

CHAPTER 20.

EMPLOYMENT POLICY IN THE WESTERN BALKAN COUNTRIES AND THEIR PERSPECTIVES IN THE PROCESS OF EUROPEAN INTEGRATION¹

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Abstract:

This chapter focuses on the analysis of employment policies in the Western Balkan countries and examines levels of harmonization of national employment policies throughout these countries with the European Union employment policy framework. The observed Western Balkan countries achieved different statuses in the process of approaching the European Union. Today they include acceding, candidate and potential candidate countries. Depending on their current statuses, levels of convergence of employment policies vary. Only Croatia, that will join the European Union through the seventh enlargement, was obliged to propose to the European Commission the pre-accession Joint Assessment Paper on employment policy priorities. Next three candidate countries – Montenegro, FYR Macedonia and Serbia – will be obligated to propose similar documents, in order to prepare their institutional capacities for the implementation of integrated employment policy guidelines and to show certain levels of commitment to the reforms inspired by achievement of smart, sustainable and inclusive growth until 2020. In this chapter the convergence is observed through possible translation of the European Union employment policy guidelines, set out by the Europe 2020 Strategy, to the labour market of an individual country. In terms of available employment policy outcomes, all observed Western Balkan countries are still far from achieving the European Union headline targets. The common priorities of

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the Western Balkan countries are to increase overall level of employability, through better education and skills, and to conduct prominent reforms in order to improve their economies.

Key words: *employment policy, convergence, Western Balkans, European integration.*

INTRODUCTION

The most important event in recent history for all former socialist countries of Central and Eastern Europe (CEE) was the fifth enlargement of the European Union (EU). It occurred on May 1st 2004, when seven former socialist countries, together with Slovenia, former socialist Yugoslav Republic, and Malta and Cyprus, joined the EU. The enlargement process of former socialist countries continued in 2007, when Bulgaria and Romania became new member states on January 1st. Finally, Croatia, which was waiting for membership since mid-2004, when the European Council approved the candidate country status, will become the latest EU member on July 1st 2013. Previously, Croatia signed the Treaty of Accession to the EU on December 9th 2011. In terms of the European perspective, an additional important step for remaining countries of the Western Balkan (WB) is the conclusion of the European Council. The Council, after reviewing the latest European Commission's report on Montenegro's progress in the implementation of reforms and in meeting the political criteria set out by the Copenhagen European Council in 1993, decided to open the accession negotiations with this country on June 29th 2012. The candidate countries that are still far away from the full EU membership are FRY Macedonia and Serbia, which has special relations with its South Autonomous Province Kosovo and Metohija, while Albania and Bosnia and Herzegovina, including the Republic of Srpska, are still potential candidates.

The WB countries benefited from the European Union–Western Balkans summit that was held on June 2003 in the Thessaloniki. This summit confirmed the EU's determination to integrate the WB countries into the European area, and obliged the EU and the Western Balkans (WBs) to invest an additional effort to the follow up of that process and to measuring achievements (European Commission 2006). After the summit the European Council ratified the Thessaloniki agenda, which put the political and economic prerequisites of the pre-accession process in front of the WB countries. Regarding the economic issues, the two most important ones for the whole process of integration are related to social policy and employment. In the latest European Commission's report on the enlargement strategy, the Commission concludes that “[...] based on the renewed consensus approved by

the European Council in December 2006 [...]” the EU will continue with the application of a demanding conditionality and monitoring of progress (European Commission 2011a: 23). A critical review of the integration process in the WBs from 2003 to 2007, including main challenges on both sides, was given by Brown and Attenborough (2007).

