

## **Introduction: Social protection in the Western Balkans**

Will Bartlett (LSE) & Milica Uvalić (University of Perugia)

### **Abstract**

This introductory essay situates the papers in this Special Issue 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 work-based benefits were lost during privatisation. In a second stage, international institutions promoted individualised social protection policies, taken up in some countries but avoided in others. In a third phase, EU influence on social policies has been at the forefront along with progress in the EU accession process, emphasising the introduction of work-care policies 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.

Amongst 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.<sup>1</sup> These include, among others, high levels of unemployment, a large informal economy, high levels of outmigration and political instability. Despite over thirty 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, its major focus on pensions, and its 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, work-care policies including parental leaves and early childhood education and care by Ivana Dobrotić, and in-work poverty and its remedies by Vojin Golubović, Milika Mirković and Jadranka Kaludjerović.

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 a second phase of transition in which the EU began to play a more active role in the region. The Thessaloniki Declaration of 2003 set the countries on the firm path of EU accession and subsequently the European Union became a major influence for 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 policymakers and strong influence of international institutions such as the World Bank, that 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, with 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 populations 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 democracies and authoritarian forms of government, state capture and

---

<sup>1</sup> The Western Balkans region comprises six states that are candidates or potential candidates for European Union membership, five of which emerged from the break-up of former Yugoslavia: Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia; and Albania.

clientelism (Bieber, 2020). In Macedonia, the ten year rule of the VMRO 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 & Filic, 2019).

Three main factors accounted for subsequent reforms in the Yugoslav successor states and Albania. The first was political economy of the break from socialism, which included as a major element economy-wide 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, et al. (2022) in this special issue, 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 (Mencinger, 2004; Bartlett, 2008; Uvalić, 2010).

The second major influence on social policy reform was the 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 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, 2019).

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 EU in the recently introduced Economic Reform Programmes which 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 limited capacity of states to provide 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 (Jusić, 2018). Regressive taxation does little to moderate high levels of wage inequality in the labour market (Krstić, 2021). Social protection has had mild redistributive effects, especially through pensions (Casey, 2022); but even after redistribution, poverty and inequality remains high compared to the EU (Mustafa & Gerovska-Mitev, 2022). High

levels of unemployment have underpinned a 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 informal and privatised social protection, in the form of large inflows of remittances from migrant workers to their families at home, enabling illiberal elites to side step 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 the 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 generally have 13 percentage points lower social expenditures on social protection than those in the EU, 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 EU, but it ought to be noted that pension expenditure in Serbia has been held down by World Bank austerity programmes 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 and a "caricature" neo-liberal social policy imposed by the UNMIK transitional administration that was in place from 1999 until the 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 a little or no progressivity, with few countries having a tax free allowance for low income earners. This leads to high levels of in-work poverty, as is documented for the case of Montenegro by Golubović, et al. (2022).

The increasing involvement of the EU 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 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, et al., 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 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 EU. In the meantime, enlargement fatigue in the EU 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 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.<sup>2</sup>

## References

- Arandarenko, M., & Uvalić, M. (2014). International advice and institutional (mis)configuration, *Southeastern Europe*. 38(1), 232–249. <https://doi.org/10.1163/18763332-03802003>.
- Bartlett, W. (2008). *Europe's Troubled Region: Economic Development, Institutional Reform and Social Welfare in the Western Balkans*, London: Routledge
- Bartlett, W. (2013). The political economy of welfare reforms in the Western Balkans. In C. Ruggeri Laderchi & S. Savastano (Eds.) *Poverty and Exclusion in the Western Balkans: New Directions in Measurement and Policy*. New York: Springer, pp. 245-260.
- Bartlett, W., & Xhumari, M. (2007). Social security policy and pension reform in the Western Balkans. *European Journal of Social Security*, 9(4), 297–322.
- Bieber, F. (2020). *The Rise of Authoritarianism in the Western Balkans*. Cham: Palgrave Macmillan.
- Casey, B. (2022). Pension systems in South-Eastern Europe: what worked and what did not, *Journal of International and Comparative Social Policy*. doi:10.1017/ics.2022.5.

