

THE SOCIAL POLICY CHALLENGES OF EUROPE 2020 IN THE EU CANDIDATE COUNTRIES: THE CASE OF CROATIA AND MACEDONIA

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This paper examines the social dimension of the EU's Europe 2020 Strategy in two EU candidate countries (Croatia and Macedonia). The text outlines both the positive attributes of the new Strategy and addresses criticisms it has received. The two countries analysed show diverging trends, but also face similar challenges, in relation to the incorporation of Europe 2020 indicators and targets in employment, education, and poverty and social inclusion. The new indicators and targets may promote greater influence of the European Union in the creation of social policy at national level. At the same time, there is a need to support candidate countries where there are gaps in statistical data for evidence-based policies, a lack of strategic capacity, significant fiscal constraints, and a lack of political will. The paper concludes by addressing implications in relation to the identification of the poor and impacts on social protection systems and overall public policies.

1 INTRODUCTION

Systems of social protection as well as corresponding social policies in the countries of South East Europe (SEE) have been subjected to continuous changes since the 1990s. These changes have been produced by both internal and external factors, including: the transformation of the political (and socio-economic) systems and ideologies, labour market restructuring and demographic ageing. In addition, a range of international organizations have played a crucial role in framing policy choices and offering technical and financial support for institutional and legislative changes in the field of social policy.² Although the European Union has been criticized as lagging behind other international organizations in relation to the governance of

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² Bob Deacon and Paul Stubbs (eds.), *Social Policy and International Interventions in South East Europe* (Cheltenham: Edward Elgar Publishing, 1997).

social policy,³ for the countries in South East Europe (particularly when these countries became candidate countries for EU membership), the EU represents an important factor for change. Again, despite its limited social *acquis*, and continued emphasis on the sovereignty of nation states in the social policy making process, the EU's social dimension can act as a catalyst for change challenging conservative bureaucratic policy structures, and, at times, as a counterweight to the social policy prescriptions offered by international financial institutions such as the World Bank and IMF. In this respect, the Europe 2020 agenda, endorsed by the 27 Heads of State at the June 2010 European Council, with its aim of achieving smart, sustainable and inclusive growth, offers a new possibility for EU candidate countries to adapt their policies towards a more progressive and inclusive social model. However, there are many challenges facing the EU candidate countries in moving towards EU 2020 goals and targets.

2 THE SOCIAL DIMENSION OF THE EUROPE 2020 STRATEGY: OPPORTUNITIES AND CHALLENGES

Although the overall architecture of the strategy encompasses a combination of macroeconomic, fiscal, as well as environmental goals and targets, here we focus only on the social dimension. The operationalization of the priority of inclusive growth is meant to be achieved through:

- a) Five reinforcing EU-wide headline targets, three of which are primarily focused on inclusive growth: raising to 75% the employment rate for women and men aged 20-64; improving education levels, in particular by aiming to reduce school drop-out rates to less than 10%, and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40%; and promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of poverty and exclusion. The anti-poverty target is based on a combination of three indicators: the number of people at risk of poverty (whose total income is below 60% of the median national equivalised household income), the number of people suffering severe material deprivation (the number of people living in households who can not afford at least 4 items out of a list of 9), and the number of people aged 0-59 who live in jobless households;
- b) Seven flagship initiatives, including three primarily focused on inclusive growth: "Youth on the move", "An Agenda for new skills and jobs" and "A European Platform against poverty"; and
- c) Ten Integrated Guidelines, the last four of which focus on inclusive growth: Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality; Developing a skilled workforce responding to labour market needs and promoting long-life learning; Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education; and Promoting social inclusion and combating poverty.⁴

³ Bob Deacon, *Socially responsible globalization: A challenge for the European Union* (Helsinki: Ministry of Social Affairs and Health, 1999); Richard Rosencrance, *The European Union: A New Type of International Actor (EUI Working Paper RSC No. 97/64)* (Florence: Robert Schuman Centre, European University Institute, 1997).