Furthermore, in order to understand the current position of the WBs and reforms that have been undertaken over time, showing their effort to approach the EU, we need to explore the common European policy framework and main changes that have occurred. Deceleration of economic activity during the 1980s within a significant number of the EU member states strongly continued in the 1990s. Downturn in economic activity was translated into unfavourable labour market trends, showing rising unemployment and inactivity and decreasing employment (Ognjenović 2011: 496). European authorities concluded that something had to be changed in order to stop lagging behind in terms of international competitiveness. In 1993 a new development strategy was launched, entitled White Paper on Growth, Competitiveness and Employment, that foresaw strong relationship between sustained economic growth and employment (Weishaupt and Lack 2011: 11). This document triggered the creation of the European Employment Strategy (EES), which was launched in 1997. Main pillars of this strategy were: (i) improving employability; (ii) developing entrepreneurship; (iii) encouraging adaptability in businesses and their employees; and (iv) strengthening the policies for equal opportunities. During the Portuguese Presidency, at the Lisbon European Summit held on March 23-24th 2000, the EES was incorporated into the new European development strategy, known as the Lisbon Strategy (The European Council 2000). Together with the Lisbon Strategy, the Open Method of Coordination (OMC) was defined as a new instrument of governance in the EU (Zeitlin 2005). The OMC, as a new mechanism, included important elements of policy governance, such as monitoring, evaluation and peer review, that are organized as mutual learning processes, allowing for autonomous convergences of the member states (Barbier 2005: 21). Many researches of the functioning of common European policies came to the conclusion that the OMC, as a supportive mechanism, had its roots in the Article 2 of the Treaty Establishing the European Community: “The Community shall have as its task [...] to promote [...] a high degree of competitiveness and convergence of economic performance”. Research conducted on the OMC could be found in several academic papers (see for instance: Barbier 2005; Zeitlin 2005; MacPhail 2010).

From 1997, when the first EES was launched, to 2010, when the employment issues were incorporated through the achievement of inclusive growth, by “fostering a high-employment economy delivering economic, social and territorial cohesion”, several upgrading of the employment guidelines and priorities have

taken place. In 2005 the Lisbon Strategy was revised, and supplemented by an upgraded version of the EES. This resulted in the European Growth and Jobs Strategy, which was implemented in the member states until the introduction of the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth (European Commission 2010a).⁴ Regarding the issue of employment, the Growth and Jobs Strategy was polarized between the introduction of flexicurity into employment policy governance, and identification of new skills that would put jobs into the function of sustainable growth (Weishaupt and Lack 2011: 20). These two issues are again emphasized in the Europe 2020 Strategy, but through the prism of inclusive growth. Employment policies of the WB countries could also be analysed in the light of a strong polarization between economic and social policies, giving them more orientation towards the “neo-liberal” concept. The results of the implementation of different employment policies across the European countries, from the introduction of the 1997 EES to the Europe 2020 Strategy, are analysed in several academic papers (see for instance: Weishaupt and Lack 2011; Fenger 2008; List-Jensen 2008; Mailand 2008; or for Croatia see: Boromisa and Samardžija 2006). Therefore, there is a certain research deficit in the analysis of employment policies in the WB countries and of their relationships with the European employment policy framework.

In parallel with the implementation of the European governance model of employment policy, some of the WB countries also applied it. For instance, the Government of Serbia separated the issues of employment (as economic category) from the issues of labour (as social category) over the periods 2007-2008 and 2008-2012, allowing the governance of these policies through two ministries. Namely, employment issues (such as active and passive labour market policies, scope of work of public employment service etc.) were in the competence of the Ministry of Economy and Regional Development, while labour issues (such as labour legislation, minimum wages, collective bargaining etc.) were in the competence of the Ministry of Labour and Social Policy. Following the guidelines of the European Growth and Jobs Strategy, one of the first analyses aimed at the identification of new skills that would contribute to the sustainability of economic growth in Serbia was conducted in 2008-2009 (Economic and Social Policy Institute 2009). This analysis was based on the employer survey on most demanded occupations and skills. Unfortunately, due to the deepening of the economic crises, and the fact that an old ISCO-88 codebook on occupations was applied, real effects of this effort were diminished. The Public Employment

⁴ After the first revision of the EES in 2003, from 2005 until the end of the Lisbon Strategy in 2010, several changes occurred. First, 24 integrated guidelines for growth and jobs (including 8 for employment), were issued for the period 2005-2008. Then, eight integrated guidelines for employment were reissued by the European Council for the next sub-period (Weishaupt and Lack 2011: 16).

