Future-Oriented Welfare State Policies in the Western Balkans

Open coordination in education, social protection and social inclusion

The Western Balkans Network *The Future of the Welfare State* (FWS), utilising the *Open Method of Coordination* as a tool and *the EU Pillar for Social Rights* as a relevant policy framework, initiates coordination in education, social protection and social inclusion in the Western Balkans that includes:

- Agreeing on **elements of a common Western Balkans Future of the Welfare State Platform** – a mix of a Social Protection Floor, flagship policy measures and issues to be explored further;

- **Developing and monitoring common indicators relevant to the Western Balkans** region and based on data availability, shadowing the Social Protection Dashboard and the Portfolio of EU Social Indicators, using radar charts as a ''a starting point that helps raise the right questions'' and serves as a ''screening device'' that allows for a careful assessment of the situation in each country;

- Stimulating **an exchange of knowledge, ideas, experiences and good practices** across the Region through social policy analytical events, peer reviews, studies and conferences;

- **Reviewing innovative ideas and policies** and assessing their relevance to the Western Balkan countries. This includes different methods of policy evaluation, measuring the efficiency, effectiveness and equity of existing polices, as well as modelling the impacts of new policy proposals.

The Future of the Welfare State Network has already agreed upon common current challenges across the Region:

- Low and unbalanced levels of economic development and domination of low skill economy;

- Lack of social cohesion;

- Unfavourable demographic situation (population ageing and emigration);

- Intractable social problems (widespread poverty, substantial share of informal employment and high unemployment);

- Inadequate quality of education with significant equity gaps;

- Poor, uneven, and distorted health care services, with too little focus on prevention;

- Lack of balance between, and integration of, cash and care services;

- Low allocations for the social sector;

- Government inefficiency and ineffectiveness;

- Globalization and EU integration.

Additionally, changes in family and household structure, the future of work and employment, inequality, immigration and the environment have been labelled as future challenges in the Western Balkans region as well.

Elements of the Future of the Welfare State Platform

Given the differences in views between the network members and disparities between Western Balkan societies, it is not easy to define a **common minimum as a Regional Social Protection Floor** or to formulate a **basket of essential services and benefits**.

Instead of a fully developed platform, a list of elements is offered that might be further developed, but that also, even as stand-alone items, would provide better quality of Western Balkan welfare states and more protection for greater numbers of people.

Some elements contain precise requirements and indicators, some indicate very concrete measures, some are just sketched and some are labelled as important, but need additional evidence based on good research. This "mixture" reflects the differences mentioned above as well as the specificities of the Western Balkans.

Elements of the Future of the Welfare State Platform have been formulated based on the position paper The Welfare State in the Western Balkans – Challenges and Options and discussions held during the Belgrade Flagship Conference (2018) and the Social Policy Lab (Montenegro, 2019). Also, the EU Pillar for Social Rights' principles, rights and indicators have been used in formulating the common Regional Social Protection Floor.

Welfare states need to be commensurate with, and contribute to, social cohesion and economic development. Used wisely, welfare expenditures are a highly effective form of social investment improving well-being and equity.

Certain elements will be reconsidered after the development and further analysis of the indicators. In any case, the Platform will continue to be the basis for future regional welfare state initiatives.

The elements of the Future of the Welfare State Platform:

I Non-Contributory benefits

1. **A targeted, fit-for-purpose, social assistance cash benefit** aiming at poverty reduction to cover basic needs of each citizen and to support their social integration, extended in future as appropriate:

- Adequacy, coverage, predictability and inactivity trap
  - The amount of targeted social assistance cash benefit (Guaranteed Minimum Income, Financial Social Assistance, Material Family Support) should be increased across the region to cover basic needs (based on some sort of reference budget, consumption basket or similar);
  - The amount and regular indexation of benefit should be defined by law (not by government decree or by-laws);
  - The design of the program allows beneficiaries who are able to work to keep tied benefits (including housing benefits, energy benefits, in- kind assistance and child benefits) for up to one year after obtaining employment, after which time they can be withdrawn gradually.

