

# **A Missed Opportunity?: social and labour market policies in the Western Balkans**

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## **Abstract**

Welfare arrangements have been restructured throughout the Western Balkans, with international organisations, flexible consultants, and national and local actors all tending to reproduce a consensus which seeks to reduce social expenditures and orient labour markets to a more competitive environment. Theories of ‘new regionalism’ suggest that it is possible to construct more progressive social policies in regional groupings of countries sharing similar traditions, legacies and developmental paths. However, South East Europe or the Western Balkans is still more of an ascribed region from outside than a region for itself. The text addresses the negative social consequences of transition and reforms on outcomes in health, on poverty and social exclusion, and on pensions systems. It explores the, rather limited, role of the Stability Pact for South East Europe and its successor the Regional Co-operation Council in developing any coherent, progressive approach to social policy questions. The chapter concludes by posing questions about how the Europeanisation of social policies in the region can best be achieved.

**Key words:** social policies, social protection, labour markets, regionalism, Western Balkans, Europeanisation

## **1. INTRODUCTION**

This chapter explores the development of social and labour market policies (social policy for short) in the countries and territories of the Western Balkans. It argues that in-country tendencies to see social protection as a residual category and as a burden on public expenditures, and to seek to flexibilise and activise labour markets, have been reproduced by a number of international organisations, and flexible consultants forming trans-national knowledge networks, whose interventions play a crucial role in restructuring welfare arrangements. It points to the increasing importance of supra-national, particularly regional, scales in social policy and explores the, rather limited, role of the Stability Pact for South East

Europe and its successor the Regional Co-operation Council in developing any coherent, progressive approach to social policy questions. The chapter concludes by outlining ways in which these bodies could act as a kind of 'bridge' to the wider regional processes associated with membership of the Council of Europe and, even more crucially, processes of association with and accession to, the European Union.

## **2. RE-SCALING SOCIAL POLICIES IN THE NEW REGIONALISM**

The nation state is still an important, but by no means *the* only important, scale in contemporary social policy. The rise of what Hettne has termed 'new regionalism' (Hettne, 1999) locates multi-faceted regionalisms as a response to processes of globalisation in which groups of states seek to address collectively some aspects of their economic, political, social and cultural arrangements. The diversity of the 'new regionalism', not least in terms of the role played by 'bottom up' or 'internal' drivers, is contrasted with an 'old regionalism' dominated by imposed structures in the interests of one or other 'superpower'. Regionalisms throughout the world now have a much more complex geometry of interlocking networks, variable reach of different spheres, and multiple nodal points. In terms of social policy, regional groupings of countries sharing similar traditions, legacies and developmental paths appear able to develop a degree of co-operation which can resist some of the more negative social impacts of globalisation. Regional groupings can develop new connections between the social and the economic, and between the public and the private, thus avoiding a „race to the welfare bottom“ (Deacon, Ortiz and Zelenev, 2007) in which states “reduced their welfare commitments for fear of losing capital investments” (Deacon, 2007; 9).

Operating in a space between national and cross-border policies on the one hand, and a mere subordination to global forces and organisations on the other, new regions are seen as able to construct more appropriate mechanisms of redistribution, for securing rights and social justice, and for regulating markets, institutions and social structures, involving risk pooling, economies of scale, They are also able to speak with a more coherent and influential voice in international arenas. A regional approach can strengthen learning, through a sharing of best practice and, even, the establishment of regional standards, in 'traditional' social policy spheres such as in employment protection and labour markets, health services, social protection (income maintenance and social services), and the empowerment of vulnerable groups as well as in education, housing, migration and conflict prevention which are less

often discussed as 'core' social policy questions. Regional social movements, linked to but not reducible to 'non-governmental organisations', are also seen as able to construct new forms of solidarity and advocate for more inclusive, supra-national, forms of citizenship and rights for migrants (Deacon, 2007; 175).

South Eastern Europe, a term used here broadly interchangeably with the concept of the Western Balkans<sup>1</sup>, does not fit easily or securely into this idea of a new regionalism. Crucially, South East Europe is, at best, an emergent sub-regional space, still largely ascribed by outside forces rather than achieved from within. Indeed, regional co-operation is frequently put forward by these forces, and often accepted by politicians in the region, as a conditionality making possible the ultimately more important goals of EU accession and NATO membership rather than as an end in itself. The wars and conflicts since 1991, and the re-constitution of various states, mini-states and territories with a rather complex relationship to each other, indicate how political, social, cultural, economic and institutional arrangements have been profoundly destabilised, and sub-national, national and regional scales and their inter-relationships are still heavily contested (cf. Deacon and Stubbs, 2007; Clarke, 2008). Even where the articulation of narrowly conceived 'national interests' appear to coincide with broader regional interests, this has been expressed much more clearly in the sphere of economics and trade where an existing sub-regional arrangement CEFTA was readily available (cf. Bajić and Zdravković, this volume) than in the sphere of social policy. The region has experienced a period of a complex de- and re-territorialisation of welfare visible in terms of the existence of refugee and displaced populations and a complex pattern of forced migration and uneven return; contiguous and other diasporas involved in sending significant remittances home; various kinds of 'enclave welfare' and all manner of cross-border claims and entitlements. In addition, the wars, ethnicised nationalisms and painful restructurings have had highly significant social consequences which have impacted on the region as a whole, albeit differently in different sub-regions, which represent, if not countered and alleviated, a significant problem for the region as a whole.

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<sup>1</sup> Broadly speaking the post-Yugoslav states and territories plus Albania minus Slovenia.

### **3. LOST IN TRANSITION?: SOCIAL CONDITIONS AND SOCIAL POLICIES IN THE WESTERN BALKANS**

With the exception of Albania, the countries and territories known as the Western Balkans were all part of the Socialist Federal Republic of Yugoslavia (SFRY) from 1945 until 1991. This is an important common legacy, notwithstanding significant and, indeed, growing inequalities between the constituent republics in this period. From the late 1950s onwards, the introduction of socialist self-management, the recognition of the existence of social problems within a planned economy, and the institutionalisation of the employment of University-educated social workers and other professions in deconcentrated state Centres for Social Work (CSWs), represents a very different legacy from that in much of Central and Eastern Europe within the sphere of influence of the Soviet Union. CSWs were particularly important, charged with “analysing social problems in the municipality, suggesting measures to solve them, undertaking professional guardianship work, and solving other social problems” (Šućur, 2003; 8). Other legacies, notably rapid urbanisation after 1945, the development of a dual social welfare structure privileging industrial workers at the expense of the rural population, but also mass literacy and universal education and health for all, have a relevance in the contemporary period.