Service of Serbia recognized the value of this activity and continued similar research on the expanded sample of business entities two years later.⁵

Regarding the implementation of the labour market reforms, acceding and candidate countries were obliged to prepare and propose to the European Commission the Joint Assessment Paper (JAP). Joint conclusions adopted through this document served for monitoring of national employment policies, measuring their performances and identification of successful strategies (Commission of the European Communities 2003). Ten countries that joined the EU in 2004 introduced their JAPs in the following order: in 2000 (Czech Republic and Slovenia), 2001 (Poland, Slovak Republic, Malta, Hungary, Estonia, and Cyprus), 2002 (Lithuania), 2003 (Latvia). Bulgaria and Romania joined the EU in 2007 and introduced their JAPs in 2002, while Croatia did the same in 2008. All other observed countries still do not have their documents on joint employment policy priorities. Monitoring of their progress in performing employment policies is part of the reports on human resources development, prepared by the European Training Foundation (ETF), for the use of the European Commissions' Directorate General for Employment, Social Affairs and Equal Opportunities (DG ESAEO).

The motivation for conducting research presented in this chapter was led by two main questions i.e., research hypothesis. Firstly, how far (close) are the employment policies of individual WB countries from the common employment policy of the EU, following the top-down approach of defining policy guidelines and priorities for reforms in the unique European area? Secondly, are there any similarities (divergences) regarding current employment policies among the WB countries? These questions will additionally benefit from the analysis of available labour market outcomes and country specific headline targets. During the pre-accession period candidate and potential candidate countries should be able to

⁵ Serbia has not yet introduced the National Qualifications Framework (NQF) that would be harmonized with the European Qualifications Framework – EQF (except for higher education that was approved by the National Council for Higher Education). Also, work on the creation of the National System of Occupations Classification (NSOC), according to the latest ISCO and ISCED standards, is still in progress, and this situation favours further deepening of the mismatches between the education system and the labour market requirements (Government of Serbia 2010). The Joint Assessment Paper obliged Croatia to introduce the National Qualifications Framework and System of Occupations Qualification in accordance with the European standards (Government of Croatia 2008). In mid-2012 the Croatian Government finalized the Draft Law on Qualifications Framework that will be sent to the Parliament after the end of a public debate. Montenegro went further on and in 2010 adopted the National Qualifications Framework with a one-year period envisaged for preparation of the occupations classification.

implement reforms that will increase the overall level of the European competitiveness and make them ready for internal competition among the member states.

This chapter is organized as follows. In section two we analyse main labour market tendencies in the WB countries and at the level of European average. Then in the next section we examine the EESs, with special emphasis on the latest updated version of this document, with guidelines and goals set out for the whole decade. Also, in the same section we analyse nationally settled employment policies and priorities of the reforms in the WB labour markets. In the fourth section we studied compatibility of national employment policies with the European employment policy framework, as well as among the observed countries. In the last section we draw on main findings and conclusions.

LABOUR MARKET TRENDS IN THE EU AND THE WB COUNTRIES

Over the last ten years labour market indicators in most WB countries have had more or less similar pattern.

One of the most notable points, common for all the WB countries, is that labour market trends have been much less favourable than in the EU. This is in line with the fact that the EU, as a whole, is generally a stable economy, with a steady rate of economic growth, and solid labour market institutions, whereas the WB countries have been undergoing the process of economic transition and striving with many problems.

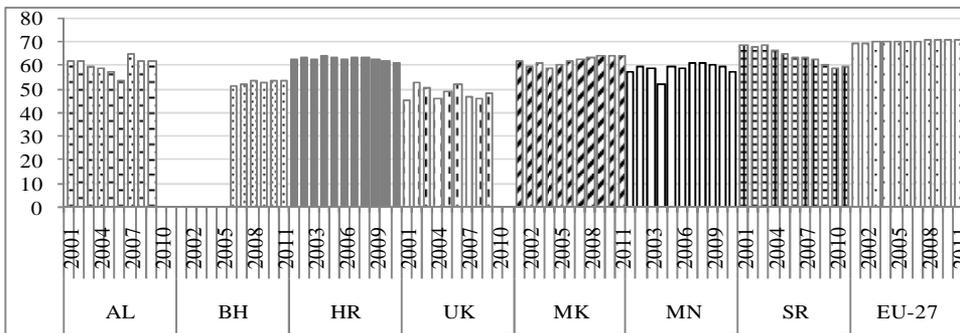
Another point is that, in line with the transitional restructuring processes, labour market trends in the WB countries started to improve in the first half of the previous decade. However, such favourable conditions were short-lived, since with the start of the economic crises in most countries labour market indicators began to deteriorate again.