⁴ European Commission, *Europe2020: A Strategy for smart, sustainable and inclusive growth, Communication COM* (Brussels: European Commission, 2010).

Far from ideal, this strategy, as suggested by other authors,⁵ offers an opportunity to balance the economic, ecological, employment and social objectives of the EU. It has also been described⁶ as a possible means of addressing negative welfare and labour market incentives and the consequent low growth potential of certain member states. Others⁷ have also commented that the strategy can contribute to a structured and coordinated response to current problems, such as the economic and financial crisis, climate change problems, and so on, adapting social welfare to meet new risks. According to the Regional Cooperation Council for South East Europe, the Europe 2020 strategy also offers candidate countries strong potential to anchor reforms and facilitate EU accession; commitment to common goals; improved systems of monitoring, peer reviews, benchmarking, and collecting indicators as well as widening the space for partial, functional and sectoral integration of candidate countries into EU structures prior to accession⁸.

At the same time, other scholars and, particularly, activists in the social policy field, have been more sceptical. According to the European Trade Union Institute, the focus on efficiency, effectiveness, prioritization and cost containment may be a prelude to a redefinition of the European Social Model in terms of a shift from a comprehensive to a more residual kind of welfare state.⁹ Pochet questions the potential of merely exchanging best practice in attaining the poverty reduction target “without any changes in the distribution of income and the mechanisms for redistribution”.¹⁰ Jepsen suggests that a strategy to decrease poverty and social exclusion via employment alone is bound to fail. She advocates a reinforcement of social protection systems as a way of achieving the poverty target.¹¹ Others¹² have also commented “the social dimension that was ‘social cohesion’ has been reduced to ‘poverty reduction’, (and) narrowed down into what is typical of a (neo) liberal view of the welfare state”.

Clearly, the strategy can be viewed both in terms of an opportunity and as a threat, with uncertainties in terms of whether national and supranational governance mechanisms can find the resources and the means to maximise its positive potential. Although EU candidate countries are not formally obliged to adhere to the strategy, they are strongly encouraged to do so and, inevitably, adhering to the soft *acquis* will necessitate a convergence with key targets and involvement in key initiatives. In this context EU candidate countries may face specific challenges due to their high rates of

⁵ Hugh Fraser and Eric Marlier, “Strengthening Social Inclusion in the Europe 2020 Strategy by Learning from the Past,” in *Europe 2020: Towards a more Social EU?* eds. Eric Marlier and Natali David (Brussels: P.I.E. Peter Lang, 2010), 34.

⁶ See Funk, Lothar. *Economic Governance and the Future of the Welfare State: Reforms and Incentives*, comments presented at an EIN Seminar on “Rebuilding European Market Economy”, in Madrid, 21 March 2011. Available at http://www.europeanideasnetwork.com/files/2011/Presentation_Mr_Funk.pdf (November 2011).

⁷ Anette Bongardt et al, “EU 2020 – A Promising Strategy?” *Intereconomics*, 45, 3, (2010), 136–170.

⁸ See Regional Cooperation Council. *Western Balkans and Europe 2020*, presentation at the Conference – ‘Western Balkans and Europe 2020, Towards Convergence and Growth’, in Brussels, 2011. Available at http://www.seevccc.rs/rnd/presentation-min/Minic_Western_Balkans_and_Europe_2020.pdf (November 2011).

⁹ European Trade Union Institute, *Benchmarking Working Europe 2011* (Brussels: ETUI and ETUC, 2011).

¹⁰ Philippe Pochet, “What’s Wrong with EU2020,” *Intereconomics*, 45, 3 (2010), 141–146.

¹¹ Maria Jepsen, “Social protection and the Europe 2020 strategy: part of the problem or part of the solution?” in *Benchmarking Working Europe 2011* (Brussels: ETUI and ETUC, 2011), 46.