Whilst, of course, the wars of the Yugoslav succession and the turbulence in Albania in the 1990s undermined and eroded welfare legacies, it can also be argued that it situated the region more within a humanitarian, security and human rights discourse than a neo-liberal structural adjustment or shock therapy discourse. By the time the World Bank and the International Monetary Fund came to advise on restructuring, the dominance of rapid shock therapy privatisation had, to some extent, been challenged by a concern to ensure that safety nets meant that no one ‘fell through the net’. Nevertheless, in this context war was itself a particularly dramatic shock, reflected in rapid erosion of well-being and human security which left many people with few resources to meet subsequent shocks. In addition, external advisors rarely understood, much less tried to rebuild, the interesting hybrid of Bismarckian and solidaristic welfare arrangements.

Notwithstanding the fact that data is incomplete and unreliable for much of the region, in the absence of recent reliable census data for example, here we outline broad socio-economic trends and the state of social welfare today in the region.

TABLE ONE ABOUT HERE

FIGURE ONE ABOUT HERE

Table One shows best estimates of key dimensions of socio-economic progress in the region, with Bulgaria, Romania and Slovenia included for comparative purposes. Poverty rates are absolute rates expressed in terms of international purchasing power parity (PPP) rates in USD, and do not reflect either official poverty lines, where they exist, nor consumption basket poverty lines from poverty surveys<sup>2</sup>. In addition, in the context of continued growth in the last five years (see Figure One), current rates are probably, in all cases, lower although of greater relevance is the need, noted below, to move towards more European concepts of relative poverty statistics which are, still, not gathered systematically throughout the region. Perhaps even more importantly, national aggregate statistics do not show the significant and increasing regional disparities. Indeed, it has been argued that:

“Poverty is concentrated in a distinct band encompassing Kosovo and its immediate surroundings: north and northeast Albania, southern Serbia and northern Macedonia (as well as) ... Western Serbia and, within Bosnia & Herzegovina, *Republika Srpska*.” (DFID, 2004; 4).

As the report notes, these areas have traditionally lagged behind and, it could be added, benefit least from the fruits of recent economic growth. It is in these regions where traditional rural poverty is now joined by new urban poverty and by poverty in war affected areas. Vulnerable groups are consistent throughout the region, including: lone parent households; refugees and displaced persons; minorities particularly Roma; larger families; people with disabilities not resulting from war; and, albeit rather more unevenly, older people. Unemployment tends to be long-term and also has a gender, age and ethnic dimension, with levels of unemployment amongst young people particularly high.

Indeed, discussing the region in terms of leading and lagging sub-regions would avoid rather simplistic discussion of the phenomenon of ‘jobless growth’ or, indeed, rather crude

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<sup>2</sup> A recent report for the Council of Europe cites World Bank figures for national poverty lines but neither sources nor dates his data. He appears to mean consumption basket poverty lines. The rates are Serbia and Montenegro 10%; Croatia 11%; Bosnia-Herzegovina 18%; Albania 25.4%; FYR Macedonia 30.2%; Kosovo 37%. (Sansier, 2006; 9).

generalisations that the period of jobless growth has now ended with countries in the Western Balkans experiencing labour shortages (Havlik et al, 2008). Instead, what appears to be happening through uneven restructuring is the multiplication of labour markets and the hardening of disincentives to mobility between them. An extensive review by the European Training Foundation highlights two recent trends: a clear shift to services and deindustrialisation and an increasing share of the private sector in the economy, although with a lack of progress in terms of restructuring of some state owned enterprises (ETF, 2007; 8). The report points to a division between high skilled transition in Croatia and, to an extent they argue, Serbia, and a low-skill development path elsewhere. Crucially, the report notes the unreliability and lack of analytical capacity of “standard labour market indicators” (ETF, 2007; 10) in the context of an increasing reliance on, or a return to, subsistence farming, informal employment, and self-employment, with a high degree of instability and precarity.

In the context of lack of prospects at home and a tradition of labour migration to Western Europe, many parts of the region are heavily reliant on remittances from abroad, with the latest World Bank estimates for the proportion of GDP from *official* remittances in 2006, likely to significantly understate the true picture, being: 17.2% for Bosnia-Herzegovina; 14.9% for Albania; and 13.8% for (then) Serbia and Montenegro (World Bank, 2008). Adding sizeable grey economies, estimated recently to be between 25% and 35% for the region as a whole (ETF, 2007; 7) to these figures suggest that, in parts of the region, the formal economy accounts for less than 50% of GDP.

With the exception of the Albanian communities in Albania, Kosovo, and FYR Macedonia, the region is marked by rather dramatic demographic ageing of the population. When this is combined with high unemployment, low activity rates and low rates of contributions as a result of the grey economy and the number of workers registered as receiving only minimum wages, there is a significant erosion of contributory insurance-based welfare systems including health services, pensions, unemployment insurance and other forms of social security. As noted below, these basic problems have been compounded by the advice from key international actors which tend to marketise, residualise and projectise provision, further undermining insurance-based risk pooling.

In terms of health systems, again with the partial exception of Albania, the legacy of well-developed, if over-medicalised, universal health systems in the context of high public

expectations of 'health for all', have actually heightened the funding crisis as systems have been unevenly affected as a result of 'locked in' expenditures, particularly in terms of hospitals and medical technologies. Emerging evidence from surveys points to increasing inequalities in access to health care facilities, to treatment, to appropriate medicines, and to quality care, by income, by region and by ethnicity. Research in Croatia, showing trends which may well be common throughout the region, suggests that lower income groups, the unemployed, returnees, those in rural areas, and Roma minorities have significantly worse health outcomes, live further from the nearest health facility, and use fewer preventive services than the rest of the population (Šučur and Zrinščak, 2007; Vončina et al, 2007; Skarić-Jurić et al, 2007; Mesić and Bagić, 2007): In addition, informal marketisation throughout the region and the increasing use of out of pocket payments, also seems to affect poor and excluded groups more than others, who are also over-represented in the small but important, group of people who for one reason or another lack basic health insurance (cf. Jurlina-Alibegović et al, 2006). Reform agendas, discussed in more detail below, have overwhelmingly concentrated on cost containment targeting headline figures of the proportion of GDP spent on health care by the state. In this regard, the post-Yugoslav countries have maintained expenditures between about 5% and 7% of GDP, with Albania spending only 1.8% according to 2002/4 figures (UNICEF IRC, 2006; 22)<sup>3</sup>, but, with the exception of Croatia (with a rate of \$701) per capita spending in PPP\$ in the region is low, \$153 in Albania; \$166 in Bosnia-Herzegovina; \$283 in (then) Serbia and Montenegro; and \$329 in Macedonia (ibid), with private expenditures accounting for 58% of total health expenditures in Albania and 49% in Bosnia-Herzegovina (ibid; 23).