Finally, in all the WB countries, as well as in the EU, the existence of the gender gap can be observed, which points to the fact that women are in a much less favourable condition in the labour market than men. However, a positive pattern is that, despite the deterioration of all labour market indicators over the last couple of years, the gap in indicators for males and females has been steadily narrowing.

Activity rates for population aged 15-64 years in all the WB countries have been lower than in the EU, as can be observed in Fig. 1. Namely, during the 2001-2011

period activity rates in the EU as a whole stood mostly at 70% and over, while in the WB countries they rarely reached more than 65%. The lowest activity rates have been recorded in the territory of UNMIK/Kosovo, below 50%, while the highest rates over the last couple of years were reached in FYR Macedonia, standing at around 64%.

Figure 1: Activity rates for population aged 15-64, 2001-2011, in%



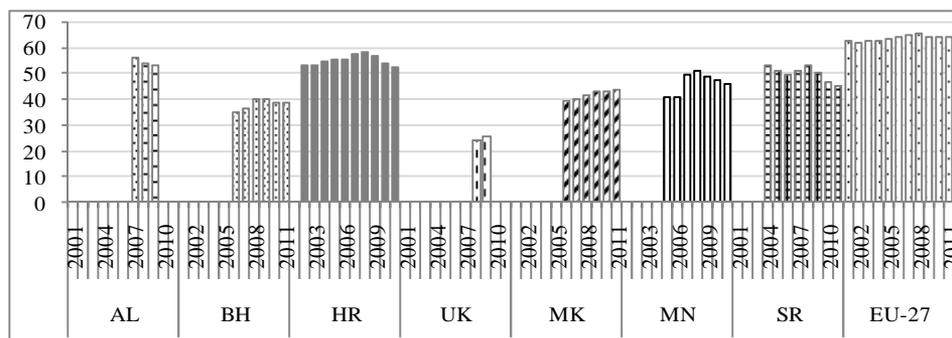
Abbreviations: AL-Albania, BH-Bosnia and Herzegovina, HR-Croatia, UK-UNMIK/Kosovo, MK-FYR Macedonia, MN-Montenegro, SR-Serbia.

Sources: EUROSTAT database, KILM database, national Labour Force Surveys.

The effect of the contemporary economic crises can be observed in the presented data. In most countries activity rates for population aged 15-64 years have decreased over the 2008-2011 period. In some countries, such as Serbia, the economic crises only aggravated the decreasing trend which started prior to the crises. In the EU, on the other hand, activity rates have increased over the entire observed period; however, at a much slower pace since 2008.

Similar trend is evident when employment rates are considered. Namely, in the first half of 2000s the employment rates started to increase in most WB countries, as can be seen in Fig. 2. The peak values were reached in 2008, when the economic crises occurred, so that afterwards one can observe a declining trend. Labour market seems to have been most severely affected in Serbia, where the employment rate of population aged between 15 and 64 years decreased by more than 8 percentage points in 2011 in relation to 2008. The only Western Balkans country in which the employment has not been that much affected is FYR Macedonia, where the employment rate stagnated at around 43-44%. As for the EU, one can observe a modest decline in the employment rate in 2009 in relation to 2008, while afterwards the rate has stagnated.

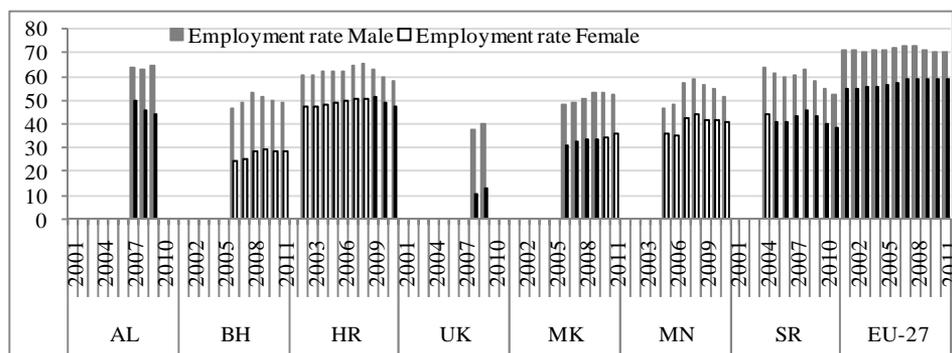
Figure 2: Employment rates of population aged 15-64, 2001-2011, in %



Abbreviations: AL-Albania, BH-Bosnia and Herzegovina, HR-Croatia, UK-UNMIK/Kosovo, MK-FYR Macedonia, MN-Montenegro, SR-Serbia.
Sources: EUROSTAT database, KILM database, national Labour Force Surveys.

