effort to initiate improved integration of the region in research and scientific thought.

Studying Welfare States and Explaining Welfare State Development in the Post-communist World

So far, the theories developed to explain the emergence and development of welfare states referred only to states belonging to the western or industrialized world. Communist welfare states were not studied by scholars from industrialized countries either due to a lack of interest or insufficient access to resources. The scientific thought in the communist states themselves was confined to Marxist-Leninist explanations of economic, social and political development. It was only after the fall of communism that there was an increased interest in explaining processes taking place in these countries and in identifying patterns in order to predict future developments. The transformation of the post-communist states was, however, a complex and diverse process and it soon became evident that there was no simple, one-size-fits-all paradigm. Indeed, analysing post-communist developments is a tricky task even for the trans-

formation theorists seeking to explain the post-communist states in the framework of the third democratization wave of Eastern Europe. In the broader sense, Eastern Europe encompasses a broad and diverse set of countries, from the former Soviet Union to the ex-Yugoslav states (Merkel, 2010). The application of different combinations of various theories to the specific cases creates a complex picture. Another challenge is that studying the transformations of welfare state policies and institutions in particular was not really a priority, except for the countries of Central and Eastern Europe, which are now members of the EU.

The existing theories of welfare state development are generally classified into three types of schools (Wilensky, Luebbert, Hahn, & Jamieson, 1985; Schmidt, Ostheim, Siegel, & Zohlnhöfer, 2007; Inglot, 2008): the *socio-economic school*, according to which it is primarily the level of economic development and demographic tendencies which determine the welfare state effort[314]; the *political (power-resources) theories*, which highlight the role of political parties, interest groups, public opinion and ideology in steering welfare state efforts;and *institutional theories*,which study the importance of existing structures and the path dependence of welfare state development. These theories have been developed for the purpose of explaining the origins and the evolution of the welfare states in the industrialized world.

The roots of the modern welfare state can be traced back to the 19th century and the introduction of the first social security schemes by Chancellor Bismarck in Germany. After the 1920s, many countries around the world introduced at least one scheme, while after the Second World War welfare states advanced intensely. The early focus of scientific thought was exactly on the expansion of the welfare state. One of the pioneering theoretical explanations was provided by the *socio-economic school* (Wilensky, 1975), which contrasts the needs of the population with the socio-economic resources of the state in order to explain the welfare state effort. According to this school, the economic growth is connected to social and political modernization, social differentiations, which pressure the old structures and generate new activities for the state. Thus, it provides a reasonable explanation about the correlation of the level of social spending with the level of economic development of a certain state. One of the first points of criticism of this view has been the negligence of the social and political aspects related to the translation of the socio-economic determinants into concrete practice. The *power resources theory* (Korpi 1978, 1983, 2006, Stephens 1979, Myles 1984, Esping-Andersen 1985, 1990, Palme 1990, Kangas 1991, cited in Korpi, 2008) instead takes into account the influence of different social groups and classes over the shaping of the welfare state depending on their interests and power. Thus, the welfare state effort would primarily be the outcome of the distributive conflict among different types of actors. Similarly, the *partisan theory* (Hibbs 1977, Tufte 1978, cited in Schmidt, Ostheim, Siegel, & Zohlnhöfer, 2007) also prioritizes the importance of competing interests, with emphasis on the choices of political parties and their possibilities to create or modify policies, through the participation in power. One of the identified weak points of this theory is that political actors are not isolated from the existing institutional framework. In that sense, their activity is dependent on the constitutional and other normative arrangements and the organization of the decision-making processes. This has made way for the construction of the *theory of political institutionalism* (Lijphart 1999; Huber, Ragin and Stephens 1993, cited in Schmidt, Ostheim, Siegel, & Zohlnhöfer, 2007). Tsebelis (2002) has further developed the concept on institutional barriers, introducing the so-called "veto-players". He argues that in each country, there are individual or collective actors, defined by the constitution or the political system, which need to come to a consensus in order for a cer-

[314] I use the following definition of welfare effort: 'elite decisions regarding the allocation of scarce resources', given in(Wilensky, Luebbert, Hahn, & Jamieson, 1985, p.5).

tain change to take place. The *historical aspect* is a variant attributed to this school. The actions of the political actors are not only reliant on the established structures, but also the established structures may have a reverse effect on the possibility to take decisions. Originally developed in economics, the "path-dependency" theory finds application within political institutionalism (Rose and Davies 1994, Pierson 1996, 2000, Conrad 1998, cited in Schmidt, Ostheim, Siegel, & Zohlnhöfer, 2007). It is associated with institutional inertia and reluctance to change. The historical aspect accentuates the impact of previously taken decisions on present and future choices, which occurs when successful action-patterns develop a dynamic that goes beyond the control of the individual actors and eventually becomes an institutionalized practice. It therefore helps explain why institutions or policies do not change when facing compelling pressures, or the other way round, why institutions or policies do not change even in the absence of veto-players.

Although this theory has not been without criticism (Liebowitz and Margolis 1990, 1995, Arrow 2004, Schwartz 2002, Peters, et al. 2005, cited in Ross, 2007), it is an approach whose use was successfully extended to explain post-communist welfare states when it comes to their resilience to change. Former communist states were puzzling for the representatives of the socio-economic school, as they demonstrated relatively high investment in the social security compared to their level of economic development(Schmidt, Ostheim, Siegel, & Zohlnhöfer, 2007, p.34), while the power-resources theory could not even be considered given the limited number of actors and the monopoly of power. These theories could however be revisited, given the democratization processes following the year of 1989.

In the meantime, the welfare state was becoming less comfortable in its skin. During the mid-1970s, several processes were taking place in parallel, such as demographic changes, changes in family structures and the emergence of new social risks on one hand, and a slow-down of economic growth, rise in unemployment, intensive globalization of markets and a shift from industrial into post-industrial forms of production on the other. At the same time a shift in the ideological climate occurred. The voices of neoliberal criticism[315] became most prominent regarding the situation in the economy, state and society. The negative rhetoric towards the welfare state began dominating political agendas and public discourse. It was perceived as a burden and an impediment to progress. The social-democratic counter-answer also departed from Keynesianism and developed the "third way" or "neue Mitte"(Giddens, 1998;Blair & Schroeder, 1998), where one of the characteristics was the emphasis on social inclusion through employment. The slogan "from welfare to workfare"[316] became the new Leitmotiv. Some governments have therefore moved away from welfare expansion to welfare cost-containment or retrenchment. However, countries' responses to contemporary pressures have been diverse and therefore cannot be simply summarized under retrenchment. High levels of social services and benefits have continued to define many West-European polities (Castles 2004, Iversen 2001, Swank 2002, cited in Brooks & Manza, 2006). Other forms of adjustment have also been implemented, such as recasting or reforming the welfare state. Some social science literature has pointed to the resilience of the welfare states, despite the pressures, and others have demonstrated that even when there was restructuring of the welfare systems, this has contributed to the survival of the welfare state (Bolukbasi 2009, Clasen 2000, Clegg 2007, Drahokoupil 2007, Ferrera and Rhodes 2000, Ferrera, Hemerijck and Rhodes 2000, Kuhnle and Alestalo 2000, Leibfried and Obinger 2000, cited in Abrahamson, 2010). Given the growing

[315] Neoliberalism is associated with the revival of the idea of free markets and criticism towards Keynesianism. It found its supporters among political leaders like Margaret Thatcher and Ronald Reagan, as well as in the policies of the international financial institutions.

[316] The term "workfare" is originally associated with the welfare reform bill passed in 1996 in the USA, which limits the duration of welfare benefits for the poor and requires welfare benefit recipients to work.

interconnectedness in global terms, domestic politics will become more and more influenced by what happens in other countries. The latest global financial crisis has proven this. National governments may need to come together more often and mutually coordinate. Such processes have taken place so far as well, out of which the most prominent one is the process of European integration. Nevertheless, the affluent democracies on the global scene act more as agenda-setters and less as agenda-takers. The latter is attached to the developing countries, as well as the post-communist countries, including the ones in South-east Europe (Deacon et al. 1997, cited in Leibfried & Mau, 2008; Deacon & Stubbs, 2007) where the international financial institutions and to a lesser extent also the European Union, influence social policy discourses.