Pensions systems are, perhaps, the most vulnerable to demographic changes and employment and contribution crises and all of the region has implemented, or is in the process of implementing, some kind of multi-pillar pension reform with all seeking to secure a sustainable Pay-as-you-go (PAYG) pillar in the face of employee:pensioner ratios which range between 1.4 and 2.0 (Sansier, 2006; 16) and high and rising old age dependency ratios<sup>4</sup> (except for Albania) of between 16% and 24% (ibid). Throughout the region reforms have led to a tightening of pension conditionality and an increase in retirement age to 65 for men and between 60 and 65 for women (Sansier, 2006; 17) and a lowering of replacement rates,

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<sup>3</sup> Sansier gives very different figures ranging from 3% in Albania and Serbia, through 5.3% in Macedonia and 5.6% in Kosovo to around 12% in BiH and Croatia (Sansier, 2006; 24).

<sup>4</sup> Those over 65 expressed as a percentage of those between 15 and 65 years old.

basically average pension expressed as a percentage of average earnings, in some cases to levels below the internationally acceptable standard of 40% (Table 2). Kosovo has a rather unusual pension scheme deriving from its particular circumstances, namely the difficulty of accessing contributions records, so that all residents over 65 receive a basic ‘social’ pension (cf. Gubbels et al, 2007). Table Two shows current replacement rates in the Western Balkan region. Average pensions, with the exception of Kosovo where it is set at a flat-rate €40, are said to range between €80 and €135 in the region (Sansier, 2006; 14).

#### TABLE TWO ABOUT HERE

Whilst many of the countries in the region have legally established minimum pensions, there are large numbers of older people in the region not in receipt of pensions, some of whom do receive rather low social assistance benefits but some of whom appear to receive nothing. In Macedonia, those without pensions has been estimated to include up to 70,000 people or 31% of over 65s (Donevska et al, 2007; 122) and in Croatia some 20% of the same age group appear not to receive pensions (UNDP, 2006). Throughout the region, this group appears to be made up of those reliant on subsistence agriculture; those with interrupted contribution records; ethnic minorities, particularly Roma; and women. It may also include older returnees who are in receipt of pensions from abroad, however.

Disability pensions are important throughout the region, with pension related to a medical assessment of injury but also its cause, with those with industrial injuries and, particularly, war-related injuries tending to receive higher pensions than other persons with disabilities. The issue of disability pensions is complex, relating to large numbers of persons in some countries who were at one time able to receive a medical judgement that they were not fit for work, and the vexed question of ‘merit pensions’ particularly for war veterans and their families which have led to notions that social policy has been ‘captured’ by certain groups (Stubbs and Zrinščak, 2007).

Overall, not unlike health care, the concern of key international actors has been more on the financial sustainability of pension schemes and less on issues of coverage and adequacy. In addition, reform models have been promoted based on rather doubtful assumptions which, in any case, will not benefit anyone for many years, will not help those pensioners at greatest



risk of exclusion, and may divert attention, funding and trust away from the urgent task of building a sustainable and adequate basic pension system.

Whilst unemployment benefits have been introduced throughout the region, except in Kosovo, they are very limited in coverage, duration, and amount, with many groups of workers explicitly or implicitly excluded. Most of those unemployed have to rely on social assistance which is means-tested and for those capable of work, increasingly tied to some kind of engagement in public works or retraining. Notwithstanding emerging evidence that child benefits can be a useful contribution to the fight against poverty, neither Albania nor Kosovo have child benefit schemes, although one Kosovo's social assistance scheme is available only to those capable of work if they have young children. Elsewhere, the trend has been towards means-tested rather than universal benefits with coverage and rates varying considerably. Social assistance schemes are mainly administered by social workers in CSWs or local officials and do not perform well in terms of poverty alleviation with low coverage, with Sansier (2006; 42) estimating between 5% of the population in Croatia to 15% in Kosovo, low benefit levels and some errors of inclusion. Low levels of benefit relate to the influence, again, of key international organisations and a fear of creating disincentives to take low paid work. Less often discussed are social services which, again with the exception of Albania and partly Kosovo are still too weighted towards residential care at the expense of community-based services provided by non-state actors. Residential care is problematic less in terms of absolute rates, which are much lower than those in Bulgaria and Romania, and more in terms of quality and appropriateness of care which is too often long-term and remote from centres of population. The general exclusion of people with disabilities in the region, problems faced by children with disabilities in accessing mainstream education, and the lack of access to formal labour markets are also pronounced. In addition, true social planning and the provision of adequate social casework services is missing in the region, with Centres for Social Work in need of reform and modernisation of skills. In Bosnia-Herzegovina, municipalities and, to an extent in the Federation of Bosnia-Herzegovina, cantons are the only actors involved in financing social protection leading to huge disparities of benefits. Strategic documents, often produced with support of international actors are uneven, sometimes contradictory and overlapping, with poor horizontal and vertical co-ordination and extremely poor monitoring and evaluation.

There has been little work done on the cross-border and regional dimensions of social policy although a number of issues are clearly important in this regard, including social rights of refugees and returnees, ensuring reciprocity in pension arrangements, residents in institutions from neighbouring countries, and liaison regarding contribution records. Furthermore, as the drivers of social exclusion are similar in the region (cf. Groves, 2006; 44), a regional approach would seem to have merits.