---

<sup>2</sup> The papers in this Special Issue of the *Journal of international and Comparative Social Policy* were first presented at the 5th conference of the *LSEE Research Network on Social Cohesion in South East Europe*, on "Economic and Social Inclusion in an Age of Political Uncertainty in South East Europe", on 21-22 November 2019 held at the Faculty of Economics, University of Belgrade. Acknowledgements are due to the LSE Research Unit on South Eastern Europe (LSEE) and to the Belgrade Faculty of Economics for organisational support, and to the European Bank for Reconstruction and Development (EBRD) for financial support for the conference.

Deacon, B., & Stubbs, P. (Eds.). (2007). *Social Policy and International Interventions in South East Europe*. Cheltenham: Edward Elgar.

Dobrotić, I. (2022). Challenges to the Europeanisation of work-care policies in the Western Balkans. *Journal of International and Comparative Social Policy*. doi:10.1017/ics.2022.7.

Ganić, M. (2019). The labour market, social inequality and the role of emigration: the case of the Western Balkan economies. In R. Osbild & W. Bartlett (Eds.) *Western Balkan Economies in Transition: Recent Economic and Social Developments*. Cham: Springer, pp. 61-72.

Gerovska-Mitev, M. (2019). Social policy during a decade of centre-right governance in Macedonia. In R. Osbild & W. Bartlett (Eds.) *Western Balkan Economies in Transition: Recent Economic and Social Developments*. Cham: Springer, pp. 123-134.

Golubović, V., Mirković, M. & Kaludjerović, J. (2022). In-work poverty in Montenegro. *Journal of International and Comparative Social Policy*, [this issue]

Gotcheva, B. & Sundaram, R. (2013). Social safety nets in the Western Balkans: Design, implementation and performance. In C. Ruggeri Laderchi & S. Savastano (Eds.) *Poverty and Exclusion in the Western Balkans: New Directions in Measurement and Policy*, New York: Springer, pp. 221-244.

Jusić, M. (2018). *Unequal Chances and Unjust Outcomes: Confronting Inequality in Southeast Europe*. Sarajevo: Friedrich Ebert Stiftung.

Krstić, G. (2021). Factors contributing to income and wage inequality: Comparative evidence from Croatia, Serbia and Slovenia. *Eastern European Economics*, 59(5), 423-448.  
doi:10.1080/00128775.2021.1949352

Matković, G., & Stanić, K. (2020). The Serbian pension system in transition: A silent break with Bismarck. *Economic Annals*, 65 (225), 105-133.

Mencinger, J. (2004). Transition to a national and market economy: A gradualist approach. In M. Mrak, M. Rojec & C. Silva-Juaregui (Eds.), *Slovenia: From Yugoslavia to the European Union*. Washington D.C.: The World Bank.

Mustafa A. & Gerovska-Mitev, M. (2022) Social protection expenditure and redistribution in the Western Balkans. *Journal of International and Comparative Social Policy*. doi:10.1017/ics.2022.1

Obradović, N., & Filić, G. (2019). Inequality and welfare state clientelism in Bosnia and Herzegovina. *Economic Annals*, 64 (223), 83-104 .

Petrova, B. (2022). Redistribution and the quality of government: Evidence from Central and Eastern Europe. *British Journal of Political Science*, 51, 374–393. doi:10.1017/S0007123419000085

Stambolieva, M. (2016). *Welfare State Transformation in the Yugoslav Successor States*. London: Routledge.

Stubbs, P. (2019). Towards a political economy of welfare in Croatia. *Economic Annals*, LXIV(223): 105-136

Uvalić, M. (2010). *Serbia's Transition: Towards a Better Future*. Basingstoke: Palgrave Macmillan.