Concerning the study and explanation of the post-communist states, there seem to be *two types of dominant approaches*. One is the discussion about the interplay between the legacies and the new conditions, and thus the related question whether the post-communist welfare states are primarily predetermined and path-dependent or if they depart from the traditional forms (Cook, 2010; Schubert, Hegelich, & Bazant, 2009). Some scholars emphasize the strength of the inherited norms, institutions, structures and established patterns of behaviour and decision-making. Others stress the influence of global trends, such as internationalization, liberalization and deregulation, which put pressure on the welfare states and force them to adjust. For the countries in Europe, particularly with reference to the current member states of the European Union, there is also the estimation that European integration instigates convergence among the member states. The "European Social Model" is a commonly used term to describe the shared features as well as objectives of the member states' welfare policies. Still, the already existing welfare diversity in Europe and the limited competences of the supranational level in the fields of social policy make the European Social Model a rather fuzzy concept. The attempt to classify the different European states into clusters according to some similar features appears to be closer to reality.

The second approach tries to determine whether the post-communist states fit existing welfare state typologies and how. All the attempts to classify the post-communist states refer mainly to the countries of Central and Eastern Europe, which are member states of the European Union and exclude the rest, which means also the former Yugoslav states. Several types of classifications have been developed, such as, for instance, the typology by Titmuss (1972, cited in Schubert, Hegelich, & Bazant, 2009) of residual welfare model, industrial achievement-performance and institutional redistributive model, or that of Bonoli (1997) of Bismarckian and Beveridgean models of social policy. Bonoli proposed a two-dimensional classification based on the organization of the welfare state and the levels of social spending. In this classification all the Central and Eastern European countries, including Slovenia, are considered Bismarckian/low-spending countries. However, the most influential typology was the one by Esping-Andersen (1990), which has been discussed and cited the most. He writes that "the convention of conceptualizing welfare states in terms of their expenditures will no longer do" (Esping-Andersen, 1990, p.3). He has clustered welfare states into three types of regimes, based on the nexus of the state and market in the distribution system and its influence on social rights and social stratification. The regimes have been labelled as liberal, conservative and social-democratic. Building on this methodology, other authors have suggested additional welfare state regimes, such as the southern model (Liebfried, 1993; Ferrera, 1996; Rhodes, 1997) for the countries on the south of Europe. Similarly, there have been attempts to fit the countries of Central and Eastern Europe. Golinowska, et al. (2009, p.29) propose "that the new member states from Central and Eastern Europe form a unique welfare model". Fenger (2007, p.24) calls this a "post-communist European type",

as opposed the "former USSR type". Furthermore, Castles and Obinger (2008, p.321) talk of a "distinct post-communist family of nations" in the EU. Others (Baum-Ceisig, Busch, Hacker, & Nospickel, 2008)conclude that these countries can neither be regarded as a separate regime nor be fitted among the existing regimes. The most dominant view seems to be the one which regard welfare state models as hybrids, not belonging to any particular of the developed types (Hemerijck, 2006; Baum-Ceisig, Busch, Hacker, & Nospickel, 2008; Fuchs & Offe, 2008; Cerami & Vanhuysse, 2009). Not only has the placement of the post-communist countries within the Esping-Andersen's classification been problematic, but also the relevance of the classification itself has been questioned. This relates to the mentioned inability to include emerging welfare states, as well as other points of criticism, such as the fact that the welfare states are not static categories and change over time, which implies the possibility of new types of clustering (Leibfried & Mau, 2008; Schubert, Hegelich, & Bazant, 2009).

The concept of the welfare state was developed in the industrialized world and is associated with democracy and capitalism. It is considered an instrument that secures the accomplishment of citizens' social rights[317]. Considering the different tradition of the former communist states, there are those who question if the category of the welfare state can reasonably be applied to these states (Schubert, Hegelich, & Bazant, 2009, p.10). On one hand, the heritage of the communist past has been present, while on the other, these countries have been transforming into democratic market economies in an ongoing process. Accordingly, their welfare state institutions and policies have been changing. If we are to take on this debate, then we should also underline the argument that the industrialized states also differ from each other and have themselves inherited different traditions in various ways: institutional, political, social and, economic. Thus, a mixture of modalities of the welfare state had emerged. Additionally, the welfare states from the "western" world do not represent static categories, but are themselves subjects to change, which challenges the existing theories and ways of welfare state research. Such are, for example, the debate about the retrenchment of the welfare state, or even the introduction of the notion of the "Schumpeterian workfare state" as a possible replacement for the "Keynesian welfare state" (Jessop, 1993). We therefore consider that the over insistence upon the debate about what constitutes a welfare state might divert the attention of the discourse on formalities rather than essence. With prior recognition of the existence of "other distinct welfare state routes"[318] in history (Leibfried & Mau, 2008, p. xv), at this point, we stick to the fact that although at a varied degree, the developed democracies still sustain relatively resilient welfare states. At the same time, the strong social states of Eastern Europe departed from communism. We acknowledge the fact that after exiting communism, the entry conditions for these social states differed from the conditions under which the welfare states of the developed democracies had advanced. Finally, we recognize that there are contemporary conditions, both shared and specific, which nowadays generally influence all the welfare states, both developed and emerging, as well as the notion of the welfare state.

The papers in this publication have explored some of the contemporary circumstances pertaining to the states of the former Yugoslavia. Bearing in mind the insufficient attention paid to the Southeastern European region with regard to welfare state research, in the following section we will briefly refer to the specific Yugoslav legacy and then verify what has become of the now separate states by comparing the commonalities and differ-

[317] Refers to the concept of "social citizenship", which was developed by T.H.Marshall (Marshall, 1950).

[318] Leibfried and Mau (2008) point to the autocratic German state under Bismarck, the racist and war-flanking welfare state under Fascism and Nazism, the more encompassing welfare aims of the state under Communist regimes, the developmental authoritarianism of East-Asian kind.

ences which can be distinguished during the transition of roughly two decades. Finally, we attempt to facilitate the inclusion of the region in the broader scientific debate.

Commonality and Diversity

The Yugoslav Legacy

Looking at the development of the Yugoslav welfare regime in a 45-year perspective one could conclude that a rather comprehensive system had been created practically from zero. The system that emerged after 1945 was not created once and for all, but underwent several phases of development, in the sense of organization and financing, coverage and prescribed rights. These phases followed the logic of the political and socio-economic development of Yugoslavia. Overall, the Yugoslav social model was not a typical communist one. Except for the first period of so called "administrative centralism", when the federal budget was the main source of financing social expenditures, following the introduction of "self-management", the social security system was mainly financed from personal income contributions, as well as other sources of financing. In an organizational sense, the system was first managed by the state administration, then by social insurance institutions or the local authorities and finally by the administration of the self-management interest communities. In time, the number of people and categories covered and the number of rights acquired under various types of social security schemes increased.

The social insurance system encompassed several branches, such as pension insurance, health insurance, disability insurance, social insurance in case of temporary unemployment, social insurance of families (child benefit) and social insurance of special categories of insured persons. At the beginning all the main social risks were organized in the framework of the single social insurance system. As the country progressed economically and socially, the social insurance system was further developed into different types of social insurance branches, which dealt with the specific types of risks separately and in detail. Regarding the coverage, social insurance was initially only for the workers (employees) and it gradually expanded to the self-employed, farmers, foreigners, members of the families of the insured and others.

The federation took over the process of mitigating the social effects of war, such as meeting basic needs for food and housing, special care for the disabled, families of victims of war and children without parental care. The system of social protection gradually advanced into a far-reaching and comprehensive system of social measures and institutions targeted at individuals, families and even parts of society, which, due to specific social or other circumstances, were unable to meet their basic needs and were at the risk of social exclusion. In line with the egalitarian socialist philosophy, such a system was designed in order to create equal conditions for social participation and therefore was broadly defined to provide support to different categories of disadvantaged persons or groups.

