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Social protection expenditure and redistribution in the Western Balkans

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Abstract

This paper analyses social protection expenditure, its financing and its correlation with redistribution effects in the European Union (EU) candidate and potential candidate countries from the Western Balkans – Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Kosovo and Serbia. Although social expenditure in the Western Balkans varies between countries in terms of the extent and functions, in general, it is growing and concentrates on the elderly population. The expenditure is strongly redistributive towards old age, but is less efficient in reducing extensive child and working-age poverty. From an intergenerational perspective, despite various recent improvements, it remains significantly unbalanced compared to the EU. The expenditure reflects the design of social rights that have been shaped by the legacy of socialism and war, local politics, and international organisations perhaps more than by the impact of economic resources and aging.

Keywords: Social protection expenditure; redistribution; legacy; politics; Western Balkans

Introduction

What does social protection expenditure tell us about the Western Balkans? In this paper, we address this question by analysing how much do the nations of the region spend, the functional structure of that expenditure, the ways it is financed, the variables that may impact the structure of the expenditure, and how expenditure relates to redistribution. We also make comparisons with developments in the European Union (EU).

The region has gone through two decades of relative stability following the troubled 1990s and all of its nations have entered contractual relationships with the EU towards potential accession. The EU's accession leverage – promising integration and improved material, security and normative standards – has made it a powerful influence in the post-communist trajectories of the Southeastern Europe (Vachudova, 2008). However, the EU has not maintained a unified approach or had much influence on social policy pathways compared to other policy sectors during pre-accession (Deacon & Hulse, 1997; Lendvai, 2007). In spite of that, most social policies in the Western Balkans, except for Kosovo, resemble the fundamental welfare state principles of continental Europe since they are organised mainly around social insurance institutions. Social expenditure and the size of its redistribution effects have increased over time due to an expansion in poverty protection and other minimum income rights, as well as tax structure reforms. Yet, the overall size of the region's expenditure remains much smaller, and the functions of social protection expenditure substantially different than in the EU, with a less balanced expenditure pattern and a smaller and less balanced redistribution impact.

Seen from this perspective, one can observe strong legacies especially among the former republics of Yugoslavia. The Yugoslav variant of “self-management” socialism (1952–1989) combined Bismarckian