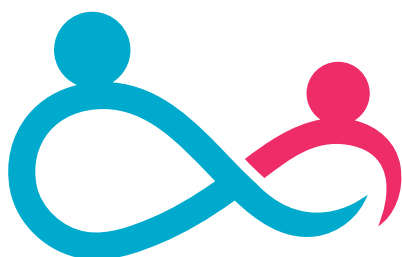


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# Regional Overview of Western Balkan Economies Regarding the European Pillar of Social Rights

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Authors of the comparative report are:

Nand Shani, Team Leader, RCC's ESAP 2 Project  
Admir Vranic, Project Expert, RCC's ESAP 2 Project

The individual economy reports were prepared by the following authors:

Esmeralda Shehaj, Albania  
Amar Numanovic and Nikolina Obradovic, Bosnia and Herzegovina;  
Ardiana Gashi and Amir Haxhikadrija, Kosovo\*  
Vojin Golubovic and updated by Olivera Komar, Montenegro  
Nikica Mojsoska-Blazevski, North Macedonia  
Mihail Arandrenko, Serbia

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The content, analysis and opinions contained in this publication do not necessarily reflect the views of the contractor and funding authority.

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This report was prepared based on the six national reports from the Western Balkan economies. Responsibility for the content, the views, interpretations and conditions expressed herein rests solely with the authors and can in no way be taken to reflect the views of the RCC or of its participants, partners, donors or of the European Union.

*\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence*

# Abbreviations

|             |   |
|-------------|---|
| <b>ALMP</b> | Active Labour Market Policies                         |
| <b>BiH</b>  | Bosnia and Herzegovina                                |
| <b>EPSR</b> | European Pillar of Social Rights                      |
| <b>EU</b>   | European Union  |
| <b>LTU</b>  | Long-term unemployment                                |
| <b>NEET</b> | Not in education, employment or training              |
| <b>OECD</b> | Organisation for Economic Cooperation and Development |
| <b>PISA</b> | Programme for International Student Assessment        |
| <b>PES</b>  | Public Employment Service                             |
| <b>RS</b>   | Republika Srpska                                      |
| <b>VET</b>  | Vocational Education and Training                     |
| <b>WB</b>   | Western Balkans                                       |

## Executive summary

This comparative report draws on six individual economy reviews of the performance of each Western Balkan economy<sup>1</sup> regarding the European Pillar of Social Rights. The Pillar encompasses 20 principles that serve as reference for better working and living conditions across the areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion.

Notwithstanding recent economic growth, job creation and overall progress in the policies and principles of the European Pillar of Social Rights, the Western Balkan economies still perform unfavourably relative to the European Union standards. Incidence of poverty and at-risk of poverty remain pervasive (between 31% in Montenegro and 49% in Albania, compared to 22% in the EU28), particularly in underdeveloped regions and among particular segments of population affected by unemployment, inadequate social protection and low level of social service.

Inequality is high: the ratio of average income of the richest 20% of the population to the average income of the poorest 20% of the population ranges between 6.2 in North Macedonia and 8.6 in Serbia, higher than the 5.2 average in the EU. Inequality disproportionately affects the situation of women, Roma or persons with disabilities and these issues should be addressed as a matter of priority. The biggest challenges remain in the areas of access to labour market and equal opportunities, but also in the areas of social protection and inclusion. While legislative and institutional improvements will continue to bring about positive change, effective implementation of the principles of the



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<sup>1</sup> Albania, Bosnia and Herzegovina, Kosovo\*, Montenegro, North Macedonia, Serbia

European Pillar of Social Rights will require renewed emphasis on the implementation of outcome-based actions and policies, with adequate human and financial resources, underpinned by appropriate monitoring and evaluation mechanisms for improving their effectiveness and efficiency.

In the area of equal opportunities and access to labour market, Western Balkan region has experienced positive trends; however progress has not been even. Only 1 in 3 citizens aged 20-64 does not participate in the labour market, but women are much more likely to remain inactive (more than 46% of them). The employment rate for the age group 20-64 has reached an all-time high of 59.1% in 2019, compared to 49.5% in 2012. While the increase in employment has been impressive, it falls short of 73.9% of the EU-28 in 2019 and 75% employment target of the EU 2020 Strategy. Particular challenges relate to both inclusiveness and quality of education and training, while the Western Balkan region performs better than the EU in some aspects – for example, the low share of early school leavers in Serbia, Montenegro, North Macedonia and Bosnia and Herzegovina.

Skills mismatches contribute to long-term unemployment and further skills obsolescence. Almost 1 in 4 young people are not in education, employment or training. The widespread labour market inactivity, the high level of unemployment among particular groups of population such as women, youth and marginalised groups, and the need to upskill and reskill much of the labour force and improve the relevance of education and skills to the labour market warrant an increase in better-targeted active support to employment creation.

In the area of fair working conditions, legislative changes have introduced measures for furthering both flexibility and security in the labour market. Labour reform updates are welcome, but sometimes not keeping abreast with labour market development and needs, such as agency employment, temporary work agencies, etc. Very often, implementation falls short of good, comprehensive labour legislation and regulations. Further advances are needed to reduce the high level of informality, which affects both decent working conditions and public finances, leading to precarious situation of individuals and families. A related issue, health and safety at work, is often overlooked.

Additional efforts need to be dedicated to addressing gender pay gaps and improving the performance of marginalised groups in the labour market. Social dialogue needs to be further deepened in terms of quality, as currently the policy contribution of social partners remains modest.

The effectiveness of social protection and social inclusion should be strengthened to reduce poverty and enable citizens of the Western Balkans to lead full and productive lives. Improved data on social protection and inclusion should better inform evidence-based policy-making in this domain.

Particular attention is dedicated to vulnerable groups of population, including children, elderly, persons with disabilities, those who need long-term care, the homeless and other vulnerable groups. While efforts have been made to address the needs of all these groups across the board, much remains to be done. In this regard, social protection systems need updating and social services need to be further developed and funded in order to support inclusion, reduce poverty and enhance equality and dignified life for all citizens.

