

# The Future of the Welfare State

## *New Platform in the Western Balkans*



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The fundamentals of state welfare systems are being questioned, and they are shifting, not only in the Western Balkans, but across Western Europe as well. A weak social welfare state and the persistently challenging economic situation create an unstable environment that could compromise and jeopardise the sustainable development of Western Balkan societies.

Despite the fact that around 30% of the GDP in Western Balkan economies is spent on welfare measures<sup>1</sup> (in the EU around 35%), which amounts to about 50% of the national budgets – resource allocation and use are highly inefficient and ineffective.

On the other hand, the European integration process does not cover all policy areas that affect the creation of cohesive societies. The European Union has limited decision making powers in the field of social policies, as the member states have retained many direct competences. Furthermore, the accession negotiations address a limited range of issues and some policy areas important for the functioning of the welfare state are not covered by EU legislation. And finally, the average duration of EU accession negotiations is five years, while a substantial transformation of a society is difficult to achieve in such a short period. All these are strong arguments in support of a broad-based and evidence-informed debate and a dialogue on the future of the welfare state in Western Balkan states, which all aim at becoming members of the European Union.

The Centre for Social Policy in Belgrade with the support of PERFORM invited a group of social policy researchers and think-tank organisations from the six Western Balkan countries to discuss the issue and map a strategy on how best to address core issues of the social welfare state specifically for Western Balkan economies. All of them have a strong background in social policy and employment issues<sup>2</sup>. The aim is to develop a platform that will incite discussion and raise understanding among the research, civil society and policymaker communities in the Western Balkans on key issues of social policy and the welfare state.

One of the key outputs and tools of influence is holding of an annual event to discuss the Future of the Welfare State in the Western Balkans (informally named the *Social Davos* of the Western Balkans). The idea is to engage the foremost researchers, political, business and other leaders of society and to provide a space and sustain an ongoing, longer-term process of research and debate on core issues related to the welfare state, thus contributing to improving the social dimension of the European integration in the Western Balkans.

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<sup>1</sup> Including education

<sup>2</sup> *Gordana Matković*, Centre for Social Policy, Belgrade; *Elira Jorgoni*, Economic and Social Analytics, Tirana; *Paul Stubbs*, Economic Institute, Zagreb; *Aleksandar Baucał*, Faculty of Philosophy, Belgrade; *Blagica Petreski*, Finance Think Tank, Skopje; *Nermin Oruč*, Centre for Development Evaluation and Social Science Research, Sarajevo; *Ivana Vujović*, Juventas, Podgorica; *Agron Demi*, Institut GAP, Prishtina; *Maja Gerovska Mitev*, Faculty of Philosophy, Skopje; *Sabina Ymeri*, Economic and Social Analytics, Tirana, and *Žarko Šunderić*, Centre for Social Policy, Belgrade

## The Social Davos

Some of the priority issues that will be discussed at the Social Davos conference are:

- WB countries spend less on social protection issues than EU member states, yet, in terms of percentage of GDP and total budget it is significant (30%). How can we maximise outcomes?
- The problem of captured welfare state: what happens with the welfare state when large amounts of limited resources are spent on unproductive and political priorities?
- There is a need for research on tax payment and benefits for citizens. How much taxes do citizens pay and where does the tax money go; how high are the out-of-pocket payments (education, health), who pays taxes and who uses services, what does the middle class get in return?
- Paying taxes does not ensure services (health, education) and citizens pay out-of-pocket in order to get the services needed – this opens the question on the system as whole and creates a two-fold problem:
  - Poor citizens cannot pay additionally to get certain services
  - The middle class questions paying taxes if they need to pay more through out-of-pocket payments
- Dilemmas for the Welfare State that need to be discussed:
  - Public-Private Partnership in a social welfare sectors: what do we gain and what do we lose?
  - Universalism vs. means testing
  - High minimum wage and small social welfare state vs. low minimum wage and big social welfare state. Do we opt for more cash benefits or services? What are the factors that influence the answers?

The initiative intends to create added value through influencing existing processes which promote a sustainable reform agenda in the Western Balkan economies (economic governance and Economic Reform Programme, EU negotiation process, Employment and Social Reform Programmes, etc.).

The first Social Davos conference is planned for spring 2018, with the support of the PERFORM project. In preparation of the major conference the Platform will conduct a workshop with stakeholders from Albanian policy and research institutions to debate the governance of social service delivery systems in both countries. One expected result of that meeting will be to point to areas where further research and development is required.