Thus, although this terminology was not used to describe the system in Yugoslavia, it was de facto a mixed one - combined between typical Bismarckian and universal system. Yugoslavia had developed a rather generous welfare system upon the principles of solidarity and equality, aiming to alleviate unfavourable conditions resulting from a certain social risk as well as to enable social participation. There were times when the goals of the welfare system seemed too ambitious compared to the economic reality and either became a serious burden to the public spending or their realization was threatened. This occurred especially during the last decade of federal existence. It was then when the role of the federation in the field of social policy was minimized. Still, the structure of the system was practically uniform in the different parts (republics and autonomous provinces) and it was mainly the quality of services and access to rights that differed. In such a constellation of a weakened economy,

accumulated social problems and political failures came the dissolution of Yugoslavia.

The Socio-economic Reality of the Transition

In the aftermath of the Yugoslav breakdown, the data on the economic situation in the seceding states were devastating. Economic activity fell, inflation and unemployment rose. Especially the nineties were detrimental for the region's economies[319]. Economic recovery resumed only after the year 2000. That was still not enough to reach the 1989 level of GDP. It took some of the countries two decades to reach the 1989 level, like Macedonia, while some, like Bosnia and Herzegovina, Montenegro and Serbia, have not yet reached its level of development in 1989. In the last few years, the GDP growth rates were stabilized, until 2009 when the global financial crisis had taken effect in the region and when the growth rates showed negative figures. Nonetheless, these countries, with the exception of Slovenia and to some extent Croatia, remain at the bottom of Europe. In 2008, the GDP per capita in Macedonia was 3300 Euros, which was the lowest value compared to all the other countries in the European Union. Comparatively low values were determined in Bosnia and Herzegovina with 4810 USD per capita, Serbia with 6647 USD per capita and Montenegro with 4484 Euros per capita.

As a result of the economic decline, unemployment grew. Unemployment rates were especially detrimental in Bosnia and Herzegovina and Macedonia, and to some extent Serbia and Montenegro. In Bosnia and Herzegovina, the registered unemployment rate remained stable at around 40% until 2007 when it became 28,9%[320]. In Macedonia after 1992, the number has for the whole transition period has stayed stable around and above 30%. In Serbia and Montenegro the unemployment rate has been declining in the last few years and from 20,8% in Serbia and 30,3% in Montenegro in 2005, it dropped to 13,6% in Serbia and 16,8% in Montenegro in 2008. Comparatively, the only countries in the European Union, whose unemployment rates in the last few years before 2009 when the economic crisis took effect, exceed a double digit were Slovakia in 2007 with 11,1% and Spain with 11,3% in 2008. The unemployment rate in the EU 27 did not reach a double digit until November 2009 when 10% were measured, as a result of a strong rise of the unemployment rates in several countries of the EU.

In Yugoslavia, there was not any systematic collection of data or research that would show the main benefactors from the economic and social progress. According to the egalitarian socialist philosophy, the economic and social results were distributed equally among the whole population and this was generally the case. However, information about certain social distortions could be obtained from expert analyses and from the programmatic documents of the party. Social disparity was present in both periods of economic growth and decline. The Gini[321] coefficient measuring the personal income inequality varied between 0.16 and 0.17 and this was socially accepted level of inequality (Šefer, 1974, p.80). As soon as the transition from socialism into a market oriented economy started, the inequalities based on income grew. The rapid economic decline and the transformation of the social capital contributed to social stratification of the population. This was especially possible "whenever the new owners were able (…) to transfer wealth from their companies to their own accounts by asset-stripping, running

[319] The data demonstrated in the following paragraph are from this volume, combined with additional statistics obtained from Eurostat.

[320] For the period until the year of 2007 we use data provided by the European Bank for Reconstruction and Development, which differs from the data provided by LFS surveys, used in this volume. This may explain the decline of the unemployment rate in Bosnia and Herzegovina from 44,8% in 2006 to 28,9 in 2007 when the LFS was first carried out. The data on the unemployment rates in Macedonia, Serbia and Montenegro are given according to the LFS.

[321] The Gini coefficient is a commonly used measure of inequality of income or wealth. It is a number between 0 and 1, where 0 corresponds with perfect equality (where everyone has the same income) and 1 corresponds with perfect inequality (where one person has all the income, and everyone else has zero income). It is sometimes multiplied by 100 to express values from 0 to 100. The Gini coefficient was not measured by the official Yugoslav statistics. This data is obtained as a result of a research project conducted by a research team, headed by Dr. Miladin Kora (cited from Šefer 1974).

down companies and depriving employees of income and jobs. These socially adverse consequences of privatization have occurred in cases in which privatization has led to the monopolization of the market and where the institutions of public accountability have been weakened by civil conflict and a failure of democratic consolidation (…)" (Bartlett, 2008, pp.145-146). As demonstrated in Table 1, the Gini index grew as the inequality in the society grew, amounting from 22.76 in Slovenia to 38.73 in Macedonia, (expressed in average values). Inequality is thus lower in the countries where the transition occurred at a slower pace, such as Bosnia and Herzegovina, Serbia and Montenegro, or the so called late-reformers (Bartlett, 2008).

Table 1 Selected socio-economic indicators, average values 2000-2009

Country	GDP growth rate (%)	Unemployment rate (%)	National poverty rate (%)	Gini index	Social spending (% of GDP)
Bosnia and Herzegovina	4.5	26.9	18.7	29	13.48
Croatia	3.37	12.53	17.24	28.66	20.55
Macedonia	2.59	35.85	28.4	38.73	16.09
Montenegro	4.71	21.20	10.58	25.74	16.77
Serbia	4.57	16.02	8.88*	32.66	20.06
Slovenia	3.1	5.99	11.2	22.76	23.41

Source: Data provided in the statistical annexes to the contributions in this volume

*data for 2000 and 2001 are not calculated due to the use of different methodology.

The lack of employment opportunities and the income disparity brought about the spreading of poverty. Considering the fact that poverty is measured differently in the different states extracting comparable data is difficult. Often comparability is difficult between different years in a single country, due to the implementation of a different methodology. Therefore, the bare statistically given information should be interpreted with caution, as well as complemented with other indicators, such as, for example, access to health-care, education, and other public services. The Laeken indicators have, for instance, been developed in the European Union, providing a variety of indicators for better understanding of the pervasiveness of poverty.

In the former Yugoslavia public investment in education, health-care, housing and social protection was important. Parallel to the economic development, there was dynamic growth of the public expenditure. The public spending remained stable also during the years of economic recession. According to the conviction that the improved economic performance creates conditions for social development, there was also the conviction that social modernization is a precondition for further economic growth. In the last decades of the federation, however, there was the opposite: the economy started stagnating and even dropping compared to the previous years. The decision to concentrate on economic investment and to increase its level within the national income during the 1970s did not improve the economic base. Although private consumption and public expenditure were kept relatively high, in fact, the living standard was dropping, as it was being eaten by the inflation. At the beginning of the 1990s inflation soared and was stabilized towards the end of the decade, mostly through the help of the IMF arrangements. In Serbia and Montenegro inflation in 2000 was

still tremendously high and started to gradually stabilize afterwards. Public expenditure in the social sectors was deeply affected by both the inflation and the tightening policies. As soon as social spending was stabilized, certain patterns in spending amounts could be discerned. The average spending values shown in Table 1 reflect those patterns. According to them, Bosnia and Herzegovina, Macedonia and Montenegro are among the low spending countries, while Croatia and Slovenia, and during the last years also Serbia, are higher spenders. Comparatively, almost all of the new member states of the European Union have spending levels below 20% of the GDP. The average spending value for the EU 27 (2000-2008) was 26.67%. However, in Bartlett (2008, p.148), the data on social expenditure provides slightly different evidence from the one provided in this volume. He has obtained the data from other sources, which may use different definitions and methodology. The presented information there makes a difference especially for the case of Bosnia and Herzegovina and Montenegro, placing them in a higher spending category. This is yet another example about the problem of collecting consistent and reliable data for this region. Consequently, the interpretation of the data should be approached with care before making any definite assumptions.

Pensions

It is a fact that most of the social expenditure goes to pensions. The economic downturn in the wake of the post-Yugoslav period strained the financial viability of the entire social security structures inherited from Yugoslavia. The restructuring of the formerly socially owned enterprises contributed to the laying off of workers and a rise in unemployment. Early retirement was an exit solution for some of these workers. The aging of the population, the prolonged lifespan and consequently the higher number of people above a certain age additionally pressured the pension systems. Over the years, the ratio between the contributors and the recipients of pension has become unfavourable for the financial sustainability of the Pension Funds and the whole system. In Slovenia, this ratio in 1990 was 1:2.3 and in 2007 1:1.62. In Croatia, the ratio in 1990 was 1:3, while in 2009 it became 1:1.3. Some of the other states, such as Macedonia and Montenegro, had less favourable ratios between contributors and beneficiaries to begin with.