# 1 Introduction

The European Pillar of Social Rights is an initiative launched by the European Commission in 2017. The Pillar aims to deliver new and improve existing social rights for EU citizens, and serves as the EU's compass to achieve better working and living conditions in Europe.

The outline of the European Pillar of Social Rights is divided into three main dimensions in the field of employment and social policies. Each of these headings contains a number of policy domains, to which different principles are attached.

- Equal opportunities and access to the labour market. This dimension includes skills development, life-long learning and active support for employment. All these elements are all indispensable to increase employment opportunities, facilitate transitions between different employment statuses and improve the employability of individuals.
- Dynamic labour markets and fair working conditions. These are needed to establish an adequate and reliable balance of rights and obligations between workers and employers. They make sure that there is evenness between flexibility and security to facilitate job creation, job take-up and the adaptability of firms, and promoting social dialogue.
- Public support/Social protection and inclusion. This dimension includes access to health, social protection benefits and high quality services, including childcare, healthcare and long-term care, which are essential to ensure a dignified living and protection against life's risks. This enables citizens to participate fully in employment and, more generally, in society.



Making sure that the Social Pillar's goals become reality is a shared responsibility between the EU institutions and EU Member States. Together, they monitor how the principles are put into practice through the 'Social Scoreboard' – a tool that tracks trends and performances in different thematic areas across EU Member States.

The detailed individual economy reports reviewing the performance of the Western Balkan economies regarding the European Pillar of Social Rights were originally prepared in 2019 by the European Commission and updated in the framework of the Employment and Social Affairs Platform project of the Regional Cooperation Council (RCC) in 2020. The reports analyse the performance of each economy against the 20 Pillar principles organised along three dimensions as follows:

### **Chapter 1 - Equal opportunities and access to the labour market**

- Education, training and life-long learning
- Gender equality
- Equal opportunities
- Active support to employment

### **Chapter 2 - Fair working conditions**

- Secure and adaptable employment
- Wages
- Information about employment conditions and protection in case of dismissals
- Social dialogue and involvement of workers
- Work-life balance
- Healthy, safe and well-adapted work environment and data protection

### **Chapter 3 – Social protection and inclusion**

- Childcare and support to children
- Social protection
- Unemployment benefits
- Minimum income
- Old age income and pensions
- Health care
- Inclusion of persons with disabilities
- Long-term care
- Housing and assistance for the homeless
- Access to essential services



# Chapter 1 - Equal opportunities and access to the labour market

## 1.1. Education, training and life-long learning

**The Western Balkan economies have dedicated substantial efforts in recent years to further enhancing education sector reforms.** Legal, institutional and strategic reforms have included numerous new laws and strategic documents on different levels of general and VET education. The Albanian Law on vocational education and training aims to fully align the education system and vocational training to the labour market needs. BiH adopted a platform for the development of preschool upbringing and education while the Republika Srpska has progressed with reforming primary and secondary education. Kosovo\* has adopted a 4-year Education Strategic Plan. Montenegro has amended numerous laws introducing significant regulatory changes from pre-school to higher education. The Strategy for Education Development in Serbia, among other goals, aims to make secondary education mandatory. Each economy has adopted strategic documents in order to improve education outcomes. An increased emphasis has been placed on upgrading VET legal and institutional setups as well as on developing updated curricula for improved relevance to labour market needs.

**Overall, the education systems remain inclusive,** in that the percentage of early school leavers is well below the EU average in the majority of Western Balkan economies, with the exception of Albania and Kosovo\*. Between 4.5% and 7.1% of population aged 18-24 are early leavers from education and training, compared to 10.3% in EU-28. Albania's share was 17.4% in 2018, down from 21.3% in 2015 and Kosovo\*'s was 12.2% in 2017. Enrolment rates in pre-university education remain high; however due to declining demographic trends and the high level of emigration, they have recently experienced negative growth. Coverage of children by pre-school education has followed positive trends, but still differs widely in the region and lags considerably behind the level of the EU (78% in Albania, 17.6% in BiH, 52.8% in Montenegro, 38.8% in North Macedonia, 72% in Serbia, compared to more than 95% in the EU). Lower participation in education of children from marginalised groups remains a concern in the region, however more evidence is needed to better understand and address this challenge (attendance varies between 7% for the poorest quantile and 37% for the richest quantile in Kosovo\*, between 62% and 88% in Albania, 9% and 82% in Serbia and 17.7% attendance for the poorest quantile in Montenegro). Roma children and youth have distinctly lower enrolment and completion rates compared to other students all over the WB region. Overall, the region lags behind the EU in terms of tertiary educational attainment (around 33-35% compared to over 41% in the EU).

**All WB economies recognise the need to further improve the quality of their education systems, with a particular focus on aligning them with labour market needs.** Notwithstanding progress in PISA results, outcomes are low compared to OECD economies. Students from the region underperform in all areas of reading, math and science. For example, underachievement in education as measured by the percentage of 15-year old students performing below level 2 at PISA mathematics proficiency test has substantially improved in recent years. The ratio ranged from 39.7% in Serbia to 76.6% in Kosovo\*, compared to the OECD average of 24%.





**Transition towards the labour market remains difficult across the board.** The NEET rate of young people aged 15-24 in the region ranged between 15.3% in Serbia to 32.7% in Kosovo\*, compared to the EU average of 10.1% in 2019. Higher education is characterised by both an oversupply of graduates in some fields of study and shortage in others.

**Adult participation in formal and non-formal education and training is very modest by EU standards.** It ranges between 0.9% and 4.1% in the WB compared to the EU average of 11.2%.