¹² Bengt-Åke Lundvall and Edward Lorenz, “From the Lisbon Strategy to EUROPE 2020,” in *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*, eds. Natalie Morel et al (Bristol: Policy Press, 2011), 11.

unemployment, poverty and social exclusion. As Nolan and Whelan¹³ point out, the addition of the severe material deprivation criterion produces much sharper variation between countries than was the case with the relative income poverty indicator alone. The significant gap between the higher rates of material deprivation in most of the new member states and candidate countries compared to the old member states is now more clearly visible in a key target indicator.

In many ways, the true impact of the Europe 2020 strategy will depend as much on the balance of power within the European Union in the coming years as on the technical aspects of the strategy. The composition of the European Council and the Parliament, as well as the relative weight of different Directorates-General within the Commission, will determine whether more economic and employment-oriented approaches to development dominate or, whether, there will be a more holistic concern with the social dimension. Whilst, at first glance, the Europe 2020 strategy appears more 'social' than the previous Lisbon strategy, at least as revised in 2005, this is also rather debatable. Indeed, by raising the social dimension up the agenda, without any significant changes in the mechanisms through which social policy will be addressed, namely the familiar instruments of the Open Method of Co-ordination, some of this may be lost.¹⁴ Indeed, the first wave of member state national reform strategy reports has tended to be rather limited regarding the issue of social inclusion, reflecting the current emphasis within the EU on austerity.

3 EUROPE 2020 AND THE JIM PROCESS

The linkage between the Europe 2020 strategy and the Joint Inclusion Memorandum on Social Inclusion (known as the JIM) for candidate countries is far from clear. The JIM is meant to prepare Candidate Countries for full participation in the OMC on social inclusion when they join the EU. It is a joint Commission/CC Government document, which sets out key challenges in relation to tackling poverty and social exclusion, presenting a set of agreed policies and measures in order to begin translating EU objectives into national priorities. The first JIMs were introduced for those countries which joined the EU in 2004 and 2007 and were widely criticised for being hurried, vague and ineffective, and largely top-down in terms of the lack of wide stakeholder consultation.¹⁵

Macedonia is still in the preparatory phase before work on the JIM starts. Croatia began work on the JIM in 2005, with the document signed by the Croatian Government and the European Commission on 5 March 2007. For the European Commission, Croatia's JIM represented a significant opportunity to make a more serious effort. This was, of course, helped by the certain knowledge that the time from the launch of the process, through the signing of the JIM, to Croatia's eventual accession, now scheduled for July 2013, was going to be several years, allowing for significant monitoring and follow up actions. Fortunately, the Government of Croatia placed

¹³ Brian Nolan and Christopher Whelan, "The EU 2020 Poverty Target" *UCD Geary Institute Discussion Paper Series* (Dublin: UCD Geary Institute, 2011), 9.

¹⁴ Paul Stubbs and Siniša Zrinščak, "Social protection and Social Inclusion from Lisbon to Europe 2020," in *From Lisbon Strategy to Europe 2020*, eds. Višnja Samardžija and Hrvoje Butković (Zagreb: Institute for International Relations, 2010), 163–184.

¹⁵ See European Anti Poverty Network. *EAPN comments on the Joint inclusion memoranda – February 2004*. Available at http://www.eapn.eu/images/stories/docs/EAPN-position-papers-andreports/jimcomments2004_en.pdf (November 2011).

responsibility for social welfare within a new Ministry of Health and Social Welfare, with the division of social welfare led by a state secretary from a coalition partner the Croatian Social Liberal Party (HSLP), who was keen to show leadership in the JIM process, so that the European Commission DG Employment, Social Affairs and Equal Opportunities, as it then was, found a willing and competent counterpart. The state secretary established a small team of independent experts who tended to be more progressive in their analysis and policy recommendations, and whose work was facilitated by a dedicated team of civil servants. Following a long and intensive consultation process, including different Ministries and Government agencies, NGOs, social partners as well as some representatives of regional and local governments, the JIM was signed on 5 March 2007, and has been followed by a number of Implementation Plans and Reports which have, in turn, been extensively evaluated and commented on by the Commission. In parallel, the JAP process focusing on employment according to the EU guidelines was also launched and the Joint Assessment Paper of the Employment Policy Priorities in the Republic of Croatia was signed in May 2008. Following commitments taken inside the JIM and JAP as well as other formal obligations, Chapter 19 of the *acquis communautaire*, relating to Social Policy and Employment, was provisionally closed on 21 December 2009.