Each of the successor states undertook various measures for overcoming the problem of financing. Increases in the statutory retirement age have been adopted and the retirement eligibility criteria have been tightened so as to hold back the number of pensioners. The level of pension benefits has been lowered through changes in the calculation of the pension base and the reduction of the replacement rates i.e. the ratio between the average old age pension and the average wage. In Slovenia, the population was less affected by this, considering the stronger economic performance of the country and the existing measures for protection of the vulnerable. For instance, the state pension is paid to persons aged 65 and above who are not entitled to a pension from a public scheme and who have no income, but have at least 30 years residence. Low-income pensioners have the right to some supplementary benefits. In the other states, there is no state pension and thus the people who had not been paying contributions or had not obtained the right to pension on other grounds, are excluded from the system. Estimations are that around 12-13% of the persons above 65 years of age in Croatia are without pension. This percentage in Macedonia and Serbia is around 30%, and in Bosnia and Herzegovina, the percentage is estimated as high as 70%. Furthermore, in the latter countries, the living standard is lower, expressed through lower values of the average wage and the adverse replacement rates.

Aside from these (parametric) reforms for consolidation of the public finances, which

were introduced in all the countries more or less, in Croatia, Macedonia and Montenegro deeper institutional (paradigmatic) reforms were set up with the technical and financial support of the World Bank. Based on that, the pension system was reorganized into a multi-pillar system. An additional mandatory private pillar was added to the first pillar, which remained public and based on a pay-as-you-go scheme of financing. The third pillar gives the opportunity for voluntary insurance. Because of the reform, the same contribution rate is now divided between the public and the private pillar, whilst most of the pensions are still paid from the public pillar. The public pension funds therefore operate with deficits, which are covered by enhancement of the participation rate of the general state budget in the financing of pensions. In Montenegro the implementation of these reforms has been postponed. Serbia and Bosnia and Herzegovina opted out of this model. For Slovenia, such a reform was never an option. Yet, a second pillar was introduced there on a voluntary basis. For some occupations, it operates as a mandatory supplementary scheme. Moreover, as a result of tax incentives, more than 50% of all the insured persons are included in the second pillar through voluntary collective pension schemes, but unlike in Macedonia and Croatia, this did not affect the contribution rates collected by the first pillar.

Health

Compared to the pension systems, other sectors of the welfare system did not undergo major reforms. In the case of the health-care system, the structures inherited from the previous system remained and the organization of the service provision was kept. As a result of the wars on part of the territory of the former Yugoslavia, many of the health-care centres and hospitals were destroyed. Where this was not the case, the existing medical capacities started deteriorating in the absence of new investments. This has negatively affected the quality of the health-care services and their ability to meet the needs of the population. In principle, this refers to the public health-care provision, which is the main source of health-care provision. A certain novelty during the last two decades was the expansion of the private practice. In Croatia and Macedonia, almost the entire primary care sector was privatized. Still, the private service providers are tied to the public system by means of financing.

The health-care system in all the countries is insurance based and financed mainly through social security contributions. In Slovenia, those services that are not covered by the statutory health insurance are covered under the framework of a voluntary health insurance. Around 95% of the inhabitants in Slovenia are voluntarily insured. Since 2009, state coverage of the voluntary health insurance for the poorest population has become effective. Such a scheme accounts for almost 100% coverage. In addition, the other states have maintained the principle of universality, guaranteeing coverage of over 90% of the population. There is however a difference compared to the meaning of this principle in previous times when health services were available to everybody free of charge at the moment when the service was given. The current systems have shared problems with the accessibility of medical institutions and services, the related possibility for realization of the prescribed rights and the quality of the given services.

Slovenia and Croatia allocate a relatively large proportion of the social spending on health-care. In Slovenia, public expenditure on health-care has been stable at around 7% of GDP. In Croatia during the 1990s, health-care expenditure was over 7% of GDP, whereas in the last decade it dropped and in 2009 was 5.4% of GDP. However, jointly the public and private expenditure on health-care in Croatia is up to 9% of GDP. Consequently, these countries cope more successfully with the above-mentioned negative tendencies. The public expenditure on health-care in the rest of the former Yugoslav states has been

lower. Co-payments exist, as a form of additional private contribution by the patients each time they request a certain medical service. Generally, co-payments are still of less significant importance. Unofficially, informal or under-the-table payments have become an established practice, for example to shorten waiting time or to obtain services that are listed in the statutory package, but are not available unless the patient agrees to buy them. Health-care is increasingly being perceived as a commodity that has a certain price to be paid. Such shift of the financial burden over to the individual has disproportionally affected different categories in society. The poor and lower-income groups are at a particular disadvantage when it comes to access and quality of health care.

Unemployment and social protection

The transition produced a rise in inequality in relatively egalitarian societies. If there had been certain differences based on privileges before, during the transition, the population was additionally stratified, based on differences in income and assets. The transformation of the ownership structure of the social capital into private hands was mainly done through the management and employee buy-out method. In most of the countries of the former Yugoslavia, this turned out to be a manager take-over of the previously commonly owned companies. A large number of workers were not only stripped from ownership rights, but also found themselves jobless. Many workers had been laid off in the process of capital transformation. New jobs were created slowly, partly as a result of missing new investments. The spreading of unemployment was one of the most visible signs of social stratification and impoverishment of substantive parts of the population. It is difficult to single out certain categories of the population as most hit, although most of the social protection systems of the successor states list the vulnerable categories, which I discuss further. One thing, which accompanies the transformations in the region, is the fact that the loss of jobs contributes to a loss of access to a stable source of income and is a factor in the increase of poverty. Some of the middle-aged and elderly workers, which were declared redundant, found exit strategies in the possibility for early retirement provided by the state. Others had to look for alternatives in the grey economy. Also the young generation was seriously affected by the lack of new job opportunities.

The welfare system in Yugoslavia foresaw protection for people during temporary unemployment. This was one major difference from other former communist regimes, where unemployment was not recognized as a risk and therefore the welfare system had no place for it. The specificity of the Yugoslav model in both political and economic sense contributed to the acceptance of unemployment as a temporary problem in the quasi-market relations. Full employment was a desired goal, whereas for the periods of unemployment the state had developed unemployment protection as a welfare instrument. Given the rapid expansion of the number of unemployed people during the transition, it would become difficult for the welfare states to accommodate all. Except for Slovenia, all the other states have registered high values of the unemployment rates expressed in double digits. Not counting the effects of the global financial crisis, which have in the last two years pushed the growth of the unemployment rates also in other European countries, for the last two decades most of the states of the former Yugoslavia were at the bottom of Europe with the highest numbers of unemployed. Nevertheless, the countries with a higher problem of unemployment had comparatively low spending levels on unemployment protection. Over the years rights have been cut, eligibility criteria have been tightened, which has caused the number of beneficiaries to shrink. At the same time, alternative policies, such as the activation principle were modestly applied. Moreover, they are found to be either inappropriate or insignifi-

cant. Any evaluation of the results from them also appears to be lacking. Thus weakened, the labour market policies, both passive and active, had a hard time mitigating the negative labour-market tendencies in the post-socialist period.

The worsened conditions in the labour market are identified as a factor for further deprivation. Unless a person landed on the "winning" side in the process of capital transformation and managed to secure other sources of income, apart from the one obtained from the employment status, an unemployed person and their family were at a high risk of poverty. On the other hand, even the employment status was no longer a sufficient guarantee for a decent living. It is difficult to obtain a comprehensive picture on the severity of the issue throughout the region, since the data on poverty could be misleading. The methodology used to measure poverty from country to country and from one period to another in a single country varies. The national poverty rates are indicated in Table 1 in average values.