## 1.2. Gender equality

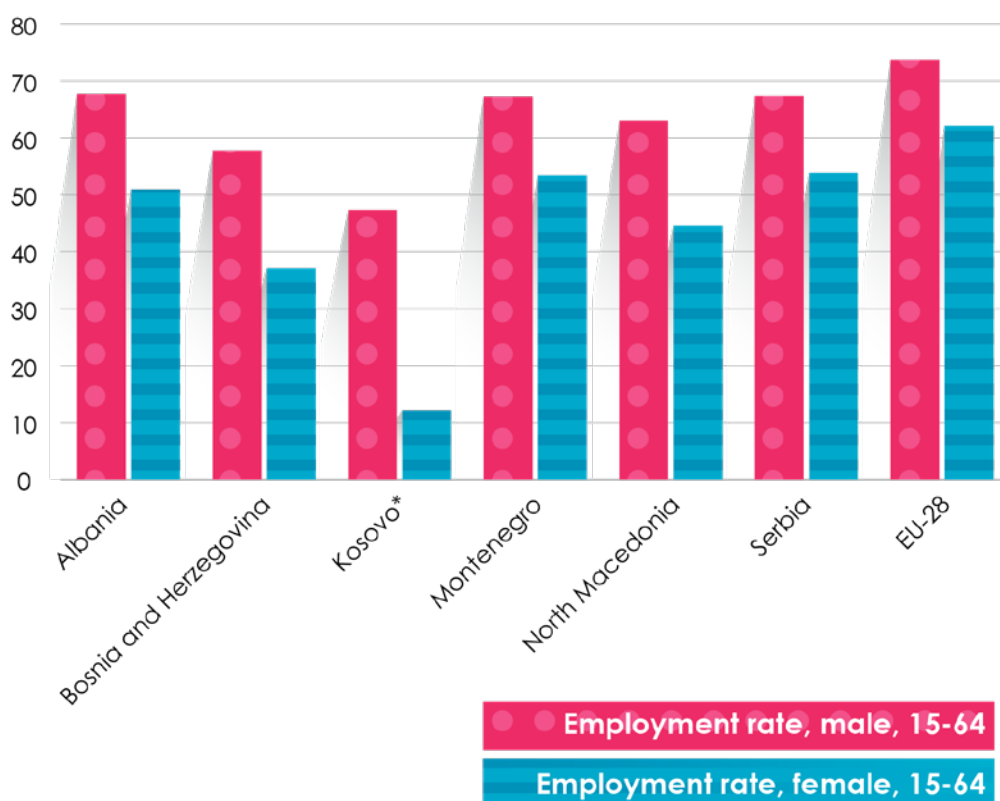
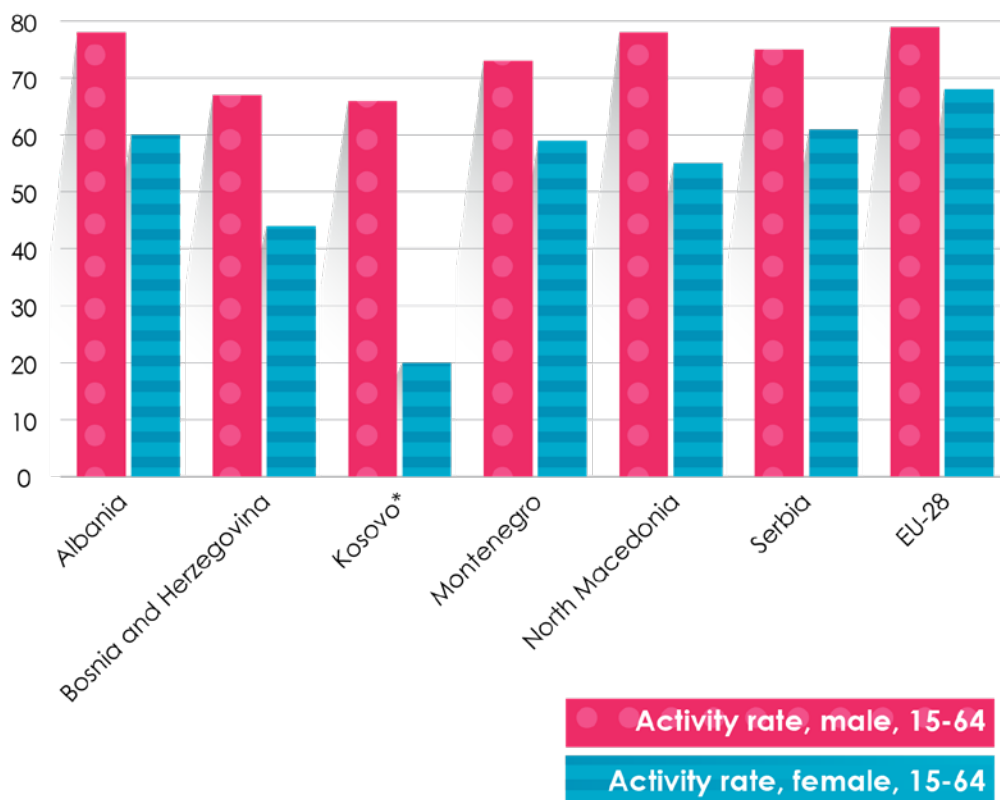
**Legislation, institutional settings and policies to ensure and promote equal treatment and opportunities between women and men are mostly in place in the Western Balkans.** Many of the economies have stepped up efforts in recent years to fully operationalise principles of gender equality in national laws, by-laws, strategies and action plans. The institutional infrastructure is also well development. However, the lack of full implementation of strategies and legislation remain key obstacles towards achieving full gender equality.

**In practice, women in the region still lack equal conditions for enjoying their human rights and equal opportunities to contribute and benefit from political, economic and social development.** The Gender Equality Index indicates substantial gender gaps in comparison to the EU-28 average. For the economies that measure it, the index ranges from 55 in Montenegro to 60.4 in Albania, compared to 67.4 in the EU.

**Persistent and pronounced gaps remain in the labour market with regard to participation, employment and wages.** Participation rates for women in the labour market are particularly low in Kosovo\* and Bosnia and Herzegovina (20% and 44% respectively in 2019). These differences follow trends regarding the gaps in the level of education (for example, in BiH, 20.4% of women aged 15+ have not completed primary education compared to 7.4% of men). The other economies also suffer from gaps which are consistently higher than the EU average. Gender differences in employment

rates follow similar patterns (between 12.8% in Serbia and 33.9% in Kosovo\*, compared to 11.4% in EU-28 Member States in 2019), although the gap decreases slightly. The traditional division of labour and family responsibilities are important factors for the lower activity and employment rate of women in the region.