Despite the negative trend in the values of employment rates from 2008 onwards, one can note that the gender gap, although remaining substantially present, has persistently decreased in all the WB countries, as well as in the EU. As evident in Fig. 3, among the countries of the WBs highest employment rates for females are present in Croatia, as well as the smallest gap between the employment rates of men and women. On the other hand, the situation is least favourable in the territory of UNMIK/Kosovo and in Bosnia and Herzegovina, where the employment rates for men are as much as triple and nearly double, respectively, higher than in the case of women. However, even in these two cases this gap has been decreasing, as the available data show (Fig. 3).

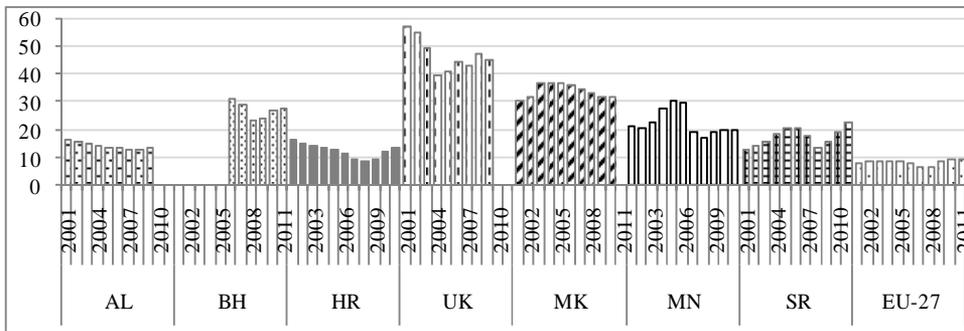
Figure 3: Employment rates for men and women aged 15-64, 2001-2011, in %



Abbreviations: AL-Albania, BH-Bosnia and Herzegovina, HR-Croatia, UK-UNMIK/Kosovo, MK-FYR Macedonia, MN-Montenegro, SR-Serbia.
Sources: EUROSTAT database, KILM database, national Labour Force Surveys.

Unemployment rates of population throughout the Western Balkans region have remained to be substantially high (Fig. 4). During 2007-2009 in Croatia they managed to decrease below 10%, which is comparable to levels present in the EU. However, afterwards, they started to increase, reaching 13.5% in 2011. In other parts of the region the situation is even worse, most notably in the territory of UNMIK/Kosovo, where they remained to be higher than 40%, and in FRY Macedonia, with values above 30%. These data can be observed in Fig. 4. Also, the impact of the economic crises is evident, showing that after 2008 the unemployment rates started to increase. The impact of the crises on unemployment rates has been most severe in the case of Serbia, where the rate reached 23% in 2011 – an increase of nearly 10pp over the 2008-2011 period.

Figure 4: Unemployment rates of population aged 15 years and over, 2001-2011, in %

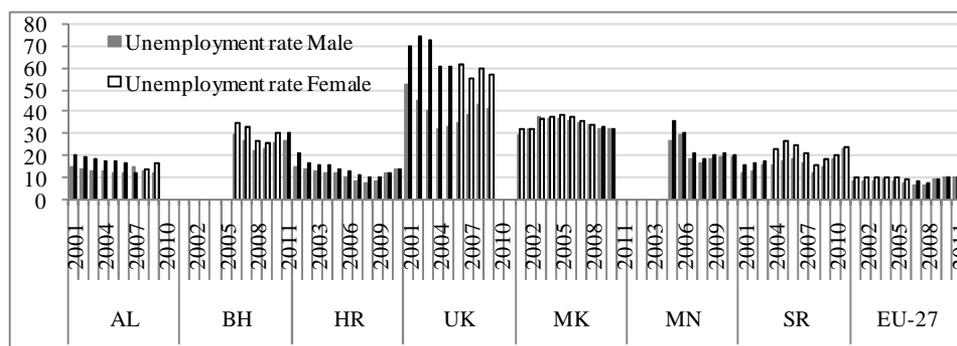


Abbreviations: AL-Albania, BH-Bosnia and Herzegovina, HR-Croatia, UK-UNMIK/Kosovo, MK-FYR Macedonia, MN-Montenegro, SR-Serbia.