The social protection systems in the post-Yugoslav countries have relied more or less on the same structures and type of services. Conversely, the number of people in need has grown. The (un)employment status, income, (dis)ability, age, gender, ethnicity, educational level, area of living and nature of household etc. are some indicators that alone or in a combination may account for the poor living condition of an individual. Due to lack of capacities and reduced finances, the social protection systems fail to act as a proper safety net for those in need. The social assistance is means-tested and often fails to reach many categories of people. Additionally, the values of the social assistance are relatively low or merely symbolic in most of the countries and are not given out indefinitely. Apart from the cash transfers, the social protection systems have envisaged other forms of protection, such as benefits in kind, different forms of institutional or non-institutional care and preventive activities. They are provided by the existing welfare infrastructures. Non-state providers are more of an exception. Thus, the Centres for Social Work, which were established in the 1960s are still the main administrators of the social protection programs. The rapid increase of problems in the 1990s and their perpetuation, as well as the lack of reforms and investments in the social protection systems, have overwhelmed the existing state structures and depending on the country, contributed to the exclusion of larger or smaller parts of the population.

The main Actors of the Welfare Policies

One part of the papers in this volume presents the facts about the welfare systems, describing the evolution of their components, structures, benefits and the economic rationale behind them throughout the last two decades. Another group of papers presents the constellation of social and political processes and actors during the same time. These papers attempt to associate these constellations with the developments and outcomes in the welfare department. They look mainly at a variety of actors, such as the domestic actors and their welfare policy agendas or attitude towards welfare policies, the other parts of organized or unorganized society and their values, perceptions and involvement, and finally the international actors and their role in the welfare sector in the different countries. One could argue that this publication has thus chosen to apply the actor-centred approach by providing parallels among the activities of the actors and the welfare systems. The second type of papers mentioned here certainly give that impression. In further text we observe the main actors and forces behind the welfare policies.

In Yugoslavia, the main creator of the social policies, as with other policy areas, was the Communist Party (renamed to League of Communists of Yugoslavia in 1952). At first, immediately after the Second World War, social policy was not part of the conscientious policy-making. The Program of the party adopted at the 7th Congress in 1958 for the first time paid special attention to social

policy, securing a special place for it along with economic and educational policy. The political commitments taken by the party in the sphere of social policy have translated into legislation and become reality. Social policy continuously kept an important place on the party agenda and even the economic slowdown, during the 1970s, did not disrupt this and the welfare system remained unaffected. The party looked elsewhere for solutions to the difficult economic situation and the growing mismatch between the social programs and their economic base, without bringing into question the place of social policy. One of the exit strategies proposed was the implementation of a higher degree of decentralization. For social services, this meant a bigger role for the republics in both their management and delivery.

After Yugoslavia's dissolution, each country resumed its individual path. Owing to the introduction of political pluralism, different political groupings surfaced. The monopoly of the communist party had been broken and the communist successors had to confront emerging political forces in electoral vote races. In some of the countries, like Macedonia, Serbia, Montenegro and Slovenia, continuity of the former communists was successfully preserved through their successor parties, while in others, for instance Croatia, the political power ceded to new actors on the political scene. Such actors' constellations ought to be observed in the context of Yugoslavia's break-up and the related conflicts. The existing national antagonisms voiced by the political representatives in the former federal republics peaked into war, which literally marked the entire first decade of the transition. The effects of the war were detrimental, measured through steep drops in economic performance and living standards. Bosnia and Herzegovina was particularly hit, also because the war lasted longest there. The other states of the former Yugoslavia were also severely affected by the war. Only Slovenia seceded relatively easily with only mild tensions. Additionally, the wars and the related sanctions created favourable conditions for dubious businesses, smuggling and manipulations of the privatization processes (Hajdinjak, 2002; Bartlett, 2008). Under these conditions, the main preoccupation of the political elites in power was to use the situation to their own advantage. Hence, the themes which dominated the public political discourse were national self-determination and differentiation, security and stability issues. Economic and especially social issues were rated second and took the form of macroeconomic stabilization, continuation of the transformation of the social capital and ad hoc interventions for buying social peace. Only after the actual ceasefire, the requests for change of political priorities came to the fore and consequently power shifts took place.

During the second decade of the so-called transition, the salience of the economic and social issues within the societies has been mirrored in the political parties' programs. The voters' confidence in that period has been won mainly over socio-economic issues and promises, although social cleavages along identity lines have successfully been perpetuated. Data on the citizens' values, beliefs and attitudes towards various social issues and the welfare systems in these countries is generally scarce. The information provided in this volume gives the impression of a developed sense of solidarity in the societies. In the post-communist reality, this value finds realization mostly on the micro-level of the family and much less as an organized activity of the society or the state. Alternatively, the data on the level of trust in the political parties and institutions in the different countries is available and straightforward. Considering the fact that this data shows declining trends it could be assumed that there must be a mismatch between the citizens' values and expectations and the parties' agendas. The political parties throughout the region have paid little attention to the social issues, despite their salience among the people, and have invested little energy in creating positions relating to them, except before elections and even then more in the form of electoral promises rather than consistent policies. In this sense, any steps undertaken by decision-makers in the field of the welfare policies resemble a reaction to certain acute problems

and piled up social pressures, as opposed to proactive and deliberate courses of action.

Somewhere sooner, elsewhere later, but all of these countries have manifested similar paths of transformations, through political and macroeconomic stabilization and the privatization of the social capital to reforms of the welfare system. In that, the reforms of the welfare system were of secondary importance. The states of the former Yugoslavia have relied on inherited welfare structures and institutions. The domestic decision-makers have been changing the welfare states along the lines of the previously mentioned priorities, where the welfare policies were of minor significance. Based on the undertaken steps, it would be hard to conclude that the political actors had neoliberal agendas, considering the fact that in the field of social policies, there has been an absence of any particular agenda. At times, especially in electoral periods, the parties' programs registered declarative pledges closer to what is known as left-oriented ideology. In principle, the political actors in these countries lack long-term strategies regarding the route of development of the social systems. Even Slovenia seems not to be an exception in this sense, as its party system is characterized with "low party institutionalization and feeble governments" (Guardiancich, this volume), and its social system now is the product of regular compromising among different actors with dissenting interests.

The absence of national policies that would come out as a result of the positions of the domestic actors has made space for the agency of certain international actors, which have had concrete policy proposals. Through their structural adjustment loans, the International Financial Institutions have been particularly influential. In Croatia and Macedonia, their influence has been most visible in the pension system. In the other welfare state sectors, the authority of these organizations has been either lesser or less visible. A concrete pension model developed by the World Bank and already applied in other countries was also offered to the post-communist states in Eastern Europe. In the other welfare state sectors, no such particular models had been developed, except for the fact that the focus of the International Financial Institutions was on the introduction of market-based principles in the running of the welfare systems and on the reduction of the public spending. In Serbia and Montenegro the reforms have been postponed as a result of their belated transformation overall. Montenegro opted for the World Bank pension model; however, its implementation has been delayed. In Serbia, this reform was partially accepted. In Bosnia and Herzegovina, social policy has not been one of the main concerns of the international actors. Only in Slovenia, the current welfare system is a product of the domestic decision-making processes. It has been shaped after regular negotiations and settling among different domestic actors. The participation of a range of actors with competing interests contributed to a smoother transformation of the Slovenian welfare system, with the least number of shocks, cutbacks and reforms. The European Union was the single international actor that exerted certain influence in Slovenia. The competences of the European Union in the area of social policy are limited. Additionally, there are no clear requirements or guidelines for the creation of social policies in the member states and potential member states. Yet, the European Union's authority has come to the fore through the unreserved harmonization of the Slovenian labour legislation with the acquis communautaire. After Slovenia, Croatia has advanced most in the process of approximation to the EU and therefore the role of the EU there has not been insignificant. For instance, the devising of the Joint Inclusion Memorandum[322] has provided the incentive for the inclusion of different stakeholders in the process (Stubbs, 2010). Oth-

[322] „In line with the Accession Partnership, the Government of the Republic of Croatia, Ministry of Health and Social Welfare has drawn up a Joint Inclusion Memorandum, together with the European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, which is designed to assist Croatia to combat poverty and social exclusion and to modernise its systems of social protection as well as to prepare the country for full participation in the open method of coordination on social protection and social inclusion upon accession" (Joint Memorandum on Social Inclusion of the Republic of Croatia, p. 1, available under:http://www.delhrv.ec.europa.eu/images/article/File/Microsoft%20Word%20-%20JIM-en_032007(1).pdf)

erwise, such practice has been uncommon prior to the intensification of the European integration of Croatia. With the exception of Slovenia, the social partners in the rest of the former Yugoslav states have stayed fairly marginal.