**Figure 1 Participation and employment rates by gender, 2019**



Gender pay gap in the region is evident in most industries and sectors, but not very deep. Some of the Western Balkan economies do not measure gender pay gaps in a comprehensive and consistent way; however the existing evidence points to differences in earning because of gender, which stand at 8.7% in Serbia, 9.1% in North Macedonia, 10.7% in Albania and 13.9% in Montenegro. These differences compare favourably to the EU average of 16.6%. Part of the reason relates to better average education attainment of employed women relative to employed men.

Engagement of women in entrepreneurship is low, mostly due to lack of access to finance and low levels of ownership of property, which can be used as loan collateral. Many women-led enterprises also focus on low value-added service provision with limited possibility for growth.

Many of the obstacles to ensure full gender equality relate to practical cultural aspects of the society. Oftentimes, deeply rooted gender stereotypes relating to the traditional roles of women and men in society and economy heavily affect women's choices to engage in productive economic activities or seek employment. The lack of affordable and accessible childcare services is sometimes another important deterring factor.



### 1.3. Equal opportunities

**The institutional and legislative frameworks for the protection and promotion of human rights and freedoms and protection against discrimination are well developed and mostly aligned to EU directives.** Further, individual economy strategies and action plans promote the integration of Roma and Egyptian communities, gender equality, social inclusion and the rights of LGBTI persons. However, a key challenge in this area relates to the poor integration of human rights and gender components in other development policies. Additionally, institutions often lack sufficient staff with appropriate expertise in this area or available budget is not sufficient.

**In practice, ensuring equal opportunities, especially for marginalised groups, remains an important challenge.** Minorities, particularly Roma, youth and people with disabilities are affected and experience high level of poverty, unemployment and social exclusion. They often do not have equal access to education, labour market and social protection schemes throughout the region. Roma remain the most vulnerable and disadvantaged ethnic group. Despite existing legal provisions, implementation remains weak in the labour market, both in the public and private sector, where women and people with disabilities have barriers to employment and the same applies to members of ethnic minorities, particularly members of the Roma community. Women and persons with disabilities often suffer from various forms of discrimination as well.

**Income quantile ratio is higher than in the EU.** The ratio of total income received by 20% of the population with the highest income (the top quintile) to that received by 20% of the population with the lowest income (the bottom quintile) ranges from 6.2 in North Macedonia to 8.6 in Serbia compared to the EU average of 5.2.

### 1.4. Active support to employment

**The Western Balkans cope with unfavourable labour market outcomes, particularly for vulnerable groups.** Despite positive trends in the last few years, labour market performance is poor and characterised by high youth unemployment, low participation of women and high long-term unemployment. 37% of the total working age population was inactive in 2019 (the inactivity rate stands at more than 46% among women). Youth unemployment in 2019 was 32%, an important reduction compared to 48.5% in 2012, but still remains an alarming rate. Long-term unemployment constitutes between 60% and 80% of overall unemployment in the WB region.

The government of North Macedonia has introduced the Youth Guarantee (based on the EU experience) envisaging that each young person under the age of 29 is given an adequate job offer, an opportunity to continue education or to be included in internship or traineeship measures. In 2019, Serbia has started a feasibility study on Youth Guarantee.

**Public Employment Services (PES) conduct numerous measures and implement policies aimed at supporting people into employment.** PES is the main institution providing employment support for the unemployed such as provision of labour market information, counselling of job seekers and job mediation. In every economy, PES have limited impact and limited funding opportunities.

**Despite poor labour market outcomes, active labour market policy (ALMP) measures are underfunded and the coverage is limited and modest.** A limited number of registered unemployed





are included in active labour market measures – training, employment, self-employment subsidies and public works. In recent years, the budget of employment promotion programmes and the number of beneficiaries has increased (such as for example in Serbia from 19500 in 2017 to 25000 in 2018; in Montenegro from 5272 in 2017 to 5374 in 2018), but both still remain far from the EU average. On average ALMP spending in WB6 accounts for only 0.12% of GDP, much lower than the average of the EU former transition economies (0.31%) and the average of the ‘western’ EU Member States (0.88%)<sup>2</sup>. New programmes have been introduced throughout the region and also included adult education, training for work with the employer, public works, and seasonal works. However, ALMP measures do not target sufficiently well members of the most vulnerable groups. Evaluations of ALMPs are not conducted on a regular basis across the board, but a number of evaluations indicate programmes are beneficial to the society. Nevertheless, the overall impact of ALMP measures on labour market outcomes remains limited.

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<sup>2</sup> Regional analysis of ALMPs in the Western Balkans 6, RCC publication, 2017

## Chapter 2 - Fair working conditions

### 2.1. Secure and adaptable employment

**All Western Balkan economies have undergone recent amendments to the labour codes and regulations.** Such changes for example include enhanced employee protection in Albania, fixed rigidities associated with collective bargaining and collective agreements in BiH, recognised employment contracts for home-based employees in Kosovo\*, a new labour law in Montenegro which defines the rights and obligations of the employee and the conditions imposed by the employers, provision of the right to fair and equal treatment of workers with temporary contracts in North Macedonia and increased flexibility for employers to adapt swiftly to changes in the economic environment in Serbia.

**Part-time and temporary employees are principally entitled to the same level and scope of rights as full-time employees.** Transitions from temporary to permanent employment are fast, but the labour market dynamics are low. This oftentimes leads to high long-term unemployment (between 60% and 80% of the unemployed have been without a job for more than a year - a very important predictor of social exclusion and skills obsolescence). Among those employed, the share of vulnerable employment (which involves unpaid family workers and own-account workers as a percentage of total employment) remains considerable and affects every third or fourth employed person. Much of the self-employment is necessity-driven and related to the inability to find a full-time job.