#### **4. A CROWDED PLAYGROUND?: INTERNATIONAL ACTORS AND THE MAKING OF SOCIAL POLICY IN THE WESTERN BALKANS**

A bewildering array of international actors and their representatives, likened to a ‘crowded playground’ (Arandarenko and Golicin, 2007; 182 ) some of whom wear more than one face, all compete to shape the social policy of the region. This has major implications for transparency and ownership with some countries’ social affairs ministries confused and disempowered in these processes (Deacon, Lendvai and Stubbs, 2007; 226). Indeed, it is not unknown for different donors to be working with different ministries on similar themes, from divergent perspectives, at the same time. Notably, social policy choices can be somewhat accidental, if not idiosyncratic and arbitrary, with significant policy shifts depending on a particular constellation of external consultants and Ministers working in the absence of any public political discourse or concern about social policy choices. Whilst this is particularly visible in protectorates or semi-protectorates such as Kosovo and Bosnia-Herzegovina, it has a wider relevance.

In addition to the presence of the World Bank, the EU, and the UN agencies including the UNDP, ILO and UNICEF, the region is marked by a proliferation of actors, some of which are completely new and largely incomparable with any other bodies elsewhere, and all of which contribute, explicitly or implicitly, to a complex arena of policy advice, project implementation, and strategic alliance-building in social policy. Bilateral agencies, notably the UK’s Department for International Development (DFID), the Swedish Aid Agency SIDA and USAID have also been involved. All work through international consultants who form interlocking trans-national knowledge networks. What all of this often means is that the real centre of social policy

development is determined within the fiscal envelopes of the Ministry of Finance, much constrained by the conditionalities of the IMF and, in particular, the World Bank.

The World Bank's strong and often pervasive 'structural adjustment' framework dominates in projects and programmes of reform in social protection, labour markets, pensions and, to an extent, health. Low interest loans tied to conditionalities cement the influence of the International Financial Institutions, of course. Of perhaps greater importance, however, is the World Bank's early involvement and investment in strategic alliances with policy makers, researchers, local think tanks and other key policy brokers schooled in the World Bank's methods, statistical techniques and broad policy orthodoxies. As such it is the classic, and certainly primary 'transnational expertised institution' since "the legitimacy and credibility of the Bank's expertise is drawn through a circular process between the knowledge it produces and the audiences that legitimise that knowledge" (St. Clair, 2006; 77). The role of 'liberal' think-tanks and researchers, including G17+ and the Centre for Liberal Democratic Studies in Serbia, the Institute for Public Finance in Croatia and the Institute for Strategic Studies and Prognoses in Montenegro, should also be noted.

In each reform field, however, the picture is rather more complex and uneven than one which suggests the smooth reproduction of neo-liberalism. Whilst South East Europe, after Latin America and Central and Eastern Europe were key sites for the implementation of pension reform based on a transnational coalition including the World Bank, USAID, and Chilean economists (cf. Orenstein, 2005), it was the rather more 'mixed' Argentinean-type reform model which tended to be introduced, beginning in Croatia and now, it appears, in Montenegro. Only Kosovo, through the involvement of USAID consultants, introduced a substitutive private scheme but, as noted earlier, this runs alongside a basic 'social' pension. In addition, Slovenia and Bosnia-Herzegovina have resisted such reforms thus far, in part through politically organised opposition based on evidence regarding the high transition costs of reform. Elsewhere, as noted in regard to Croatia, 'expert led' reforms were introduced with almost no political debate (Stubbs and Zrinščak, 2007). Crucially, until recently, again as noted below, the only European Union interest in pension reform was framed in terms of public expenditure so that the EU was largely absent from these debates or even implicitly supported reforms.

In terms of labour markets, it is possible to trace a broad reform model of flexibilisation although, even here, the process has been uneven and far from a fundamental shift 'from welfare

to workfare' (Bornarova et al, 2007). There has certainly been reform of legislation, aided by international consultants, in terms of flexibilising labour laws and introducing active labour market programmes "encouraged time and again by the World Bank across the region" (Arandarenko, 2004; 41) but there has been some alternative advice, notably from the ILO and, crucially, the impacts of policies has been much less than was expected or advertised. In part, this could be a result of organised opposition but, more likely, it is a result of the difficulty of re-designing labour market institutions based on some kind of 'ideal type' ideological model. Increasingly, an agenda on those who are 'hard to reach' has led to a rather punitive conditionality for certain welfare recipients capable of work that they should engage in public works and yet, overall, expenditures on such programmes are limited and evidence of improving employability sparse.

It is, perhaps, in health care reforms where the largest gap between a reform agenda intent on creating a modern and fiscally sustainable health care system and the realities on the ground are the greatest. Many countries in the region have had a series of World Bank led reform projects which are judged as 'successful' only for new projects to develop essentially targeting the same core issues. Not unlike labour market institutions, health systems are not easy reform targets, given the adherence by very powerful doctors' lobbies to over-medicalised approaches throughout the region. A reform agenda supportive of privatisation has been steered in the interests of doctors who, in much of the region, are able to operate private practices within state hospitals. A conditionality which, simply, targets reductions in overall public health expenditures, to which many governments in the region have signed up to, has proved extraordinarily difficult in practice, leading to a rather inequitable mixture of informal marketisation and a dual track health system. In addition, of course, ideas of 'health for all' and of universal public health services remain attractive to voters and difficult to dismantle.

In many parts of the region, the scale of social protection activities changed, with leading reformers tending to decentralise services and, in some cases, benefits. Increased discretion for local governments was rarely combined with increased funding so that in these countries, decentralization tended to fuel poverty and increase discrimination against so-called 'undeserving' families. Elsewhere, the complexity of different forms of decentralisation has mitigated against rational social planning (Bošnjak and Stubbs, 2007), or led to 'parallel' central and local state provisions, both tending to be captured by vested interests (Stubbs and Zrinščak, 2007). World Bank-led 'safety net' approaches are now being refined with an emphasis on

'conditional cash transfer schemes' which tie transfers to supposedly 'human capital' building behavioural change and represent, as in a proposed scheme in Macedonia, the latest importation of models from elsewhere and a new 'experiment' which is highly selective in terms of the 'evidence' marshalled to justify its introduction. It is hard to find any social protection reform programme in the region which does not have some World Bank involvement, often in partnership with DFID. Whilst the Bank's leverage is greatest in those lower income countries where Poverty Reduction Strategies are in place, it is active also in middle-income countries. Its expertise is still more focused on cash benefits and poverty targeting, however, than on integrated social protection programmes, and its support for strategic approaches has not had the desired results either.