What Relevance for Partisan – Agency Approach?

The focus in the study of the post-communist welfare states is on the effect of the legacies and the extent and conditions for path-departure. Such is the approach from an institutionalist point of view, in the sense of studying the inherited structures and institutions, but also with regard to agency, where the focus is on the role of established relations and patterns of behaviour and the creation of new cultural blueprints. The dominance of such approaches seems reasonable when viewing the power-resources theory. As stated previously, the power resources theory explains the welfare-state effort as an outcome of the distributive conflict among different types of actors. Similarly, the partisan theory also prioritizes the importance of competing interests, with emphasis on the choices of political parties and their possibilities to create or modify policies, through the participation in power. According to these theories, the welfare state effort has been associated with strong trade unions and the presence of left-wing political parties in power. The theories were developed to explain the rise and expansion of the modern welfare states. During the last few decades, there have been growing constraining effects related to decline in economic performance, shifts in ideology in global terms and reductions in inter-party differences. The welfare states have experienced cost-containment, retrenchment and reform. In that, different states have demonstrated different degrees of resilience and therefore the power-resources theories now have to adjust their argumentation to the study of that period and ongoing trends. Huber and Stephens (2001), as one of the representatives of the power-resources theory, in their study of the development and crisis of the welfare state, conclude that power constellations continue to matter over the medium and long term, but to a significantly smaller extent. Kitschelt (2001) finds the argument of parties' policies and coalition strategies based on their adherence to party families insufficient to explain the different degree of welfare state retrenchment in advanced post-industrial democracies. In the effort to explain why politicians choose unpopular policies, he argues that "once favourable external conditions for welfare state redesign and retrenchment exist", such as, for instance, demographic pressures, economic and fiscal crisis etc., "then the internal dynamics of competition in the electoral and policy-making arena affect the adoption and implementation of social policy reform" (Kitschelt, 2001, p.266). He nevertheless presupposes the division of the political parties according to their ideology and builds up his argument from there.

The political actors in the post-communist Yugoslav countries cannot be perceived the same way as political parties in the western-type democracies. Although some of them call themselves social-democratic or conservative or liberal and are admitted to the affiliated European party families, it does not automatically mean that they support and pursue the same ideologies and policies. As the texts in this volume show, the party competition among the political parties in one country is usually along other dividing lines. Additionally, organized labour plays an insignificant role in decision-making processes. The only exception is Slovenia, which resembles more a western-type democracy than a post-communist state. Therefore, a more suitable approach for the understanding of the welfare-state development may be found in some aspects of the partisan theory, leaving aside ideology and concentrating on the agency framework for decision-making.

As stated previously, the role of agency is generally underestimated in the study of post-communist welfare states. There are a few authors who argue that "Key political ac-

tors were able to make purposive decisions within the parameters set by the external, structural and legacy constraints of the transition" (see Vanhuysse, 2007, p.496). Around the issues of unemployment and real wage decline, Vanhuysse attempts to shed light over the reasons for political quiescence in these states, despite the conditions for a conflict. He further develops the argument of Ost (2005, cited in Vanhuysse, 2007) who found that political-party and trade union leaders consciously chose to promote some cleavages rather than other, in an attempt to deal with worker anger. Using the example of Poland, Ost shows how key elites chose to channel worker's anger from along class lines to along identity lines. Vanhuysse (2007) further illustrates how this was possible. After the fall of the communist regime, the playing field was cleared for the political actors to create and reshape the rules of the political game and to design strategies aimed at shaping rather than accommodating citizens' behaviour and preferences. Part of the political action which can be taken to prevent or pre-empt collective protests by highly aggrieved social groups-before they mobilize was the use of early and disability retirement, the tolerance of the grey economy as an exit strategy for laid-off workers, the buttressing of distributional conflict over scarce state resources between groups that had originally shared similar interests, accommodating the career and personal interests of the trade-union elites etc.

These explanations may easily be attributed to the developments in the area of welfare in the post-Yugoslav states, not just the labour market reform, which is the focus in Vanhuysse's text, but also in other social sectors that have direct impact on the individual. The political parties in these countries lack the strategic visions for the future of the countries' welfare systems and also the distinction among them, especially based on ideology in social policy, is often dim. As shown above, other issues have been given precedence over the social issues. While the population has been kept occupied along these division lines, the key political players have pursued other interests, among which narrow personal, party and business interests. This behaviour of the political parties has been navigated rather successfully, however, only up to a certain point - elections, as evidence shows. The elections seem to be a turning point for awareness raising about the poor socio-economic conditions, partly owing to the pressure coming from other parties that compete for office. The economic and social issues thus come to the surface and the unsatisfied members of society usually choose to punish incumbents that have been neglecting them. This approach may well account for the durability of certain actors in government, or put differently it explains the selection of choices made by decision-makers. Coming back to the above-mentioned argument by Kitschelt (2001), that once the favourable external conditions are there, the decisions of political actors on where to target the welfare state effort, whether to reform or not are driven by the choices which bring them the lowest trade-off between the policies and the realization of other competing interests or the upholding of power. The evidence presented here seems to corroborate this approach. Adverse economic indicators pressured the welfare systems and domestic political elites resorted to interventions in the welfare systems. Most of these interventions were in the direction of retrenchment, except for targeted political decisions at cushioning the explosion of social risks in the transformation processes. If international agents were involved in the macroeconomic stabilization of the countries, their involvement often encompassed the welfare systems as well. The lack of specific and long-term social policy agendas made the international interventions possible. In cases where social partners and interest groups were stronger and more vocal, they acted as inhibitors to overly pronounced welfare state cutbacks and restructuring. In other cases, domestic political actors that had not paid sufficient attention to the social needs of the population were pun-

ished for such behaviour during elections. According to the above-mentioned argument, at this point the main political actors in power had to weigh the potential trade-off between their decisions in the welfare sectors and the prospect of staying in power.One vivid example for this is the cautiousness of the welfare state transformation processes in Serbia and Montenegro. Not so much a specificity of the political actors in these countries or a particular interest in welfare policies, as the belated transition and the experience from other countries in the region relating to the effects of the welfare policies on the system and the voters' behaviour may elucidate why Serbia's and Montenegro's politicians have been less conducive to influence by the international actors and more careful in the undertaking of reforms.

Conclusion

This volume has tried to present a comprehensive overview of the most relevant welfare state components as well as actors and processes related to the welfare state development throughout the entire transitional period. The texts depict a rather complex picture in the different successor states of Yugoslavia. The condensed information nevertheless provides the opportunity for the extraction of certain trends and comparisons of similarities and differences. Without the intention to provide an ultimate and exhaustive list of certain regularities among these countries, the contributions here identify that the main differences lie in the macroeconomic indicators, the level of influence of shared regional conditions, the pace of reforms, the different application of similar types of measures, the level of influence of the different domestic actors and of the international agents. On the other hand, these countries register similarities due to the institutional legacies and in the use of similar types of measures, the type of reforms usually inspired by the international financial institutions and the fact that social policies are of lesser importance in the political agendas.

The developed welfare state theories disregard the post-communist states. On the other hand, they are also being revisited when it comes to advanced democracies. The states of the former Yugoslavia have been almost completely left out, since only EU member states seem to be of interest when it comes to this scientific area. The actor-centred approach seems to be the focus here, given the specific country case studies devoted to it. It is not the intention of the publication to promote a particular theory in the post-communist study. The contributions here show a multitude of other relevant factors. This refers to the economic performance as a basis for the welfare states' activities, the normative and institutional framework defining the welfare states, inherited features and global tendencies expressed through the agendas of international agents. Different factors influence the different welfare states with different intensity, which may explain the differences and similarities. The way in which the domestic actors balance the various pressures coming from these factors of influence may be key to understanding the future welfare state developments.