Stubbs and Zrinščak¹⁶ have argued that the JIM allowed for an articulation of a clear social policy agenda in Croatia. In addition, it was the first time that issues of social exclusion were subject to real open consultation with stakeholders' views incorporated into the document and its evaluations. The JIM has also contributed to a process; albeit rather slow and uneven, through which Croatian social statistics have become more harmonized with EU practice, with the first results from the EU-SILC household survey due to be published at the end of 2011. It has also stimulated research on a range of social issues such as youth unemployment, vulnerability and the transition from school to work, and indebtedness. It has strengthened the hand of those advocating on a number of 'core' social policy and employment themes, as well as on deinstitutionalisation or the reduction of numbers in inappropriate institutional care, decentralization, the promotion of life-long learning, and the introduction of a social pension for older people without any income. Still, there is an overemphasis on 'process' at the expense of 'content' regarding EU social policy influence, and many commitments, including the 'social pension', have been postponed in the context of the economic and financial crisis. Crucially, just as there was little linkage between the JIM and the Lisbon strategy, later documents have not referred, extensively, to Europe 2020. The latest JIM Implementation Report makes only very vague and general reference to the strategy suggesting that, although it was developed in November 2010, and has been presented at a number of conferences and events in Croatia, it is not yet perceived as important in the setting of targets in Croatia. In the end, the real problem is that the JIM process has been more 'technical' than 'political' with little incentive to raise issues of social policy and responding to social exclusion up the political agenda. Indeed, JIM commitments, implementation and reporting on issues which are not the direct responsibility of the Department of Social Welfare, remain rather weak. In particular, commitments in the areas of education and health have tended to be rather general, relating to a broad reform agenda, rather than referring to the importance of policies to improve access to education and health for vulnerable and disadvantaged groups.

¹⁶ Paul Stubbs and Siniša Zrinščak, "Croatian Social Policy: The Legacies of War, State-building and Late Europeanization," *Social Policy & Administration*, 43, 2 (2009), 121–135.

4 THE SOCIAL DIMENSION OF EUROPE 2020 IN CANDIDATE COUNTRIES: AN EMPIRICAL ANALYSIS

Comparative trends in Croatia and Macedonia with EU averages suggest that they will face serious challenges in achieving the employment, education and poverty targets. In particular, Macedonia still has difficulties reaching the employment target, as there is an extremely low level of employment among women (37.5%). Croatia, whilst in a better position, still faces considerable difficulty in coming close to the target in terms of employment. At the same time, Croatia is one of the laggard countries in terms of economic growth after the crisis, with year on year, in the first quarter of 2011, the Croatian economy still shrinking, now by -0.9%. This suggests that the long-term negative structural conditions, both in terms of unemployment and in terms of poverty and social exclusion, will remain for some time, making the Europe 2020 targets even harder to reach. In addition, Macedonia will have greater challenges reducing the number of poor people (31.1%) to contribute towards the EU overall target of poverty. Both candidate countries seem to be in difficulty in relation to the increase of tertiary education enrolment, needing to double their existing levels of enrolment.