The amount of targeted social assistance should be additionally evaluated taking into account tied assistance benefits and child allowance (if applicable) and the level of overall benefits should be compared with the minimum and average wage.

- Activation
  - For those beneficiaries who are able to work, receipt of benefit may be conditioned on engagement in some form of socially useful labour. Assessments of activation should take into account existing care responsibilities, including care for children, persons with disabilities, and older people;
  - Barriers to activation related to transportation costs, childcare costs and similar, should be included in employability assessments and these costs should be compensated for in specific situations.

2. **Social pensions** – Older people without retirement income should be eligible for a non-contributory benefit.

- Eligibility – linked to retirement age + 3 years;
- Asset test – relaxed compared to regular social assistance benefits based on an understanding that monetizing assets may not always be appropriate or desirable for older persons;
- The social assistance scheme should be adjusted to offer a higher amount to households entirely composed of older people and, potentially, for those over a certain age (e.g. 80+).

The amount of social pension should be higher than social assistance but lower than minimum contributory pension.

3. **Child allowance** – Child allowances should exist in every country in the region and cover the basic needs of children.

- Adequacy and predictability
  - The amounts should cover the basic needs of children
  - The amount and regular indexation of the benefit should be defined by law (not by government decree or by-laws)
- Coverage – (if applicable)
  - Coverage should be extended to include at least children in the fourth income/consumption decile and when conditions allow (e.g. abolition of child income tax allowances) should be extended further
  - Children with disabilities should be eligible without means test; and children with severe disabilities should have a higher level of benefit.
  - Children living in substandard settlements should be eligible without means test

Re-evaluating the effectiveness and efficiency of war veteran benefits and birth grants based on evidence of their impacts is needed.

II Contributory, insurance-based schemes – Ensure adequate protection against major insurable risks

- Adequacy of social insurance-based benefits – net replacement rate of insurance-based cash benefits should be above 60%;
- Insurance based schemes need to have financial sustainability;
- The transparency of insurance schemes is important.

Exploring the adequate source of maternity leave financing (social security, employer contributions or taxes) and options for long term care financing (social security versus taxes).

III. Health care – Health for all

- Ensure universal health coverage;
- General government expenditure for health care should be at least 5% GDP (with clear steps outlined for its realization within a reasonable time scale);
- Increased investing in preventive services (immunization, regular check-ups, screening programs) and public health programs;
- Improvement of monitoring and evaluation of service quality;
- Ensure the closing of equity gaps in access and health outcomes.

Examining the implications of transition to Beveridge system (financing health care from the budget).

IV. Education – Quality Education for all

- General government expenditure for education should be least 4% of GDP;
- Inclusive education should become a top priority (including day care services for children with disability in schools, hot meals for poor children, access to all levels of education for Roma children);
- Improving the quality of education in terms of providing better opportunities for life long development of key competences for all students through modernization of curriculum and teaching/learning practices;
- Building coherent national systems of provision of life long educational services (formal, non-formal and informal education and learning);
- Preschool education should become mandatory for all children one year before primary school, financed or co-financed from the national budget;
- Early childhood education and care should be accessible for all children especially for children from vulnerable and marginalized groups from the age of 3 financed or co-financed from the national budget to equalize opportunities for early learning and development (parental co-financing for meals, free for poor children);
- Scholarship, educational grants or loans for poor children during primary, secondary and post– secondary education;
- Monitoring quality and equity of services and impacts on social mobility.

V. Deinstitutionalization and minimum package of community-based services for children and youth – Proclaimed as goals with clear strategies, institutional settings and secured funding

- A moratorium on opening new residential institutions for children and persons with disability should be introduced;
- Admission moratorium for children younger than 15 and emergency professional fostering for children should be introduced;
- Children in formal care should be protected through foster care and supported housing (for older children and youth);
- Minimum package of community-based services for children and youth in family care should be introduced consisting of day care, home care and personal assistance services. Day-care services should mainly be provided in mainstream settings (e.g. schools, libraries and community centres);
- A defined Minimum package of services for children and youth should be co-financed from the national budget;
- Active engagement of service users, their families and the wider community in all aspects of social service planning, implementation and evaluation;
- Community-based services for persons with disability and older people should be established at levels significantly higher than those currently provided.