## **5. PROMOTING SOCIAL COHESION?: FROM THE STABILITY PACT TO THE REGIONAL CO-OPERATION COUNCIL**

In terms of actors at the regional level, the most important of these has been the Stability Pact for South Eastern Europe, established in 1999. After sustained lobbying by a range of actors, including the ILO, Trades Unions, and some bilaterals, an Initiative for Social Cohesion (ISC) was established in 2000 within Working Table II on Economic Reconstruction, Development and Co-operation. Its overall objective was "to address social issues that affect the daily lives of citizens of the countries of SEE through regional approaches in the field of health, social protection, employment policy and vocational training, social dialogue and housing" (ISC, 2002). Its initial priorities included: improving health policy; strengthening social protection systems; developing social dialogue; enhancing employability; stimulating new housing policies; and monitoring and co-ordinating social policy development related projects (ISC 2002). Leading roles were taken by the ILO, the Council of Europe, the European Trade Union Confederation, and the World Health Organisation, with funding from a range of donors, including most prominently Switzerland and the Council of Europe. The Initiative's work, some way away from citizens' daily lives, focused on inter-Ministerial dialogue, capacity building, assessment, and networking and dialogue.

As other chapters explore in greater detail, the Stability Pact announced its transition to a more regionally owned and focused Regional Cooperation Council, linked to the political South East Europe Cooperation Process (SEECPP), with a secretariat in Sarajevo, and with funding from external donors and from Governments in the region (the Western Balkans,

Bulgaria, Romania and Moldova), operational from May 2008. Lobbying from within the ISC appears to have led to a rather belated, and somewhat half-hearted, recognition that one priority would be ‘Economic and Social Development’ rather than merely ‘Economic Development’. Whilst it is too early to say with certainty how the RCC will fare, it is now possible to reflect on the achievements of the ISC and on how to take social cohesion issues forward, based on the ISC’s own deliberations from about mid-2006 onwards. This does little to challenge a view of the ISC as an initiative which has “gone largely unnoticed and ha(s) had little impact outside of a small circle of cognoscenti” (Deacon, Lendvai and Stubbs, 2007; 225). The ISC claims to have maintained a number of ‘thematic networks’ and to have run over a dozen ‘regional projects’ in the areas of employment, health, social dialogue, social protection and housing<sup>5</sup>.

Of these, it appears that the employment focus has been linked to trade and investment and is now continued under ‘promoting human capital’ in the RCC rather more than in terms of the social policy dimension. However, in the ISC’s own review, much is made of a series of Ministerial declarations, known as ‘Bucharest Process’, beginning with a conference of Ministers of Employment and Social Policy in October 2003<sup>6</sup>, whose closing statement is so vague as to be virtually meaningless, noting labour mobility, training, social dialogue, the employment of vulnerable groups, and the impact of high unemployment on poverty and social cohesion. Indeed, in those countries where employment and social policy issues are divided between Ministries, the process placed employment ministries in first place. The ISC did introduce a policy review process which was also referred to in the conclusions of the follow-up conference in Sofia in October 2005 which set five priorities:

1. to implement the recommendations of the policy reviews;
2. to seek to further improve the national employment policies, in order to pursue economic growth, social cohesion and regional stability with high and productive employment;
3. to promote adaptability and employability in the labour market through active and passive labour market policies. Special attention should be given to facilitating access to employment by vulnerable groups;
4. to promote gender equality in national employment strategies and to use specific policies targeting labour market gender inequality and gender mainstreaming as strategies to achieve this goal;

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<sup>5</sup> <http://www.stabilitypact.org/soc-cohesion/default.asp> (accessed 30 May 2008).

<sup>6</sup> <http://www.stabilitypact.org/soc-cohesion/documents/BucharestDeclaration.TIF> (accessed 30 May 2008).

5. to seek further improvement in the effectiveness and coverage of public employment services, drawing on the experience of the region and best practices of the Member States of the European Union<sup>7</sup>.

The Montenegro Conclusions, from a conference in October 2007, places discussion more squarely in terms of the ILO's 'Decent Work' agenda, and notes common challenges facing the region, noting social protection deficits and issues of access to employment for young people and women. Apart from adding 'Occupational Safety and Health' to the range of priorities, the commitments made remain vague noting activation strategies, benefit reviews, and inclusive labour markets, amongst others. The RCC commits to promoting the country review process which has had little impact and even less added value, and to maintain a project on Occupational Health which appears to have been fairly opportunistic.

The establishment of an SEE Health Network has also had little impact, although through this network and through the Dubrovnik Pledge of 2001 and the Skopje Pledge of November 2005, both the Council of Europe and the World Health Organisation have played a role in capacity building for Ministries of Health in the region. The Dubrovnik pledge is very strange since its headline commitment to meet the health needs of vulnerable populations, mobilising "human and financial resources to the extent possible", is hardly matched by the actual commitments, namely to:

- increase citizens' access to appropriate, affordable and high-quality health care services;
- intensify social cohesion by strengthening community mental health services;
- increase the quality of and regional self-sufficiency in the provision of safe blood and blood products;
- develop integrated emergency health care services that are offered free of charge to the user;
- strengthen the surveillance and control of communicable diseases;
- strengthen institutional capacity and intersectoral collaboration for access to affordable and safe food products; and
- establish regional networks and systems for the collection and exchange of social and health information.<sup>8</sup>

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<sup>7</sup> <http://www.stabilitypact.org/soc-cohesion/SofiaConclusionsEmployment.asp> (accessed 30 May 2008)

<sup>8</sup> <http://www.stabilitypact.org/soc-cohesion/dubrovnikpledge.doc> (accessed 30 May 2008)

The Skopje Pledge, following a November 2005 meeting, which sees the active sponsoring role of Council of Europe Development Bank, is more detailed in terms of establishing the Statute of the SEE Health Network, establishing a health programme officer within the ISC secretariat and working under rotating six-month presidencies<sup>9</sup>. The network apparently includes 21 health experts and some 100 policy makers and civil servants. There appears to be little linkage between the project-based work of the network, on issues such as tobacco control, mental health, and maternal health and the analytical work such as the extensive 'Health and Economic Development in South East Europe' report (SEE Health Network, 2006). The ISC, in the end, opted to phase out the secretariat, seek a 'sustainable hub' for the network in the region, and seek greater involvement by the European Commission and other European actors<sup>10</sup>. The Network will continue, it appears, itself transitioning to regional ownership, with some kind of Secretariat to be linked to the RCC, overseeing projects on public health. This may offer a more coherent linkage between analysis and networking, and in the future, has the potential to challenge an almost exclusive focus on the economics of health in the region.