TABLE 1: EUROPE 2020 INDICATORS – COMPARATIVE DATA

	Croatia	Macedonia	EU27	EU2020 target
Employment rate (20-64)	58.6	48.1	68.6	75.0
Male	64.7	58.4	75.1	
Female	52.9	37.5	62.1	
Early school leavers (18-24)	3.9	15.5	14.1	<10.0
Male	4.9	13.7	16.0	
Female	2.8	17.5	12.2	
Tertiary education attainment (30-34)	22.6	17.1	33.6	40.0
Male	19.0	16.2	30.0	
Female	26.4	18.0	37.2	
At risk of poverty and social exclusion	n. a.	n. a.	23.1	20 million people out of poverty
Persons living in households with very low work intensity	n. a.	16.1	9.0	
Persons at risk of poverty after social transfers	17.9	31.1*	16.3	
Severely materially deprived persons	n. a.	41	8.1	

Source: Eurostat.¹⁷

*Poverty is calculated according to the relative method, as percentage of persons whose expenditures are below the level of 70% of the median equivalent expenditure.

Comparative analysis according to each of the indicators in the candidate countries shows that there are significant structural differences in relation to conditions in terms of employment, education and poverty (and social

¹⁷ Available at http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators (November 2011).

exclusion). On the employment front, the comparison between Croatia and Macedonia shows great disparity. While the overall employment trend in the five-year period from 2005 till 2010 shows a constant rise in the case of Macedonia (from 43.9% in 2005 to 48.1% in 2010), the Croatian positive employment trend stopped in 2009 and decreased further in 2010, mainly as an effect of the global economic crisis. Despite this, the Croatian overall employment rate is higher than that in Macedonia by some 10%, and in the case of female employment higher by 15%. This puts Croatia much closer to the labour market conditions in some of the newer EU member states, such as Malta and Hungary (59.9% and 60.4% respectively). Still, both of the candidate countries are far behind the EU target of 75%, necessitating the need for greater labour market and social protection incentives to improve these conditions.

TABLE 2: EMPLOYMENT RATE, (AGED 20-64) CROATIA AND MACEDONIA, 2006-2010

	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia
	2006	2006	2007	2007	2008	2008	2009	2009	2010	2010
Total	60.6	43.9	62.3	45	62.9	46.3	61.7	47.9	58.6	48.1
Male	67.6	53.6	70.3	54.0	70.7	56.2	68.2	58.4	64.7	58.4
Female	53.7	34.0	54.5	35.8	55.2	36.2	55.5	37.1	52.9	37.5

Source: Eurostat.¹⁸

Europe 2020 headline targets in the field of education seem more achievable in the candidate countries compared to other targets. Notwithstanding the problem of reliability and comparability of data identified by Eurostat, analysis of the trends regarding school dropouts and tertiary education attainment show a continual tendency of improvement in the case of Macedonia. A number of governmental programmes, such as increasing the number of Roma children in pre-school educational facilities, conditional cash transfers, and also the introduction of obligatory secondary education may have contributed towards a significant decrease in the number of school drop-outs. In Croatia, the school dropout target of less than 10% seems already achieved (3.9%), although Eurostat warns of data problems here, while Macedonia still lags behind with a rate of 15.0%. If the positive trend of reducing school drop-out continues at the same rate in the following period, then we can expect that Macedonia can achieve the EU target of less than 10% of early school leavers by 2015.

The situation regarding tertiary education attainment in the analyzed EU candidate countries seems more problematic. Namely, with a rate of 22.6% of 30 to 34 year olds who attended higher education Croatia needs to almost double the rate to reach the EU target. As the target is only 9 years away, so that the relevant cohort is already 21 to 25 years old, this will be particularly hard to achieve. However, the data trends indicate that the rate of higher education amongst females is significantly higher than amongst males and that, whilst both rates have been growing between 2008 and 2010, the rate of increase amongst females has been higher. It would need, still, an increase of around 2bps per year to reach the Europe 2020 target of 40% overall. In the case of Macedonia, the condition is even more difficult as the country needs to almost triple the current rate in order to achieve the EU

¹⁸ Available at http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_10&language=en (November 2011).