**More efforts need to be made to accommodate and regulate atypical contracts.** Serbia has recently passed a law on Agency Employment aimed at preventing employment relationships that lead to precarious working conditions within atypical contracts. Further efforts need to be made in other economies to accommodate for new forms of flexible and online jobs.

**Informal employment constitutes a substantial share of employment in all Western Balkan economies,** estimated to range from 18% in North Macedonia to around 30% in Kosovo\*. It is more widespread in trade, construction, tourism and hospitality, craft and industrial facilities. Youth and unskilled workers are more prone to working informally. It is an issue that affects many aspects of the economy and society through, for example, breaches of workers' rights, unfair competition and reduced tax revenues.

## 2.2. Wages

**Wage levels in the Western Balkans are low by European standards and have been growing at low rates in real terms.** Further, the average wage level is inflated by higher salaries in the public sector (up to 40% higher in BiH and Kosovo\*) and may to a certain extent be attributable to better characteristics of public sector employees. Montenegro boasts the highest average wages in the region due to a successful tax reform that significantly reduced tax rates on work, flourishing of the tourism sector and high inflows of foreign direct investment and domestic investments.

**A legally binding minimum wage is in place in all Western Balkan economies.** In most of the Western Balkan economies, the minimum wage has followed an increasing trend in recent years. In Albania, more than a quarter of the employed earn just the minimum wage, which is set and adjusted with limited consultation with social partners. The high tax wedge pushes both employers and employees to agree on envelope wages. Minimum wage in BiH is bargained through tripartite social dialogue, but eventually determined by the government. The criteria for setting the minimum wage level in Kosovo\* are encompassed by the Labour Law; however it has never been revised because of strong disagreements between workers' and employers' organisations, which has prevented adjustment to the minimum wage.

**High labour taxation affects take-home earnings, while low-wage earners are often at a disadvantage because of the low progressivity of labour taxation.** Overall the share of low wage earners is relatively high and as a result in-work poverty is also an important feature of labour markets (estimated at around 10% in Serbia and 24.5% in BiH).

## 2.3. Information about employment conditions and protection in case of dismissals

**Labour Laws regulate the content of the employment contract.** They clearly state the right of the workers to be informed about their rights and obligations. Core information on working conditions is usually contained in employment contract. Employers have to sign an employment contract with each new employee, meaning that the worker is familiarised with working conditions at the start of the employment relationship. Implementation of legislation in many cases can lag behind though, as evidenced by the high level of informality in the labour market (see 2.1).

**Relatively good protection of workers is provided by labour legislation in case of dismissal.** The rights of workers are very similar in the region and in most cases respected. Workers have the



right to be informed about the reasons of dismissal at the beginning of the notice period. The employer may cancel the labour contract with the employee if there is a justified reason to do so. The employer is not obliged to respect the minimum notice period in case of serious violation of employment contract. The employer should warn an employee in written form about a dismissal which includes a deadline for the employee's response which cannot be shorter than five working days. In case of dismissal, the employee is entitled to make a complaint to the employer or its relevant bodies. Mediation is an informal way of out-of-court dispute resolution, where Agencies for the Peaceful Resolution of Labour Disputes are involved in obtaining a decision. If no resolution is achieved, the employee can initiate a procedure at the competent court. In the case of a dispute over termination of employment, the burden of proof falls on different parties, for instance on the employer in Montenegro, but on the employee in Serbia. The employee is entitled to compensation in case of unjustified dismissal.

## 2.4. Social dialogue and involvement of workers

**Social dialogue is in place, but in practice underdeveloped and ineffective.** Constitutions guarantee the freedom of association in trade unions. The Social/National Labour/Socio-economic Councils are responsible for facilitating social dialogue, however their capacities are limited. Meetings are not held regularly, councils operate even with no premises, no budget and often contribution of staff is made on a voluntary basis. The councils often give only opinions on proposed laws and regulations or face challenges related to the legitimacy and representatives under the political impact. Both increased commitment by all stakeholders and improved capacities for social dialogue are needed.

**The Labour Laws regulate industrial relations and the actors and procedures of collective bargaining in the region as well as social dialogue.** Collective bargaining is higher in the public sector and takes the form of sector-level bargaining, while company-level bargaining is less developed and present in the private sector. Collective agreements are more developed in urban areas. The coverage and number of employees covered by collective agreements is low and it has been decreasing in recent years (decreased from 26% in 2017 to 22% in 2018 in Albania, 19 in public sector in 2019 in Serbia). Collective bargaining and consultations on policies concerning workers and employers is weak and collective agreements tend to restate the provisions of the labour legislation rather than further developing the rights and obligations of employees and employers. One of the barriers is the existence of several trade unions and federations covering one profession, operating in the same area and/or economic sector. The relations between social partners are often more conflictual than cooperative. Due to the implementation of new laws, collective agreements and various projects are expected to increase and develop with the purpose of worker's protection. There is also a general lack of systematic information on collective bargaining, which should be rectified to better inform social dialogue processes.

## 2.5. Work-life balance

**The Constitutions and Labour Laws in the Western Balkan economies guarantee protection to families and children, and provide for suitable leave and flexible work arrangements.** Along with standard annual leaves, workers are entitled to a range of other types of paid leave such as medical leave for their children, family related events, etc. The rights of women in the labour market are generally protected with regard to maternity leave, however the legislation regarding paternity leave is not well developed. Rules regarding maternity and parental leaves are relatively



generous in comparative perspective. Frequently, the legislation also provides financial stimulus for mothers to get back to work before the end of maternity leave period, an option used by few women. Parents are also entitled to part-time working arrangements during early childhood of their children. There is however some evidence that leave rights are not always exploited by workers because of employer's pressure or self-perceived risks of losing one's job.

**Western Balkan citizens are more likely than EU citizens to face challenges in their work-life balance.**

A majority of Western Balkan respondents from the European Quality of Life Survey report that they leave work being too tired to do household jobs and face difficulties to fulfil family responsibilities because of work on a regular basis.