In terms of social protection, one spin off from the ISC is the Social Institutions Support Programme, with a main office in Skopje. It is meant to support the modernisation of social policies and institutions, and to promote regional social security coordination. This programme is mainly funded by the European Commission, and co-funded and managed by the Council of Europe. The Programme has contributed to the creation of a network of social security professionals and has set the basis for regional cooperation in the field of social security. However, the Zagreb declaration following a Ministerial Conference on Social Security Co-ordination in the Western Balkans (Social Institutions Support Programme, 2006) has had little impact. Indeed, not unlike the ISC, it has been noted that the activities of the Centre are "by and large of academic or/and networking character, thus having no, or at least very negligible, general impact" (Gerovska Mitev, 2007; 145).

Earlier work on pensions, a partnership between the Governments of Slovenia and France, the ILO and the Council of Europe did make an important intellectual intervention regarding pension reforms, warning about high costs likely to be incurred in privatisation in the absence

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<sup>9</sup> <http://www.stabilitypact.org/soc-cohesion/54634-kmi%20Skopje%20pledge.pdf> (accessed 30 May 2008)

<sup>10</sup> <http://www.stabilitypact.org/soc-cohesion/ISC%20Strategy.pdf> (accessed 30 May 2008).



of well-developed financial markets. The Ljubljana note from this period can still be found on the ISC web page<sup>11</sup>, but it has fallen far short of being a framework for regional co-operation as originally anticipated. Virtually no reference is made to the social protection strand in RCC commitments, with it being left to other international organisations to pick up the issues.

Overall, then, the Stability Pact is of sociological interest insofar as it reflected a new working model of donor-regional co-operation which encouraged an innovative kind of policy entrepreneurship. Social policy issues were quite marginal and appeared to be heavily dependent on particular steering by external agencies or individuals, and to be reliant on rather ad hoc project funding. In the end, apart from projects, little is left besides signed documents committing ministers to very little. The RCC seems more top-down and more economic in its commitments than even the Stability Pact was. It will maintain an employment focus but within a broader emphasis on free trade, investment, transport and security. It may become a regional hub for work on social dialogue and on housing issues but little else in the social policy arena. At the moment, it does not offer much in the way of acting as a vehicle or bridge to promote European Union and Council of Europe commitments on social protection, social inclusion and social cohesion in any coherent fashion into workable policies and programmes.

An important exception, in a sense, showing how a focus on ‘the social impacts of other policies’ may become a kind of substitute for serious treatment of social policy directly, is the social dimension of the work of the Energy Community (see Boromisa, this volume). Clearly, there has been significant recognition of the fact that “the restructuring of energy utilities has a significant social dimension” (Boromisa, 2006; 115), both in terms of job losses and the impact of price increases on vulnerable households. The Governments of the South East European Energy Community signed a Memorandum of Understanding on Social Issues in the Context of the Energy Community on 18 October 2007<sup>12</sup>, signifying a political intent to take account of the social dimension of the Energy Community treaty, and seeking to balance consumer social protection with a commitment to “a sustainable and competitive market”. Instead of employment protection, the MoU focuses on ‘management of change’ and improving the adaptability of workers who lose their jobs in the restructuring process. A key

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<sup>11</sup> <http://www.stabilitypact.org/soc-cohesion/documents/PM12002M21NoteLjublj4-5Nov.pdf> (accessed 30 November 2008)

<sup>12</sup> <http://www.energy-community.org/pls/portal/docs/36242.PDF> (accessed 22 July 2008).

part of the MoU envisages country specific Social Action Plans drawn up in close co-operation with social partners, and an agreement to assess the need for a Social Forum to consider the social impacts of energy market reform.

The European Federation of Public Service Unions have criticised the lack of action since the MoU<sup>13</sup>, although the first Social Forum will take place in November 2008 in Tirana. In particular, work on Social Action Plans appears to have not yet started, so that it is difficult to judge precisely what will emerge from this new linkage between regional co-operation and social and labour market policies. Interestingly, the European Commission appears to have a high profile in some of these discussions so that the social impacts of energy restructuring could, indeed, form a bridge between the social dimension of the EU and existing regional co-operation processes in the future.

## **6. A NEW EUROPEANISATION OF SOCIAL POLICIES?**

Europeanisation can be seen as “a process where ‘national social policy’ frameworks are reconfigured, reframed and re-coupled” (Lendvai, 2007: 31) in the light of a still developing, and in many senses, contradictory, ‘European social model’ which, despite its ‘uncertain future’ and uneven application, does represent a set of common core values (cf. Vaughan-Whitehead, 2003; 4). Crucially, this model is as much related to the Council of Europe and its Social Charter as it is to the process of accession to and association with the European Union. All of the countries of the region are members of the Council of Europe, with the exception of Kosovo, so that regular reporting on obligations arising from the charter, and responses from the Council’s Committee of Experts, are a useful and yet largely under-emphasised aspect of aligning social policy processes in South East Europe with broader European values and perspectives. Thus far, there has been little explicit reinforcement, through sub-regional structures, of these processes, however.

For much of the Western Balkans, the EU’s external assistance agenda, and its various aid and reconstruction programmes, bear at best only a passing connection to social policy issues. The EU’s relationship to much of the region is still dominated by a reconstruction and development agenda, heavily bureaucratised and delayed in its implementation, in which social policy concerns are rarely or haphazardly stressed. This is the case with the CARDS

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<sup>13</sup> <http://www.epsu.org/a/3834> (accessed 22 July 2008)

programme in the Western Balkans (cf. Stubbs 2004) and appears to be the case within the specific context of the European Agency for Reconstruction which is responsible for the main assistance programmes in Serbia and Montenegro, Kosovo and Macedonia. There are several grounds for optimism, however.