2020 target. Currently, the transition rate in Macedonia from secondary to tertiary education is 95%. The number of students who enrol at the University level is high due to many factors, such as: lack of employment possibilities, particularly for those with lower educational background, an increase in the number of private universities, as well as the dispersion of public universities throughout the country. However, the rate of completion of tertiary education has not increased alongside an increase of the number of students. This implies a low probability in Macedonia of achieving the EU 40% target by 2020.

TABLE 3: EARLY SCHOOL LEAVERS (AGED 18-24), CROATIA AND MACEDONIA, 2006-2010

	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia
	2006	2006	2007	2007	2008	2008	2009	2009	2010	2010
Total	4.7u	22.8	3.9u	19.9	3.7u	19.6	3.9u	16.2	3.9u	15.5
Male	5.3u	19.9	5.1u	17.9	4.1u	17.6	4.2u	14.1	4.0u	13.7
Female	4.1u	25.9	2.6u	22	3.3u	21.7	3.7u	18.5	2.8u	17.5

* u – unreliable data. Source: Eurostat.¹⁹

TABLE 4: TERTIARY EDUCATION ATTAINMENT (30-34), CROATIA AND MACEDONIA, 2006-2010

	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia	Croatia	Macedonia
	2006	2006	2007	2007	2008	2008	2009	2009	2010	2010
Total	16.7	11.6	16.7u	12.2	18.5u	12.4	20.5u	14.3	22.6	17.1
Male	14.2	10.5u	12.6u	10.8u	15.8u	11.8u	17.5u	11.8u	19.0	16.2
Female	19.1u	12.8u	21.1u	13.6u	21.4u	13.1u	23.6u	16.8	26.4u	18

*u – unreliable data. Source: Eurostat.²⁰

The candidate countries will face most challenges in relation to achieving the EU target of reducing poverty and social exclusion. Eurostat data in relation to any of three indicators in this field are only available for Croatia, and only for the indicator of at risk of poverty, with other indicators likely to be available when the results of the first EU-SILC survey are known. Analysis shows that the Croatian at risk of poverty rate in 2009 was 17.9%, which is close to the poverty rates in some other EU member states such as Portugal (17.9%), the UK (17.2%), and Poland (17.1%). On average, the Croatian at risk of poverty rate is above, but close to the EU 27 poverty rate, which in 2009 stood at 16.3%.

TABLE 5: AT RISK OF POVERTY RATE AFTER SOCIAL TRANSFERS IN CROATIA, 2005-2009

	2005	2006	2007	2008	2009
At risk of poverty rate*	18	17	18	17.3	17.9

Source: Eurostat.²¹

¹⁹ Available at http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_40&language=en (November 2011).

²⁰ Available at http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_40&language=en (November 2011).

²¹ Available at http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_52 (November 2011).

Macedonia however faces a very different and much more difficult situation in relation to poverty, resulting from many factors, among which the most prominent are: persistently high unemployment rates since the country's independence (and even before that), as well as a high percentage of undeclared work (in the subsistence and grey economy). Poverty in Macedonia is calculated according to expenditure (and not income as in the EU), thus those being considered as poor are defined as persons whose expenditures are below the level of 70% (not 60%) of the median equivalent expenditure. According to this measurement, poverty in Macedonia amounts to 31.1% in 2009, a rate that is somewhat close to the poverty rate in Turkey (latest EUROSTAT data shows Turkey's poverty rate of 26.5%). Unofficial measurements of poverty in Macedonia according to the 60% of the median income definition show a lower poverty rate, although it is still high at 27.5% in 2009.²²

TABLE 6: DATA TRENDS IN RELATION TO POVERTY AND MATERIAL DEPRIVATION IN MACEDONIA, 2005-2009

	2005	2006	2007	2008	2009
At risk of poverty rate*	30.0	29.8	29.4	28.7	31.1
Severely materially deprived persons**	55.9	51.0	42.6	41.4	41
Jobless households					
0-17	30.8	29.4	29.1	23.4	19.2
18-59	25.0	24.7	24.2	18.7	16.1

Source: State Statistical Office and LFS.

