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INTRODUCTION

Introduction: social protection in the Western Balkans

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Abstract

This introductory essay situates the papers in this Thematic Section within the background of social policy development in the Western Balkans during the long period of transition following the break-up of former Yugoslavia. We identify three stages of transformation of social protection policies. The first, in the 1990s, was characterised by a continuation of the Yugoslav legacy of social insurance, while many work-based benefits were lost during privatisation. In the second stage, international institutions promoted individualised social protection policies, taken up in some countries but avoided in others. In the third phase, EU influence on social policies accompanied the prolonged EU accession process, with an emphasis on the introduction of work-care policies, early childhood education and the remediation of in-work poverty. The four papers address these issues in greater detail and provide a basis for re-evaluating progress with social protection policies in the Western Balkans in the future.

Keywords: Social protection; social expenditure; Western Balkans

Among the transition economies of South East Europe, the Western Balkans comprise a group of countries that have experienced high levels of poverty and inequality and a range of social problems that are among the most intractable in Europe.[1] These include, among others, high levels of unemployment, a large informal economy, high levels of outmigration and political instability. Despite over 30 years of transition, they are still not considered to be "functioning market economies" by the European Union. The difficult economic transition in the Western Balkans has gone through three stages. In the 1990s, the region went through a period of war and civil conflict, culminating in the Kosovo war of 1999 and the smaller armed conflict in Macedonia in 2001, and during most of this period, the Federal Republic of Yugoslavia (Serbia and Montenegro) was under UN sanctions. In this special issue, Mustafa and Gerovska-Mitev identify the strong legacies of former Yugoslavia in the design of social protection systems in the Western Balkans, revealing the relatively low level of social expenditure in relation to the EU average. The legacy included a strong focus on pensions and a relative neglect of other functions of social expenditure such as means-tested social assistance, family policies, early childhood education and other social inclusion expenditures. These themes are taken up in more detail in the papers on pensions by Bernard Casey, on work-care policies including parental leaves and early childhood education and care by Ivana Dobrotić and on in-work poverty and its remedies by Vojin Golubović, Milika Mirković and Jadranka Kaludjerović.

[1]The Western Balkans region comprises six states that are candidates or potential candidates for EU membership, five of which emerged from the break-up of former Yugoslavia: Bosnia and Herzegovina; Kosovo; Montenegro; North Macedonia and Serbia. Albania declared independence from the Ottoman Empire in 1912

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After the period of conflicts came to an end in 2001, the economic and political transition took off in a major way and democratic consolidation led to the establishment of more open and liberal polities ushering in the second phase of transition in which the European Union began to play a more active role in the region. The Thessaloniki Declaration of 2003 set the countries on a firm path of EU accession, and subsequently, the European Union became a major influence on social policy reform. During this phase, the influence of legacy institutions began to weaken, and room was opened for new social policy reforms. Nevertheless, these were subject to the weakness and uneven policy-making capacities of local policy-makers and the strong influence of international institutions such as the World Bank, which became major policy actors in the region (Arandarenko & Uvalić, 2014). During this period, social policy reforms were driven by new interest groups which entered the political arena, leading to greater support for politically-connected voting constituencies such as war veterans, and there was little democratic support for expanding or enhancing social assistance programmes (Bartlett, 2013). This is one of the reasons why social assistance programmes for the poorest sections of the population remained underfunded and limited (Gotcheva & Sundaram, 2013).

The third phase took place in the aftermath of the 2008–2009 recession induced by the global economic crisis followed in short order by the Eurozone crisis. As unemployment increased dramatically, countries instituted austerity programmes throughout the Western Balkans and politics turned to more illiberal and authoritarian forms of government, state capture and clientelism (Bieber, 2020). In Macedonia, the 10-year rule of the VMRO-DPMNE political party led to social policy reforms that supported non-poor groups of voters (Gerovska-Mitev, 2019) and in Bosnia and Herzegovina, similar clientelistic pressures led to support for non-poor voters (Obradović & Filić, 2019).

Three main factors accounted for subsequent reforms in the Yugoslav successor states and Albania. The first was the political economy of the break from socialism, which included as a major element economywide enterprise privatisation, a process that led to the loss of in-work benefits and the emergence of mass unemployment. In the Yugoslav successor states, most work-based benefits were lost following privatisation, while other elements of the social protection systems, including social insurance contributions on wages as a basis for financing social protection (pensions and health care in particular) were carried over. This is highlighted in the analysis by Golubović, Mirković, and Kaludjerović (2022) in this thematic section, who identify the continuation of in-work benefits in Slovenia compared to the relative absence of such benefits in Montenegro and Serbia. This reflects, in part, the gradualist approach to privatisation that was adopted in Slovenia compared to the rapid privatisation that took place in the Western Balkans in the 2000s (Bartlett, 2008; Mencinger, 2004; Uvalić, 2010).

The second major influence on social policy reform was pressure from international institutions, primarily the World Bank, for the successor states to introduce neo-liberal reforms in the social protection sphere. In addition, the region has been marked by an assortment of other international actors, including the UN agencies and the European Union, all of whom have played a major role in framing social policy reforms in the region (Deacon & Stubbs, 2007). In the period up to the end of conflicts, the World Bank was the principal international actor in most countries, pushing pro-market reforms in pensions policy and other fields of social protection policy (Bartlett & Xhumari, 2007). Casey (2022) in this special issue discusses the appropriateness of market reforms of pensions in the small states of the Western Balkans in comparison with the South East European EU member states, confirming the gradual "retreat from Bismarck" even in those countries that have not adopted fully fledged pension privatisation reforms (Matković & Stanić, 2020).