As mentioned in the introduction, the idea is to provide sufficient and yet succinctly presented material in one place and to motivate its further analytical exploration. What it explicitly does not do is fit the post-Yugoslav welfare states in some of the existing welfare state classifications. Occasionally, especially when referring to the Yugoslav institutional legacy, there is mention of the Bismarckian and Beveridgian (universalist) typology. Otherwise, we find the welfare state theories valuable for the exploration and eventual steering of welfare state development and consider that the post-Yugoslav states should not be excluded from their consideration. This volume should provide sufficient starting material for this purpose.

List of references

Abrahamson, P. (2010). European Welfare States Beyond Neoliberalism: Toward the Social Investment State. *Development and Society, Volume 39, Number 1* , 61-95.

Bartlett, W. (2008). *Europe's Troubled Region-Economic development, institutional reform and social welfare in the Western Balkans.* New York: Routledge.

Baum-Ceisig, A., Busch, K., Hacker, B., & Nospickel, C. (2008). *Wohlfahrtsstaaten in Mittel- und Osteuropa-Entwicklungen, Reformen und Perspektiven im Kontext der europäischen Integration.* Baden-Baden: Nomos Verlagsgesellschaft.

Blair, T., & Schroeder, G. (1998). *Europe: The Third Way/Die Neue Mitte.*Johannesburg: Friedrich Ebert Stiftung.

Bonoli, G. (1997). Classifying Welfare States: A Two-dimension Approach. *Journal of Social Policy, Volume 26, Number 3* , 351-372.

Brooks, C., & Manza, J. (2006). Why Do Welfare States Persist? . *The Journal of Politics, Volume 68, Number 4* , 816-827.

Castles, F. G., & Obinger, H. (2008). Worlds, Families, Regimes: Country Clusters in European and OECD Area Public Policy. *West European Politics, Volume 31, Numbers 1-2* , 321-344.

Cerami, A., & Vanhuysse, P. (eds.) (2009). *Post-communist Welfare Pathways-Theorizing Social Policy Transformations in Central and Eastern Europe.* Basingstoke: Palgrave Macmillan.

Cook, L. J. (2010). Eastern Europe and Russia. In F. G. Castles, S. Liebfried, J. Lewis, H. Obinger, & C. Pierson (eds.), *The Oxford Handbook of the Welfare State* (pp. 671-686). New York: Oxford University Press.

Deacon, B., & Stubbs, P. (eds.) (2007). *Social Policy and International Interventions in South East Europe.*Cheltenham, UK, Northampton, MA, USA: Edward Elgar.

Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism.* Cambridge: Polity Press.

Fenger, H. (2007). Welfare Regimes in Central and Eastern Europe: Incorporating post-communist Countries in a Welfare Regime Typology. *Contemporary Issues and Ideas in Social Sciences, Vol.3, No.2* , 1-30.

Ferrera, M. (1996). Southern Model of Welfare in Social Europe. *Journal of European Social Policy, 6/1* , 17-37.

Fuchs, S., & Offe, C. (2008). *Welfare State Formation in the Enlarged European Union Patterns of Reform in the Post-Communist New Member States.* Berlin: Hertie School of Governance Working Paper No.14.

Giddens, A. (1998). *The Third Way.* Cambridge and Oxford: Polity Press and Blackwell Publishers Ltd.

Golinowska, S., Hengstenberg, P., & Zukowski, M. (eds.) (2009). *Diversity and Commonality in European Social Policies: The Forging of a European Social Model.* Warshaw: Friedrich-Ebert-Stiftung.

Hajdinjak, M. (2002). *Smuggling in Southeast Europe-The Yugoslav Wars and the Development of Regional Criminal Networks in the Balkans.* Sofia: Center for the Study of Democracy.

Hemerijck, A. (2006). *Recalibrating Europe's Semi-Sovereign Welfare States.* Berlin: Social Science Research Center Berlin.

Huber, E., & Stephens, J. D. (2001). *Development and Crisis of the Welfare State, Parties and Policies in Global Markets.* Chicago and London: The University of Chicago Press.

Inglot, T. (2008). *Welfare States in East Central Europe 1919-2004* . New York: Cambridge University Press.

Jessop, B. (1993). Towards a Schumpeterian Workfare State? Preliminary Remarks on Post-

Fordist Political Economy. *Studies in Political Economy 40* , 7-39.

Kitschelt, H. (2001). Partisan Competition and Welfare State Retrenchment: When Do Politicians Choose Unpopular Policies? In P. Pierson (ed.), *The New Politics of the Welfare State* (pp. 265-302). New York: Oxford University Press.

Korpi, W. (2008). Origins of Welfare States: Changing Class Structures, Social Democracy and Christian Democracy. *RC19 Conference* . Stockholm: Swedish Institute for Social Research.

Leibfried, S. (1993). Towards a European Welfare State? On Integrating Poverty Regimes into the European Community. In C. Jones, *New Perspectives on the Welfare State in Europe* (pp. 120-143). London, New York: Routledge.

Leibfried, S., & Mau, S. (eds.) (2008). *Welfare States: Construction, Deconstruction, Reconstruction, Volume I: Analytical Approach.* Cheltenham and Nothampton: Edward Elgar Publishing.

Marshall, T. (1950). *Citizenship and Social Class and Other Essays.*Cambridge: Cambridge University Press.

Merkel, W. (2010). *Systemtransformation: Eine Einführung in die Theorie und Empirie der Transformationsforschung.* Wiesbaden: VS Verlag für Sozialwissenschaften/GWV Fachverlage GmbH.

Rhodes, M. (1997). Southern European Welfare States, Identity, Problems and Prospects for Reform. In M. Rhodes, *Southern European Welfare States, between Crisis and Reform* (pp. 1-22). London: Frank Cass.

Ross, F. (2007). An Alternative Institutional Theory to Path Dependence: Evaluating the Greener Model. *British Politics, Volume 2, Number 1* , 91-99.

Schmidt, M. G., Ostheim, T., Siegel, N. A., & Zohlnhöfer, R. (eds.) (2007). *Der Wohlfahrtsstaat, Eine Einführung in den historischen und internationalen Vergleich.* Wiesbaden: VS Verlag für Sozialwissenschaften/GWV Fachverlage GmbH.

Schubert, K., Hegelich, S., & Bazant, U. (eds.) (2009). *The Handbook of European Welfare Systems.* London and New York: Routledge.

Šefer, B. (1974). *Socijalna Politika i Socijalna Strategija: Samoupravno Društvo Sedamdesetih Godina.* Beograd: Beogradski Iydavačko-Grafički Zavod.

Stubbs, P. (2010). The JIM Process and the Europeanization of Social Policy: Lessons from Croatia. *Conference on the occassion of the European Year for Combating Poverty and Social Exclusion.* Skopje: Friedrich-Ebert-Stiftung and Institute for Social Work and Social Policy at the Faculty of Philosophy-Skopje.

Tsebelis, G. (2002). *Veto Players: How Political Institutions Work.* New York and Princeton, New Jersey: Russel Sage Foundation/Princeton University Press.

Vanhuysse, P. (2007). Workers without Power: Agency, Legacies, and Labour Decline in East European Varieties of Capitalism. *Czech Sociological Review, Volume 43, Number 3* , 495-522.

Wilensky, H. L. (1975). *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditures.* Berkeley and Los Angeles: University of California Press.

Wilensky, H. L., Luebbert, G. M., Hahn, S. R., & Jamieson, A. M. (1985). *Comparative Social Policy: Theories, Methods, Findings.* Berkeley: Research Series/Institute of International Studies, University of California, no.62.

About the Authors

Dr. Predrag Bejaković took his doctorate at the Economics Faculty in Zagreb, and now works in the Institute of Public Finance, Zagreb. He was a Kingdom of Denmark scholar in Copenhagen, a Fulbright scholar at the University of Wisconsin at Madison, and a British Council scholar at Essex and Bath universities. He has taken part in a number of projects, such as The Underground Economy, The Development of the Tax Administration and Pensions Reform. He publishes in scientific and professional journals and he is author and co-author of a number of books in the field of the economy, public finance and labour economics.

Dr. Suzana Bornarova is an Assistant Professor at the Institute for Social Work and Social Policy, Faculty of Philosophy within the University Ss Cyril and Methodius in Skopje, Macedonia. She serves as a coordinator of the National Centre for Training in Social Development established within the Institute. Her areas of professional interest and expertise include: social policy and aging, education policy, social work in education, social work with families and contemporary social problems. She is an author and editor of numerous domestic and foreign publications. A recipient of the ERSTE Foundation's fellowship "Generations in Dialogue" and a Fullbright scholarship.