*Poverty is calculated according to the relative method, as percentage of persons whose expenditures are below the level of 70% of the median equivalent expenditure.

** Source is the Household Budget Survey. The indicator is based on the persons that could not afford at least 4 out of 8 deprivation items, instead at least 4 out of 9, because the item - cannot face unexpected expenses, is not available.

The material deprivation indicator gives a wider scope and in the case of Macedonia increases the already high poverty rate. Thus, according to official statistics, the rate of material deprivation in 2009 was 41%, and this rate is probably higher, as within it are not included people who cannot face unexpected expenses (due to lack of such measurements). A 10 bps increase in the poverty rate has both fiscal and strategic policy implications. When the country begins to use this indicator, then it will be pressed to refocus its current social protection scheme from a sole focus on those most marginalized to a broader focus to include the following groups: those employed with below than average incomes; those employed but lacking access to essential goods and services, and so on. This indicator will also indirectly necessitate changes to the Household Budget Survey prior to the introduction of EU-SILC, so that questions regarding difficulties in paying for unexpected events are included.

Macedonia's official statistics currently does not provide an indicator regarding those in jobless households according to the Europe 2020 definition. According to LFS data (from 2009), the ratio of those in jobless households (calculated as the share of persons, by age group, who are living in households where no one works) among those 0 to 17 years of age is 19.2%, while joblessness among 18 to 59 year olds is 16.1%. The new

²² UNDP, *People Centred Analysis* (Skopje: UNDP, 2010).

Europe 2020 indicator will include the higher figure for those aged 0 to 17, thus giving Macedonia a higher overall rate.

The lack of comparable data implies that the statistical measurements and methodologies in the candidate countries are still in need of harmonization with EU standards. In particular, there is a need for data on low work intensity households and on severe material deprivation before Croatia could set a poverty reduction target in line with the Europe 2020 agenda. The 2009 Labour Force Survey data shows 11.2% of 18-59 year olds living in jobless households.²³ The 2009 European Quality of Life Survey (EQLS) looks at deprivation in terms of lacking one out of six items and, therefore, cannot be seen as a comparator to severe material deprivation. In the survey, the Croatian sample showed 63% of households lacking at least one of the items, a rate more comparable to the NMS 12 than the other candidate countries, which had rates of 83% (Turkey) and 85% (Macedonia) respectively. This was also the case in terms of deprivation rates by income quartile with Croatia showing a rate of 0.7, 1.7, and 3.0 aspects of deprivation for the highest, medium and lowest income quartiles respectively. In comparison, in Bulgaria the lowest quartile lacked, on average, 4.4 items, Macedonia 4.0, Turkey 4.6, and the EU-27 only 2.1.²⁴

This suggests that Croatia's rate of severe material deprivation could be close to the EU-27 rate of 8.1% or a little higher. It should be borne in mind that, according to the arbitrary \$5 a day poverty line used in the region by the World Bank, only 2% of the Croatian population is in poverty, compared to 37% in Macedonia.²⁵ There is also a need for a composite indicator based on poverty risk, material deprivation, and low work intensity households. This would, in all likelihood, show poverty and social exclusion to be significantly higher in certain parts of Croatia and amongst certain groups, including Roma and Serbs in war-affected areas.

5 CONCLUSIONS

The comparative analysis between the EU candidate countries of Croatia and Macedonia shows some general commonalities, and much more diversity in terms of trends in employment, education and living standards. The commonality which is identified concerns the statistical measurements and lack of use of harmonized statistical methodologies characteristic of the EU countries. This limits the ability of the analyzed candidate countries to make use of relevant and timely identification of targets and respective policy proposals and solutions. On the other hand the analyzed countries show greater diversity with each other in relation to achievements in the field of employment, education and social inclusion. While Croatia is much closer to the respective trends in the newer EU member states (and in some cases to Southern European countries), Macedonia greatly diverges in all analyzed fields from the EU27 member states. These trends also portray the position of these countries vis-à-vis EU, with Croatia expecting to join the EU in 2013,

²³ Croatian Bureau of Statistics, *Labour Force Survey Results 2009, Statistical Reports* (Zagreb: Croatian Bureau of Statistics, 2010).