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Annex

New set of relevant data, produced after the Position Paper (Source: Matković (2019), Stanovništvo, 2019, 00 (0), 1-26.)

Table 1. Selected demographic features, Western Balkans, 2017

Indicator \ Country	AL	BA	HR	XK*	ME	MK	RS
Estimated population size	2,876,591	3,509,728	4,154,213	1,783,531	622,387	2,073,702	7,040,272
Crude rate of natural change (‰)	3.0	–2.0	–4.1	8.2	1.5	0.7	–5.5
Crude rate of net migration plus stat. adjustment (‰)[1]	–5.2	0.0	–7.7	0.2	–1.5	0.1	0.0
Total fertility rate	1.48	1.26	1.42	1.66[3]	1.78	1.43	1.49
Share of the elderly (65+) (%)	13.1	16.3[2]	19.6	8.1	14.4	13.3	19.4

Source: Eurostat 2019; Fertility indicators - Eurostat database; Population: Structure indicators - Eurostat database; Agencija za statistiku Bosne i Hercegovine 2019.

Note: [1] - Includes stat. adjustment. Net migration is the difference between total population change and natural change. When national statistical offices estimate population only based on births, deaths, and internal migration (Republički zavod za statistiku Srbije 2018), this indicator does not give an accurate picture of external migrations; [2] - Census 2013; [3] - 2016.

Table 2. Poverty in the Western Balkans region, 2015 (%)

Indicator \ Country	AL	BA	HR	XK*	ME	MK	RS
Absolute poverty, $5.5 2011 (PPP)	39.1[2]	3.9[1]	5.5	21.4	4.8[3]	23.1	7.4
Absolute consumption poverty by national criteria (2013)	14.3[2]	–	–	17.6	8.6	–	8.6
Relative income poverty – at–risk–of–poverty rate (EU SILC 2016)	–	–	19.5	–	24.0	21.9	25.9

Source: World Bank 2019; Mijatović 2014; INSTAT and World Bank 2013; Kosovo Agency of Statistics and World Bank 2017; Eurostat database - At-risk-of-poverty rate by poverty threshold, age and sex; Zavod za statistiku Crne Gore 2018.

Note: 1- 2011; 2- 2012; 3 - 2014

Table 3. Labour market in the Western Balkans region, population 15–64, selected indicators, 2017 (%)

Indicator \ Country	AL	BA	HR	XK*	ME	MK	RS	EU
Unemployment rate	13.7	20.7	11.3	30.3	16.1	22.4	13.6	7.8
Youth unemployment rate (15–24)	31.9	45.8	27.4	52.7	31.7	46.7	31.9	16.8
Long–term unemployment rate	8.9	17.0	4.6	21.7	12.4	17.4	8.2	3.4
Economic activity rate	66.8	54.5	66.4	42.8	69.3	65.3	66.7	73.4
Economic activity rate – female	57.7	42.7	61.4	20.0	61.7	51.7	59.6	67.9
Employment rate (20–64)	63.9	46.6	63.6	34.4	58.2	54.8	61.5	72.2

Source: Eurostat database - Unemployment rates by sex, age and citizenship; Employment and activity by sex and age - annual data; Candidate countries and potential candidates: labor market;