Dr. Jelena Dzankić is a Research Fellow on the CITSEE project at the University of Edinburgh (School of Law). Jelena holds a PhD from the Faculty of Politics, Psychology and Social Sciences (PPSIS) at the University of Cambridge (New Hall College). Her academic interests include transition of SEE countries, democratization, Europeanization, politics of identity and SEE history. She has published several articles on the politics of the Balkan region and is active in several think tanks in Montenegro.

Dr. Igor Guardiancich holds a PhD in Social and Political Sciences, from the European University Institute in Florence. He has worked and researched for the European Commission (DG Enlargement and DG Employment), the International Labour Office, the European Trade Union Institute and the Observatoire social européen (Brussels, Belgium). He collaborates with various research networks, such as Reconciling Work and Welfare in Europe (RECWOWE) and the ERSTE Foundation. Currently he works as Research Assistant at the Academic Careers Observatory of the Max Weber Programme. He is a Lecturer at James Madison University.

Dr. Soeren Keil is a political scientist who works at the Universities of Kent and Christ Church in Canterbury, United Kingdom. His expertise lies in the political systems of the successor states of the former Yugoslavia and he has widely published on the political system in Bosnia and Herzegovina and on the role of the EU in the Western Balkans. He has worked intensively in the countries of the former Yugoslavia, in particular in Bosnia. He has also worked in a number of think tanks and NGOs in Brussels. Currently, he is preparing a book about the federal political system in Bosnia and Herzegovina.

Dr. Zinka Kolarič, PhD in Sociology, is a Professor at the Faculty of Social Sciences, University of Ljubljana. She teaches Sociology of Social Policy, European Social Policy and Management of Non-profit and Voluntary Organizations at undergraduate level and Fundraising Management and Social Policy and the Nonprofit Sector at postgraduate level. She is Chair of the Human Resources and Social Management Department and a coordinator of a postgraduate programme Sociology – European Social Policy Analysis. Her fields of research include social policy, welfare systems, third sector organisations, changes in welfare systems, post-socialist social policy and social protection. She has been involved in several national and international project

groups in these fields. She has authored and co-authored publications, both in a national and international perspective.

Dr. Reima Ana Maglajlić is a Senior Lecturer in Social Work at Swansea University. Prior to taking the post at Swansea in 2007, Rea worked as a consultant and activist across South-East Europe, but primarily in Bosnia and Herzegovina. Her main interests and experiences focus on working on the reform of social and health care services according to the changing population needs, particularly in the so-called 'transition' societies and those that were affected by political conflict.

Dr. Anja Kopač Mrak**,** PhD in Sociology, is currently employed as the State secretary at the Ministry of Labour, Family and Social Affairs and as an Assistant Professor at the Faculty of Social Sciences, University of Ljubljana. She teaches European Social Policy. Her research covers topics such as: social policy, welfare states/regimes, social security schemes, employment policy, unemployment and activation. She has been involved in several national and international projects and networks such as COST A13 – Changing Labour Markets, Welfare Policies and Citizenship; CRANET network for HRM research; Leonardo da Vinci Programme (Career Guidance in Europe 2004-2007) and she acts as a national expert within the area of European social policy. She has authored and co-authored publications in a national and international perspective.

Dr. Slaviša Orlović is an Assistant Professor at the Faculty of Political Sciences, University of Belgrade. His main fields are political sociology and political theory (political parties, election and democracy). He teaches the following courses: Political Sociology, Parties and Party Systems; Political Life of Serbia; Parliamentarism; Theories and Models of Democracy. He has published over thirty texts and articles in national and foreign journals and volumes of papers and is an author and editor of several books. Study periods spent abroad on several occasions are: University of Westminster, London (2003); University of Kansas 2004/2005; University College London (2006); Nuffield College, University of Oxford (2009).

Dr. Davor Pauković holds a PhD in History. He works as a Research Assistant at the Political Science Research Centre in Zagreb, Croatia. He has published several scientific articles and edited three books. He is an Editor in Chief of the *Contemporary Issues International Journal for Social Sciences and Humanities*. His research interests are political transition, dissolution of Yugoslavia, globalization, contemporary European and Croatian history.

Natalija Perišić, is an Assistant at the University of Belgrade – Faculty of Political Sciences, Department of Social Policy and Social Work, MSc and PhD candidate in Social policy. Her areas of research include social policy and social security system in Serbia (pension insurance, unemployment insurance, health insurance, protection of families and children, social care), social policy of the EU, European social models. She has published one book (in Serbian): *Social Policy – Challenges and Perspectives of Europeanization* (2008) and published articles in scientific journals and translated texts.

Dr. Tatjana Rakar, PhD in Sociology, is a Researcher at the Social Protection Institute of the Republic of Slovenia at the Child Observatory and at the Faculty of Social Sciences at the Centre for Welfare Studies, University of Ljubljana. Her fields of research involve studies of third sector organizations, civil society, social policy, transformations of the post-socialist welfare systems, family policy, child well-being indicators and the role of the church in education with a special focus on former socialist countries. She was involved in several national and international projects and published in national and foreign academic journals.

Dr. Ešref Kenan Rašidagić is an Assistant Professor at the Faculty of Political Science, University of Sarajevo. Throughout his career, Ešref Kenan combined his academic interests with work in the field, both as consultant and researcher, with various NGOs and international organizations. His main research interests include developments in civil society and social policy in post-conflict countries, with special emphasis on the dynamics of multi-ethnic communities. Currently (academic year 2010/2011), Ešref Kenan is on sabbatical, travelling widely, with research and teaching stints at universities in Britain and Malaysia, purifying his mind and body, and searching for his true inner self.

Marija Stambolieva holds a law degree and a Master in European Studies. She is a PhD candidate in Political Science at the University of Kassel in Germany. Her current research project focuses on studying the post-socialist transformations of the post-Yugoslav welfare states. She has extensive experience in project management, researching and writing analyses and policy papers, delivering training, presentations and moderating at various workshops and conferences.This experience has been obtained through her work for various institutions and organizations, some of which are the University of Ss Cyril and Methodius-Skopje, the European Students' Union, the EFTA Court and the Council of Europe. She is also currently an ERSTE Foundation Research Fellow, working on a research project that examines the social effects of labour migration.

Dr. Vančo Uzunov teaches courses of Applied Economics (economic system and economic policy of Macedonia), International Economics, Law and Economics at the Faculty of Law, University Ss. "Cyril and Methodius"-Skopje. His work experience involves various consulting, advisory, training and public administration assignments, among which some for the Government of The Republic of Macedonia. He was also an advisor to the President of Republic of Macedonia (June 2003 – November 2005) on European integration issues. He has been involved, as team leader or as researcher, in over 30 research projects. He is currently a member of the European Association for Law and Economics (EALE), the Macedonian Association of Economists, the Institute of European Integration – Skopje, the Business Advisory Board of Transparency International – Macedonia and a member of the Editorial Board of *Euro Dialogue Review*.

Davorka Vidović holds M.Sc. degree in Sociology. She is a doctoral candidate in Sociology at the Faculty of Humanities and Social Science, University of Zagreb, Croatia. She works as a Research Assistant at the Political Science Research Centre in Zagreb, Croatia. She has participated in several international conferences, published various scientific papers and edited four books and volumes. In addition, she is an Executive Editor of the *Contemporary Issues* International Journal for Social Sciences and Humanities. Her research interests include transformation of the welfare state, social policies, globalization, transition, social economy and social entrepreneurship.

Dr. Drenka Vuković is a Professor at the University of Belgrade – Faculty of Political Sciences, Department of Social Policy and Social Work. She has 30 years of teaching experience in the fields of social policy and social work. Her areas of research and expertise include unemployment, pension systems, health protection, protection of families and children, care of the poor, social policy of the EU, sustainable development, social work with the elderly, family, refugees. Professor Vuković possesses an excellent understanding and solid experience of social reform and the challenges of reform projects, national and EU policies and EU harmonization. She is the author and co-author of numerous publications. Professor Vuković has participated in many national and international research projects.