Women face particular difficulties in balancing work and life/family; however there is evidence that work-life balance has become an important issue for men in the region as well. The lack of accessible and affordable childcare services and weak caretaking services for the elderly pose challenges and affect labour market participation – especially for women in Kosovo\* and BiH, where labour market participation rates for women in 2019 stood at 20% and 44% respectively.

## 2.6. Healthy, safe and well-adapted work environment and data protection

**The legislative and institutional framework for healthy, safe and well-adapted work environment is in place in the majority of economies in the region.** New and well-defined laws and strategic documents on safety and health at work define provisions related to general measures at the workplace and employers' and workers' responsibilities. Only in the Federation of BiH the Law on Safety at Work dates back to 1990. In Kosovo\* there is no insurance against accidents and occupational diseases which bears negative consequences on the health of workers in case of injuries. Kosovo\* also needs to develop a list of occupational illnesses. Labour inspectorates operate in all economies to supervise the implementation of occupational health and safety.

**There is room for improvement in the area of health and safety at work in terms of implementation and institutional capacity.** Implementation of occupational safety and health at work is in most cases ineffective. Workers are oftentimes faced with in general poor working conditions and a substantial share of them is not satisfied with their current working conditions. For the most part, there are no comprehensive and effective systems in place for collecting and reporting data related to injuries and accidents at work. Further, there are instances of reluctance to report, no standard reporting guidelines and frequent lack of registration of employees. As a result, the incidence of work-related accidents is underestimated to a large extent. The reported data on accidents at work for the region, at par or lower than the EU average, most likely do not realistically measure the occurrence of accidents. Policy frameworks are not fully adaptable to the needs of different groups of workers, such as to promote safe, healthy and active ageing at work, knowing that older workers constitute a vulnerable category in the labour market from a health and safety perspective. Labour inspectorates are also understaffed and are in strong need of additional human resources and enhanced capacities to deliver on their mandate. Governments have recently become more aware of the importance of occupational health and safety and are proactively trying to address the existing challenges. For example, the Government of Serbia declared 2019 to be the year of health and safety at work, following the sharp increase in fatal accidents at work in 2018.

Legislation provides adequate protection of personal data. Recent laws have been approved to determine the rights, responsibilities, principles and measures with respect to the protection of personal data. Personal data of employees are generally well protected by the existing legislative framework. Public institutions have also been set up in each economy to monitor the legitimacy of data processing. Increased number of complaints about personal data protection in several instances point to improved awareness and recognition of rights granted by laws on the protection of personal data.



## Chapter 3 – Social protection and inclusion

### 3.1. Childcare and support to children

**Children are disproportionately exposed to poverty in the Western Balkans.** At-risk of poverty rates for children are higher than for adults, especially in case of multi-member families with more than three children. Lower income is associated with lower probability of participation in early childhood education. The poorest children are also behind in the literacy-numeracy dimension of the early child development index. Combined, these features also affect health outcomes for children at-risk of poverty.

**Although improving, preschool education coverage is still low.** The low participation rates are especially pronounced among the 0-3 age cohort. Pre-school education is often seen as a care service for employed parents: it is not surprising that children whose parents are employed make the majority of children in preschool education. The provision of early childhood education and care is concentrated in urban areas. Despite the recent expansion of public kindergartens, the demand for a place remains higher than the supply, especially in urban areas. Community-based models of pre-school education are being successfully introduced in the region.

**Strategic and institutional frameworks for childcare and support to children exist in the Western Balkans and have undergone recent improvements.** Ambitious reform efforts are underway, such as, for example, the establishment of a Platform for the Development of Preschool Upbringing and Education in BiH for 2017-2022, increased capacity of formal childcare, reform of social assistance system to include child and educational allowance and expansion of conditional cash transfer into a general educational allowance in North Macedonia, and a new law on early childhood education and care in Kosovo\* which aims to ensure a more inclusive participation. New curricula of pre-school education are introduced in parallel to training of teachers and managers of pre-school institutions. Increasing capacities for data collection and monitoring with regard to children's rights will enable better evidence-based policy making.

### 3.2. Social protection

**Comprehensive systems of social protection are in place in the Western Balkans and include social and health insurance, passive and active labour market programmes and social assistance.** However, the social protection systems are overall insufficiently effective in addressing poverty and inequality issues. The region is characterised by high poverty as measured by the at-risk of poverty and social exclusion indicator (between 31.4% in Montenegro and 49% in Albania, compared to 21.9% in the EU). Notwithstanding the high poverty rates, total social protection expenditures in the Western Balkans are well below the EU average (for example in 2018, general government expenditure on social protection was 11.5% of GDP in Albania and 13% of GDP in BiH compared to the EU-28 average of 18.6%).

**Better coordination among the different social protection programmes is needed in order to ensure complementarity towards job creation and poverty reduction.** Social benefit schemes often discourage entering the formal labour market and stimulate undeclared work. The extent

of informality and inactivity in the labour market, especially among the young is very worrisome. Access to social protection rights related to employment status is discriminatory against workers outside of formal paid employment and their families. Further reforms are needed in order to improve targeting and adequacy of social protection programmes. Positive signals from the region include amendments to the social assistance and social care services laws in Albania; the new law on labour and the proposed Social Insurance Fund in Kosovo\* that will address the shortcoming of the current social protection policy; cooperation between employment agencies and centres for social work in Montenegro; the plan of the government of North Macedonia to develop an integrated management information system that combines financial benefits and social services.

### 3.3. Unemployment benefits

**The Western Balkan economies have legal frameworks for unemployment benefits in place, but there is a need to strengthen activation efforts.** In general, the person must be registered at the Public Employment Service and must be capable or partially capable of work and actively seeking employment to obtain unemployment benefits. The unemployment benefit schemes usually give a longer support to those that have contributed to the scheme for a longer period. In recent years, the absolute number of the recipients of unemployment benefits declined significantly, as well as their share in the population of unemployed, both because of reduction in unemployment and legislative changes. Kosovo\* is the only case in the region, which has no unemployment benefits and financial unemployment support comes in the form of social assistance.