Table 4. Selected education and health care quality indicators, 2017

Indicator \ Country	AL	BA	HR	XK*	ME	MK	RS	EU
Students with low achievements (below level 2) in all three test areas (2015) (%)	31.1	–	14.5	60.4	33.0	52.2	28.5[1]	–
Early school leavers (%)	19.6	5.1	3.1	12.2	5.4	8.5	6.2	10.6
% of age group 30–34 with tertiary education attainment	23.5	23.8	28.7	–	34.0	30.6	31.4	39.9
Share of 4–year olds in pre–school education	–	–	67.5	–	64.7	33.5	55.2	95.6[2]
Life expectancy	78.5	77.1	77.8	72.0	77.3	76.0	76.1	81.0
Infant mortality rate (‰)	8.0	5.9[2]	4.0	9.7	1.3	9.2	4.7	3.6
Self–reported unmet needs for medical examination (first quintile, too expensive) (%)	–	–	2.7	–		4.2	7.5	2.3

Source: OECD 2016; Eurostat database - Early leavers from education and training, age group 18-24; Tertiary educational attainment, age group 30-34.; Infant mortality rate; Candidate countries and potential candidates: education; Self-reported unmet needs for medical examination by sex, age, detailed reason and income quintile; World Bank database - Life expectancy at birth, total (years); Agencija za statistiku Bosne i Hercegovine 2017; 2018a.
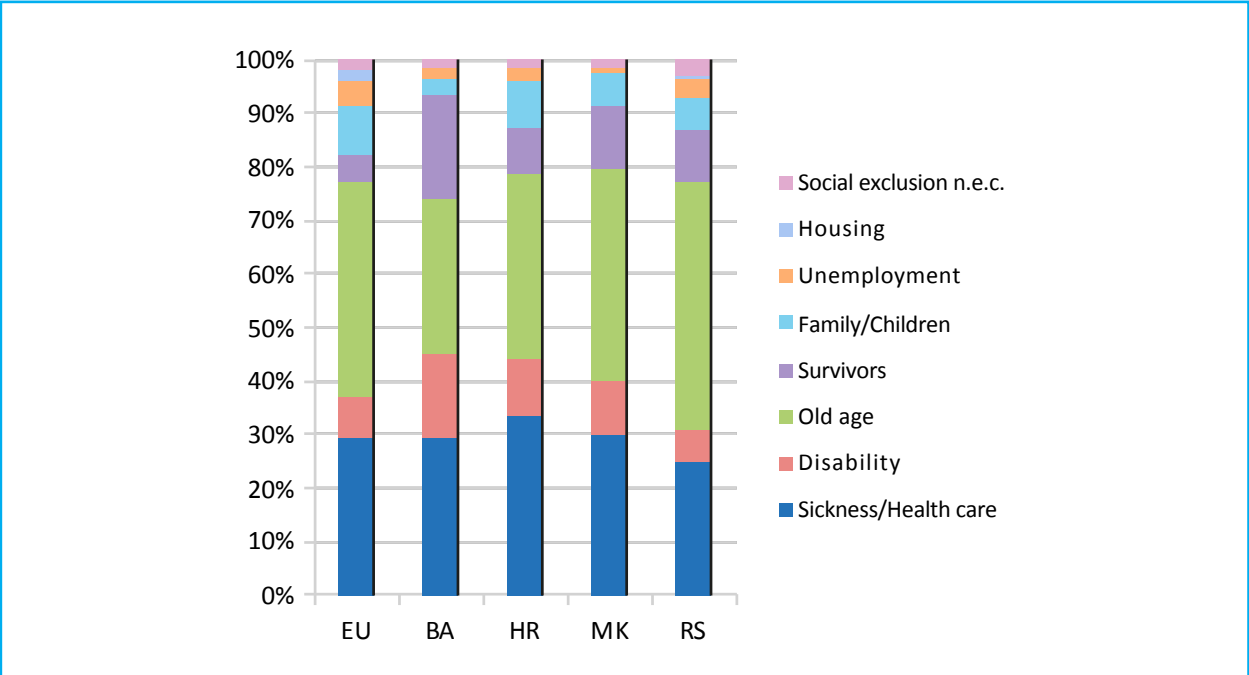
Note: 1- 2013, 2 - 2016

Table 5: General government expenditure by function as a share of the GDP, 2017 (%)