The third major influence was the general fiscal tightening required by the post-conflict economic situation, emphasised by the World Bank and the International Monetary Fund as part of the conditionality of their loan arrangements. This fiscal austerity was carried over into the period following the global economic crisis by the European Union in the recently introduced Economic Reform Programmes which have emphasised fiscal austerity according to EU principles. The IMF has had a strong role to play in enforcing balanced public sector budgets and fiscal discipline, which has led to a

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limited capacity of states to mobilise social expenditure to mitigate the worst effects of poverty and provide effective public services, for example, in health, education and housing.

All this has led to high levels of inequality and poverty in the region (Jusić, 2018). Regressive taxation does little to moderate high levels of wage inequality in the labour market (Krstić, 2021). Social protection expenditure has had mild redistributive effects, especially through pensions (Casey, 2022); but even after redistribution, poverty and inequality remain high compared to the European Union (Mustafa & Gerovska-Mitev, 2022). High levels of unemployment have underpinned large-scale migration, especially from countries with a small production base such as Albania, Bosnia and Herzegovina and Kosovo (Ganić, 2019). This has resulted in the growth of informal and privatised social protection modalities, in the form of large inflows of remittances from migrant workers to their families at home, enabling illiberal elites to sidestep the need for improvements to formal social protection systems. Moreover, rent-seeking elites have sought to hold on to state power and use welfare clientelism to distribute resources to favoured groups of political supporters (Stambolieva, 2016) not only in today's Western Balkans, but more widely in neighbouring countries of the region such as Croatia (Stubbs, 2019) and elsewhere in post-communist Eastern Europe (Petrova, 2022).

Today, the countries of the Western Balkans have markedly lower social expenditures on social protection than those in the European Union, with a major concentration on pensions rather than other social protection functions – such as family benefits, unemployment benefits, social assistance, housing and social inclusion – all of which are at very low levels (Mustafa & Gerovska-Mitev, 2022). Pension expenditure as a proportion of GDP is about 20 percentage points higher in Albania, Bosnia and Herzegovina, Montenegro and North Macedonia than in the European Union, although pension expenditure in Serbia has been held down by a World Bank austerity programme mandated in the mid-2010s.

At the same time, the Western Balkan countries rely on large private expenditures on health and education and informal social protection through widespread cash remittances from family members working abroad as migrant workers. They are also characterised by large particularistic social expenditures paid to war veterans (especially in Bosnia and Herzegovina and Kosovo) and politically privileged persons. A special case is Kosovo, which has very low levels of social expenditure due to a "caricature" neo-liberal social policy imposed by the United Nations Interim Administration Mission in Kosovo (UNMIK) that was in place from 1999 up to the unilateral declaration of independence in 2008 (Mustafa & Gerovska-Mitev, 2022).

Social expenditures are financed by high levels of social contributions on wages, rather than through general taxation which raises the tax wedge on labour and is arguably a factor explaining the high levels of informal work, low employment rates and high levels of unemployment. Income tax arrangements exhibit little or no progressivity, with few countries having a tax-free allowance for low-income earners. This has led to high levels of in-work poverty, as is documented for the case of Montenegro by Golubović, Mirković, and Kaludjerović (2022).

The increasing involvement of the European Union in directing social policy reforms through the accession process and the inclusion of countries in the Economic Reform Programmes has led to greater pressure for a Europeanisation of social policy in the Western Balkans. There has been a gradual shift towards EU-compliant changes in work-care policies and improved parental leave policies in response to declining and aging populations (Dobrotić, 2022). At the same time, these reforms have not been easy to introduce due to local policy resistance to parental leaves and low fiscal capacities which have limited early childhood education and care provision except in the private sector. Little change has taken place in maternity leave provision, apart from cost containment reforms and eligibility reforms. Universal child benefits have been introduced in Montenegro and will be introduced in Kosovo in 2023, while broad means-tested child allowances are available in North Macedonia and Serbia (Dobrotić, 2022). In addition, there has been an emphasis on introducing minimum wages to reduce in-work poverty (Golubović, Mirković, & Kaludjerović, 2022). Nevertheless, the increased exclusion of workers in the informal economy, of Roma and of young people in precarious jobs, has limited the impact of the minimum wage on reducing in-work poverty. These

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problems could be addressed through properly organised and financed active labour market policies, improved work-care policies, greater investment in education and skills and other social investment areas. All these issues remain to be addressed more adequately before the countries join the European Union. In the meantime, enlargement fatigue in the European Union is making this a drawn-out process, and illiberal elites in the accession countries of the Western Balkans are caught between the attractions of EU membership and benefits of remaining in a pre-accession limbo where social rights and workers' rights are curtailed in the interests of rent-seeking opportunities and clientelistic practices that enable those elites to retain a hold on power. The four papers in this special issue address many of the above issues in greater detail and form a basis for a re-evaluation of the progress with social protection policies in the Western Balkans in the future.

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