**The coverage rate of persons registered as unemployed by unemployment assistance benefit is very low.** Such low proportions reflect the labour market situation in the economy in which the majority of unemployed do not have any prior work experience or are long-term unemployed who had an unsuccessful job search and exhausted their eligibility. The benefit level depends on duration of contributions but does not always reflect the person's previous salary. One of the main incentives to register as unemployed is social benefits, such as health insurance and retirement contributions. The unemployed who are part of the social assistance scheme receive other benefits. The main form of support to the unemployed comes in the form of Active Labour Market Programmes, which can further improve their targeting towards the unemployed.

### 3.4. Minimum income

**The main income support programmes for individuals and households with low or no income are social assistance programmes.** Detailed legislation regulates the eligibility criteria, which are restrictive. In broad terms, a lot of recent reforms have focused on ensuring that resources target the poorest and most vulnerable in the society. 70% of the social assistance scheme in Kosovo\* and 74% of the Serbian financial social assistance programme reach the poorest quantiles, respectively. The newly introduced Guaranteed Minimum Income in North Macedonia intends to increase both the amount of social assistance and the coverage. Good targeting, however, could be to a certain extent related to the high level of poverty and relatively small beneficiary base of the social assistance programmes.

**Coverage of the poor by the social assistance programmes is low due to restrictive eligibility criteria and the high poverty rate.** The overall funds dedicated to social assistance constitute only a small share of total social protection and the amount of financial assistance received by poor households



is very low and not sufficient to cover basic needs. Very often it does not affect the poverty status of beneficiaries.

Efforts need to be increased to better link income support programmes with labour market activation. The scope of ALMPs targeting social assistance beneficiaries is small. Additionally, for a considerable share, long-term unemployment, lower education attainment and lack of skills constitute important impediments to their labour market integration.

### 3.5. Old age income and pensions

**Pension system coverage rate is high in most Western Balkan economies.** In Albania, retirement age people receive either full or partial pension or a social pension if they have not completed the years of contribution; in BiH the pension coverage rate is about 80%; a flat rate basic pension exists in Kosovo\*; in Montenegro the pension system covers mostly elderly people, however only about 42% of the working age population contribute to the system, which means that future coverage ratios will decline; social pension is introduced in North Macedonia to secure minimum income for old people who had at least 1 day of contributory period but do not fulfil the criteria for regular pension; while 16% of persons above 65 years of age in Serbia do not have the right to either old-age, disability or survivor's pension. Pensions across the Western Balkans play an important role in reducing poverty.

**Sustainability remains a concern and pensions are funded from the general budget on top of the contributions from salaries.** High unemployment rates, widespread unregistered work and demographic trends such as low natural population growth, population aging and out-migration affect contributions. Dependency ratios are low (1.22 in Albania, 1.73 in Montenegro, 1.8 in North



Macedonia), while the replacement rate is relatively generous, although income remains low for all persons who have earned pensions. Reforms are underway to improve the sustainability of pension schemes, such as the increase in pension contributions in North Macedonia or a gradual increase in the retirement age in most of the Western Balkan economies.

### 3.6. Health care

**Public spending on health is low** and on the decline often throughout the region. The laws regulate and guarantee equal access to health care for all citizens. In comparison with the EU, health insurance coverage is low and remains a challenge. The economies provide priority health care measures aimed at preserving and improving the health of citizens.

| <b>General government expenditure on health, % of GDP, 2019</b> |     |
|---|-----|
| Albania   | 2.9 |
| BiH   | 5.2 |
| Kosovo*   | 2.4 |
| Montenegro  | 5   |
| North Macedonia   | 5   |
| Serbia  | 5.4 |
| EU average  | 7   |

Source: National Economic Reform Programmes 2019

**Coverage and access to health care are not universal, and compare unfavourably to EU Member States, demonstrating stark variation among different groups of population and regions.**

Both increase with education and wealth. Rural citizens use fewer services than urban citizens. Women and men face similar barriers in accessing healthcare, though women seemingly have more sociocultural barriers than men. Utilisation of preventive care is very low. Despite various improvements the number of doctors and the number of hospital beds remains significantly lower than the EU average. Outmigration of health professionals has become an increasing concern.

**High out-of-pocket expenses reveal the shortcoming of the health system and the inability to meet citizens' needs.**

Out-of-pocket expenditures on healthcare range between about 1/3 and 1/2 of total health expenditure in the region. Additionally, unmet health care needs are more frequent in Serbia (5.8% of the population, compared to 2% in the EU) and BiH (5.1% of the population) while Montenegro and North Macedonia at around 2.3% compare more favourably to the EU. Private health care centres are usually expensive and designed for smaller proportion of citizens. Private hospitals exist, but are limited in numbers, services are expensive and not open to general public. Some private-public partnerships exist for check-up procedures.



Health information systems have been improving; however further advancements in the collection and use of data can help understand better the challenges of the health care systems and can inform policy actions in that domain.

### 3.7. Inclusion of people with disabilities

**The legal framework guarantees equal rights and non-discrimination for people with disabilities, however implementation remains limited.** National action plans are in place in the majority of Western Balkan economies, and continued efforts are made to improve service delivery, increase knowledge, raise awareness and ensure inclusive education. Overall, however, services for people with disabilities are not adequate. The level of benefits for persons with disabilities under general social protection legislation is not sufficient to offset the costs of living and care. Active participation of people with disabilities in decision-making and public life is often limited due to the lack of adequate infrastructure.

**The participation of persons with disabilities in the labour market is very low.** Legally, there are quotas of disabled workers employers have to employ relative to the overall number of employees in their company (25 in Albania, 16 in BiH, 50 in Kosovo\*, 50 in Montenegro and 49 in Serbia), or as is frequently the case, they need to pay a contribution to a special fund dedicated to persons with disabilities. Public Employment Services implement active labour market measures facilitating the integration of people with disabilities into the labour market through employment promotion programmes.