Indicator \ Country	AL	BA	HR	XK*	ME	MK	RS	EU (28)
Social protection (excluding health)	9.1	13.0	14.3	6.3	12.8	11.6	15.4	18.8
Health	2.9	5.1	6.3	2.8	4.7	4.9	5.5	7.0
Education	2.4	3.4	4.7	4.4	4.2	3.7	3.3	4.6
Total	14.4	21.5	25.3	13.5	21.7	20.2	24.2	30.4

Source: General government expenditure by function Eurostat database; BiH Council of Ministers 2019; Government of Montenegro 2019; Kosovo 2019; Republic of Albania Council of Ministers 2019; Republic of Macedonia 2019; Vlada Republike Srbije 2018.
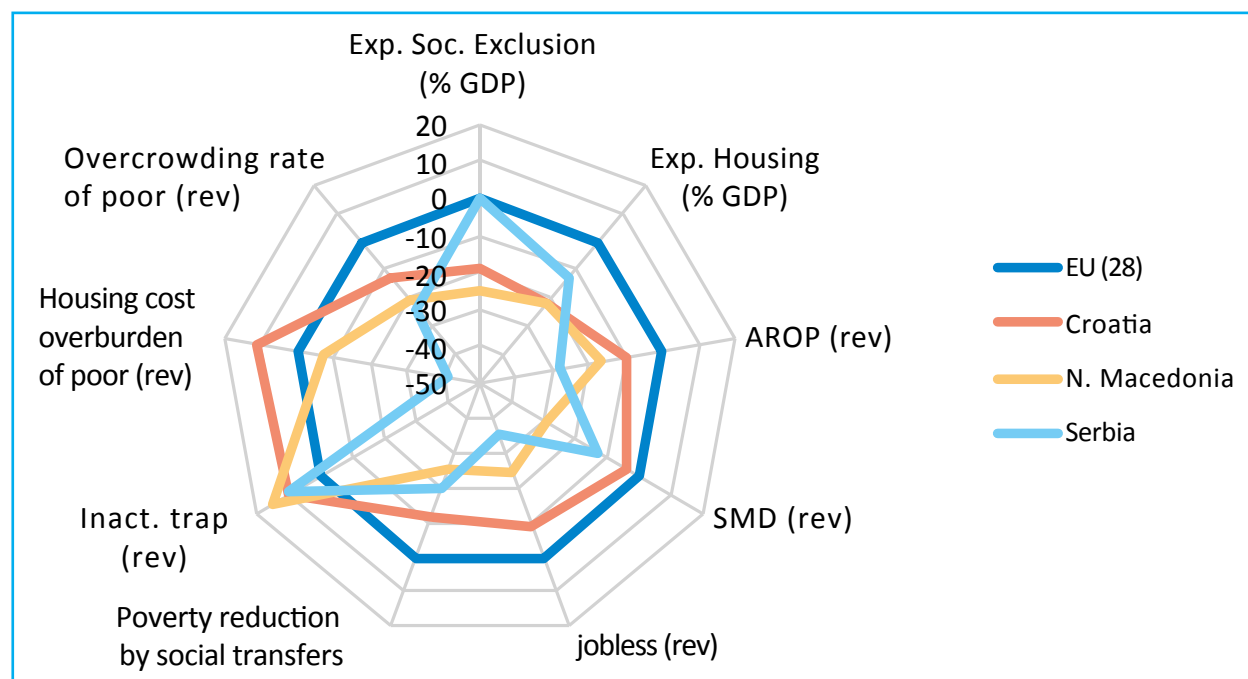
Graph 1. Social protection expenditure by function in selected countries and EU (% of total benefits)

Legend:
- Social exclusion n.e.c.
- Housing
- Unemployment
- Family/Children
- Survivors
- Old age
- Disability
- Sickness/Health care

Source: Eurostat database [spr_exp_sum]

Graph 2. Social exclusion and housing outcomes and expenditure

Source: Eurostat database and author's calculations