Firstly, the recent communication from the European Commission on the “urgent need for a comprehensive EU strategy to increase the scale and effectiveness of EU commitments to improve the situation of children globally and to demonstrate real political will at the highest possible level to ensure that the promotion and protection of children's rights get the place they merit on the EU's agenda” (European Commission, 2006; 6) is important in terms of the possibility of a comprehensive children’s rights strategy reflected in EU strategic support, programming and funding in the Western Balkans which is much needed.

Secondly, those countries which have candidate status with the European Union, i.e. Macedonia and Croatia, have an obligation to prepare, sign, and implement, prior to membership, a Joint Inclusion Memorandum (JIM) on Social Inclusion. Preparation of Macedonia’s JIM is still ongoing whereas Croatia’s JIM was signed by the Government of Croatia and the EU Commissioner for Employment and Social Affairs in March 2007. The JIM process represents a dialogue between the Commission and the Croatian Government and relevant stakeholders which seeks to learn lessons from the previous set of JIMs with the New Member States, not least in terms of more rigorous monitoring of how far commitments are actually implemented in practice. Elsewhere, I have suggested that the process can be understood in terms of four dialogues and potential alignments between EU thinking and candidate country realities: statistical, participatory, governance, and policy commitments and practice (Stubbs, 2008). Whether there will be alignments between JIM commitments, EU pre-accession funding mechanisms, and accession requirements, is more complex, not least because, again, social policy is neither really part of the ‘hard’ *acquis*, nor of the political and human rights conditionalities of the so-called ‘Copenhagen criteria’. Nevertheless, the ‘soft governance’ of social policy through the so-called ‘Open Method of Co-ordination’ may be the best available mechanism for learning from good practice and for framing key social policy objectives.

Thirdly, there is some evidence that the European Commission’s Directorate General for Employment and Social Affairs, rather more than the DG for Enlargement, is seeking to

connect the process of accession and association with the EU with the EU's own social policy and social inclusion agenda. Alongside the JIM process, the Commission seeks independent research studies and now has a network of social inclusion experts which meets regularly, including experts from candidate countries<sup>14</sup>. In addition, in 2007, studies on social protection and social inclusion were commissioned in each of the Western Balkans countries, due to be completed in autumn 2008. It remains to be seen how far these studies will influence funding and accession processes.

However, crucially, by framing the studies in terms of the current objectives of the Open Method of Co-ordination on Social Protection and Social Inclusion<sup>15</sup>, for the first time the EU has formalised its concern not only with the fiscal sustainability of social protection, health and pensions systems, as has traditionally been the case, but also with issues of adequacy, access and equity. In the future, then, this process could act as a kind of counterweight to World Bank emphasis on headline expenditures and also challenge some aspects of the marketisation of health and pensions systems. Framing practice in terms of 'accessible, high-quality and sustainable health and long-term care' focuses attention explicitly on the link between health and poverty and social exclusion, emphasises the importance of inequities in access to care and in health outcomes, and focuses on quality standards. Similarly, an objective of adequate and sustainable pensions focuses attention on the issues noted earlier, the link between old age and poverty, older people not in receipt of pensions, replacement rates, and the problems of too hasty marketisation. In the end, the studies themselves may not be taken up by the EU and may remain known only to a limited few just as the initiatives from the Stability Pact have been. Nevertheless, this framework offers a clear, consistent, coherent and relatively non-complex set of objectives around which diverse aspects of support could be framed.

Finally, the recent consolidation of EU funding for the Western Balkans into a single Instrument of Pre-Accession Assistance (IPA), does offer some hope that funding will also be available to support social and labour market reforms, not least since both human resource development and poverty reduction are given high priority. The IPA Strategic Coherence

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<sup>14</sup> <http://www.peer-review-social-inclusion.net/policy-assessment-activities> (accessed 22 July 2008).

<sup>15</sup> [http://ec.europa.eu/employment\\_social/spsi/docs/social\\_inclusion/2006/objectives\\_en.pdf](http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2006/objectives_en.pdf) (accessed 22 June 2008).

Framework Document for Croatia<sup>16</sup>, whilst quite vague, does offer the possibility of tying IPA funding to tackling governance problems identified in the JIM. As with other EU funds, however, problems may well arise as EU country staff and their national counterparts often do not give priority to social issues.

## **7. CONCLUSIONS: ‘A bridge too far’?**

The EU’s social inclusion objectives provide, in many ways, a broad social policy agenda for the countries and territories of the Western Balkans. What is lacking, however, are any mechanisms to promote a sub-regional Open Method of Co-ordination which would provide a possibility for aligning analysis, statistics, research, governance, and policy commitments. The Regional Co-operation Council seems to be even less willing or able to embrace this than the Stability Pact was, combining an economic sense of development with a political emphasis on security issues. Ideally, a clearer co-ordination between the relevant parts of the European Commission, Council of Europe, and the Regional Co-operation Council could provide a much clearer and consistent set of messages regarding social policy for the region. The shifts needed within each organisation would, however, need to be enormous, in the context of noted ‘turf wars’ and different kinds of organisational cultures. Even more importantly, new alignments with more socially oriented researchers and think tanks, with policy makers and with other interested stakeholders would need to occur. It is hard to be optimistic in this sense either. Overall, there is a need to recognise the examples of good practice which exist in the region, and to learn from these in terms of priorities for the future, rather than endlessly debating the problems of external assistance, some of which are structural and difficult to change. For all its faults, the Stability Pact introduced a new mode of governance which could, with sufficient commitment, be applied more rigorously to social policies in the region.

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<sup>16</sup> [www.strategija.hr/fgs.axd?id=451](http://www.strategija.hr/fgs.axd?id=451) (accessed 22 June 2008)

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**Table One: Western Balkans Main Indicators**

	GNI p.c \$ ATLAS <sup>17</sup>	Population m. <sup>18</sup>	HDI Rank <sup>19</sup>	LFS Unemp % <sup>20</sup>	Under 5 mortality per 1,000 <sup>21</sup>	Poverty \$PPP2.15 p.day % <sup>22</sup>	Poverty \$PPP4.30 p.day %
Year	2006	2006	2007/8	2006	2006	2002/4	2002/4
<b>Albania</b>	2930	3.2	68	10.0 <sup>23</sup>	12.1	24	71
<b>Bosnia-H</b>	3230	3.9	66	n.a.	8.6	4	35
<b>Croatia</b>	9310	4.4	47	10.5	6.1	0	4
<b>Macedonia</b>	3070	2.0	69	36.0	12.9	4	24
<b>Kosovo</b>	1600	2.0	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Montenegro</b>	4130	0.6	n.a.	29.6	12.3	n.a.	n.a.
<b>Serbia</b>	4030	7.4	n.a.	20.9	8.7	6 <sup>24</sup>	42 <sup>25</sup>
<b>Bulgaria</b>	3990	7.7	53	8.9	11.6	4	33
<b>Romania</b>	4830	21.6	60	7	16.4	12	58
<b>Slovenia</b>	18660	2.0	27	5.9	3.9	n.a.	n.a.