²⁴ European Foundation for Improvement of Living and Working Conditions, *Second European Quality of Life Survey, Overview* (Luxembourg: Office for Official Publications of the European Communities, 2009).

²⁵ See Bartlett, Will. *Overview of Poverty Reduction and Social Inclusion Policies in the Western Balkans*, paper presented at the Regional Conference: What kind of Social Agenda for the Western Balkans, in Sarajevo, BiH, 25–26 May 2011. Available at <http://www.rcc.int/pages/0/41/what-kind-of-social-agenda-for-the-western-balkans> (November 2011).

while Macedonia still has not opened any negotiation chapters. However, the purpose of this article goes beyond illustration of data trends in the candidate countries, and strives to also identify the main opportunities and challenges that the Europe 2020 strategy poses for the candidate countries.

In this respect, the adoption of the headline targets and indicators provides an incentive for candidate countries to update and amend their previously adopted National Strategies as well as Action Plans in the field of poverty and social exclusion as well as a clear reference point for updating the commitments made in their Joint Inclusion Memoranda. The framework provides Governments with the possibility of developing quantifiable goals in relation to measuring poverty and social exclusion. The tradition of identifying quantifiable goals as part of the national strategic documents is a recent phenomenon in the EU candidate countries, and has been introduced mainly as a result of the need to align national targets for the purposes of EU accession. The EU 2020 framework also presents a significant challenge in relation to obtaining and monitoring comparable indicators as well as translating strategic targets into concrete action plans.

From the point of statistical measurement, the targets and indicators provide the candidate countries with a greater possibility to move statistical assessments from consumption to income, from different national thresholds (i.e. on poverty) to more harmonized EU thresholds, as well as towards use of new statistical methods (ISCED) which can become a national standard. However, it is also important to emphasize that in order to acquire a proper picture of the socio-economic profile of the country it is important to disaggregate and complement the new indicators with other data, which can give more details in relation to country specifics, such as: significant undeclared work, employment rates among different ethnic groups, poverty among less represented groups such as the homeless, and so on. At this point it is also not clear how the previous push toward incorporation of the Laeken indicators within national social statistics will be reflected within the new agenda.

Aside from their use within soft legislation, the implementation and achievement of the Europe 2020 targets and indicators in practice will create new challenges. Perhaps the greatest test of the impact of the Europe 2020 strategy in terms of social inclusion will be whether there is more of a social dimension to the governments' national reform strategy and practice than there was during the time of the Lisbon strategy. In addition, the framework will necessitate explicit policy reconfigurations as well as the creation of fiscal space. The need to redefine national strategies for combating poverty and social exclusion, as well as consequent actions plans and JIMs both in relation to statistical measurement and targets will imply:

- a) Widening of the official indicators for measuring poverty and social exclusion (with a focus on non-material indicators), which will most probably result in higher poverty rates in the candidate countries;
- b) Widening the focus of social policies and measures towards target groups, so as to provide forms of social protection for all those assessed as poor and socially excluded;
- c) A more visible integration of social policies with other public policies, such as employment, education, housing, and so on, to overcome the current lack of horizontal coordination of policies for social inclusion.

These challenges will result in financial and strategic redefinitions, which if not promptly tackled, may further diverge the candidate countries from EU

trends in the fields of employment, education and social inclusion. Hence, giving significant attention to the social dimensions of the Europe 2020 agenda in the broader development agendas of the candidate countries, which will require both political will and the creation of fiscal space, will have benefits beneficial both for national welfare states, and also for their swifter approximation to existing EU member states.

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