**The major type of support service to people with disabilities is the residential institutional care.** The governments are planning to speed up the process of deinstitutionalisation and introduction of pluralism in the provision of care for people with disabilities, mainly in favour of community-



based social care. However, considerations for introducing community service that allows independent living is missing or it is at an infant stage. In North Macedonia, the National Strategy for Deinstitutionalisation provides plans for the deinstitutionalisation and transition from institutional (residential) to community-based care. One of the potential constraints in the process is that municipalities have not managed so far to develop their social functions. There is no reliable data about the number of people with disabilities in Kosovo\*.

### 3.8. Long-term care

**Long-term care is characterised by unavailability and unaffordability of professional service for a lot of elderly.** There is limited availability of public elderly care services, mostly operating in the main cities. As a result, regional disparities in the provision of long-term care services are high. Public day-care services are also mostly limited to the capitals. Private day-care, residential care and community centres are available, but very few can afford them. A few NGOs and religious organisations also provide social services. Respectively, family members have substantial caring responsibilities.

**The Western Balkan economies differ in their progress to establish legal and institutional support for long-term care.** In October 2019, the government of Albania approved the National Action Plan on Aging 2020-2025. BiH does not have a system of long-term care in place or relevant strategic documents. New Changes to the Law on Child Protection in BiH were designed to introduce financial assistance to parents of children who need 24-hour care. The Ministry of Labour and Social Welfare Strategy 2017-2021 in Kosovo\* foresees a shift in the provision of eldercare by introducing the family foster care for older people. Institutions of long-term care or social protection in Montenegro involved in the direct provision of social services for elderly and older users are primarily social work and institutions for accommodation of users. The government of North Macedonia has adopted a national strategy for deinstitutionalisation along with an action plan for its implementation. Deinstitutionalisation was introduced as a guiding principle of the Social Policy Development Strategy in 2005 and re-affirmed in the 2011 Law on Social Protection in Serbia.

### 3.9. Housing and assistance for the homeless

**The housing and assistance for the homeless is one of the most problematic areas of the social rights.** Homeless persons are often not recognised as a specific category of persons in need, and homelessness is not monitored. Municipalities that can provide emergency accommodation for the homeless are rare and lack funding. Data on housing needs are often incomplete. Housing programmes are a combination of international and local funds. The lack of data on the number of social housing, the cost of renting, as well as the ownership rights over social housing units is the biggest problem in the area of social housing.

**The governments implement projects for people at social risk.** The governments support internally displaced, refugees and war veterans with housing projects. With support of various international donors, international agencies and local funding, social housing is under implementation in the region. In 2009 the government of North Macedonia started a large project of building 1.754 apartments in 32 buildings for people at social risk.

**Laws that regulate housing issues and strategies for social housing are in place.** The Law on Social Housing was approved by Albanian Parliament in 2018, social housing legislation was enacted in



the Republika Srpska and several cantons in BiH, new draft law is prepared in Kosovo\*, the Law on Housing and Building Maintenance and the Law on Social Protection were adopted in North Macedonia in 2016, there is a 3-year social housing programme in Montenegro and a law on social housing is implemented in Serbia.

### 3.10. Access to essential services

**There is relatively good access to water and sanitation for individuals and households.**

**Access to water and sanitation is high across the region with some exceptions in remote areas** (90.4% of the population in Albania uses safely managed drinking water services, 89.5% of Kosovo\*'s population is connected to water supply systems, 92% of dwellings in Montenegro have plumbing installations, 99.6% of the population in North Macedonia has access to improved drinking water sources, and 90.7% of Serbia's population uses safe drinking water).

**Access to electricity is almost universal but not everyone can afford it.** Many economies provide energy cost subsidies to help beneficiaries of social assistance and other groups at risk.

**Public transport is not available in many municipalities.** It remains concentrated in the largest towns and between towns. Road transport has gained further prominence, while railway transport remains underdeveloped.

**Internet access has improved significantly in recent years in the WB.** Access to internet and computer is highly correlated with household income and more widespread among urban households.



**Digital skills are moderately developed.** The majority of Western Balkan economies (BiH, North Macedonia, Montenegro and Kosovo\*) underperform regarding the overall digital competences and skills among the working-age population.

**Access to financial services is improving, however far from universal, especially for particular groups of population.** Women (except for Serbia), young people, those with primary education only, poorest individuals and rural population are less likely to have a bank account. The use of internet and digital payments is low.



## Conclusion

Notwithstanding recent progress, in most of the principles of the European Pillar of Social Rights the Western Balkan economies still lag behind the European Union standards.

In the field of equal opportunities and access to labour market, performance is mixed. Education is generally inclusive but some groups suffer disproportionately, such as Roma or children with disabilities. The quality of education and its relevance to the labour market needs remain important challenges throughout the region. The gender employment gap is substantial and will require both policy actions that will facilitate and encourage women's participation in the labour market and measures that will address the gender stereotypes on the traditional roles of women and men and their impact on the economy and society. Active support to employment is modest both in terms of funding and impact on the situation of the most vulnerable groups in the labour market.

In the field of fair working conditions, further improvements are needed regarding the reduction of informality, promotion of occupational health and safety and ensuring a better balance between work and family. Workers' rights are generally well-protected, but social dialogue remains weak and needs to be improved in order to ensure a meaningful and representative contribution to economic and social development in the region.

In the field of social protection and inclusion, better adaptation of government programmes to the needs of different groups is needed. Particularly vulnerable is the situation of children, elderly and persons with disabilities and special needs. A more holistic approach can be instrumental in providing adequate child protection. For older persons, better integration of services should remain a priority. The inclusion of vulnerable groups into the labour market should continue to be in focus of active labour market policies. There is a need to expand the coverage and increase the effectiveness of social assistance systems.

The experience of EU member states with the implementation of the principles of the EPSR is an indispensable and inspiring reference for the Western Balkan economies. The intensification of mutual learning, exchange of experience, cooperation, and joint action among the Western Balkan economies can give a valuable contribution to further improving working and living conditions of the region's citizens.



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**ESAP 2**

EMPLOYMENT AND SOCIAL AFFAIRS PLATFORM

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