Source: see footnotes. Essentially the Table is an updated and amended version of Deacon and Stubbs (2007); 12.

<sup>17</sup> World Development Indicators Online <http://go.worldbank.org/6HAYAHG8H0> (accessed 27 May 2008)

<sup>18</sup> World Development Indicators Online <http://go.worldbank.org/6HAYAHG8H0> (accessed 27 May 2008)

<sup>19</sup> Human Development Index 2007/8 <http://hdr.undp.org/en/statistics/> (accessed 27 May 2008)

<sup>20</sup> UNICEF Trans MONEE Database 2008 [http://www.unicef-irc.org/databases/transmonee/2008/Tables\\_TransMONEE.xls](http://www.unicef-irc.org/databases/transmonee/2008/Tables_TransMONEE.xls) (accessed 27 May 2008)

<sup>21</sup> UNICEF Trans MONEE Database 2008 [http://www.unicef-irc.org/databases/transmonee/2008/Tables\\_TransMONEE.xls](http://www.unicef-irc.org/databases/transmonee/2008/Tables_TransMONEE.xls) (accessed 27 May 2008)

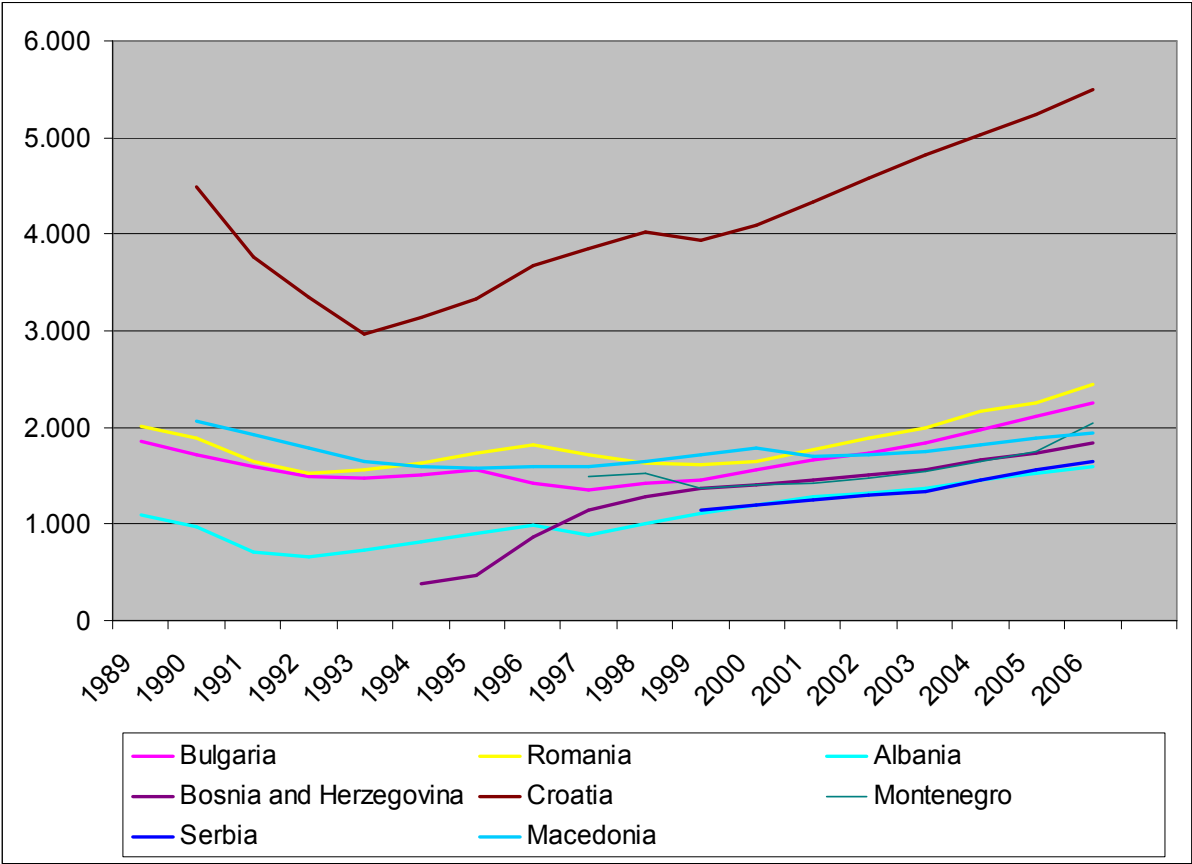
<sup>22</sup> Alam A. et al (2005) and World Bank (2007).

<sup>23</sup> 2002

<sup>24</sup> Serbia and Montenegro

<sup>25</sup> Serbia and Montenegro

**Figure One: GDP per capita at 2000 \$ constant prices.**



Source: TransMONEE (2008).

**Table two: Pension Replacement Rates, 2005**

<b>COUNTRY</b>	<b>RATE</b>
<b>ALBANIA</b>	<b>47%<sup>26</sup></b>
<b>BOSNIA-HERZEGOVINA</b>	<b>43%</b>
<b>CROATIA</b>	<b>42%</b>
<b>FYR MACEDONIA</b>	<b>72%</b>
<b>MONTENEGRO</b>	<b>57%<sup>27</sup></b>
<b>SERBIA</b>	<b>60%<sup>28</sup></b>
<b>KOSOVO</b>	<b>n.k.<sup>29</sup></b>

**Source: European Commission studies on Social Protection and Social Inclusion in W Balkans**

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<sup>26</sup> Urban pensions. The rate for rural pensions is 28%

<sup>27</sup> 2007

<sup>28</sup> Legally guaranteed

<sup>29</sup> May be as low as 16% (Gubbels, J. et al, 2007)

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