Sources: EUROSTAT database, KILM database, national Labour Force Surveys.

Once again, the difference in the values of unemployment rates between males and females decreased throughout the region, as well as in the EU (Fig. 5). In Croatia and FYR Macedonia data over the last couple of years show that the unemployment rates for men and women have nearly equalled, which is the trend present in the EU as well.

Figure 5: Unemployment rates for men and women aged 15 years and over, 2001-2011, in %



Abbreviations: AL-Albania, BH-Bosnia and Herzegovina, HR-Croatia, UK-UNMIK/Kosovo, MK-FYR Macedonia, MN-Montenegro, SR-Serbia.

Sources: EUROSTAT database, KILM database, national Labour Force Surveys.

EMPLOYMENT POLICY FRAMEWORK IN THE EU AND THE WB COUNTRIES

European Employment Policy Framework

The 1997 EES for the first time set out common policy framework for the European labour market. Previously, employment policies were autonomously settled by the member states. Four pillars of the EES, divided into common employment objectives and priorities for main actions, were as follows: (i) improving employability; (ii) developing entrepreneurship; (iii) encouraging adaptability of businesses and their employees to enable the labour market to react to economic changes; and (iv) strengthening the policies for equal opportunities. The first set of policy priorities and actions was determined by the Council of the EU for 1998, and after that it was upgraded annually. The Joint Employment Report and the conclusions of the European Council were the basis for drawing up of annual policy priorities and actions. The member states were allowed to use different labour market policy instruments in order to achieve common EU targets. The OMC allowed the member states, through monitoring of the implementation of employment policies, to converge towards common targets that were included in National Action Plans (NAPs). The first NAP was introduced in 1998. Thereto, adoption of the EES was start of an ongoing process of strengthening the harmonization of the European labour market through the new concept of governance. This process had numerous drawbacks, in particular at the beginning. Jacobsson and Schmid (2001) studied the implementation of NAPs in Scandinavian countries. Main concern of their research was how the

member states would incorporate the EES objectives into their national priorities and activities. The possible answer to this question can be found in the fact that the OMC was introduced as a soft regulation, not as a law, meaning that the achievement of common EU targets demands more voluntary involvement of national governments (Heyes 2011: 645). On the other side, Article 121 of the Treaty on the Functioning of the European Union obliged to “[...] closer coordination of economic policies and sustained convergence of the economic performances of the member states [...]”, giving the right to the European Council to assess the consistency of economic policies with broad guidelines for both the member states and the European Union (OJEU no. C 115 2008: 97). The WB countries should observe the objectives, priorities and benchmarks of the member states’ and the European Union’s employment policies as common targets that national policies should converge to, taking into account starting positions and current states of their economies.

After the adoption of the Lisbon Strategy in 2000 the employment guidelines of the EES were incorporated into the strategy, and in 2005 they were merged with broad economic policy guidelines. The first revision of the EES occurred in April 2003, when previous four pillars, together with their guidelines, were redirected into three objectives: (i) full employment; (ii) quality and quantity of work; and (iii) social inclusion and cohesion (Weishaupt and Lack 2011: 15). Critical reviews of the first couple of years of implementation of the EES and its guidelines extracted the factors that slowed down expected rates of convergence towards common headline targets. Diversities in social policy models among the member states and certain political options, depending on their priorities and current influence in the European institutions, through presidency and peer pressure, may cause that certain policies could be more or less prioritized and promoted (Stiller and van Gervan 2011). One of the examples of such influence was related to the implementation of the guideline on activation of labour market policies, which was dominant over employment policies in a certain number of the member states (Handler 2003). Furthermore, two revisions of the EES and the Lisbon Strategy appeared. First, in March 2005 the Lisbon Strategy was re-launched as the Growth and Jobs Strategy. It included 24 integrated guidelines, out of which eight were employment policy guidelines and the rest were the broad economic policy – macroeconomic and microeconomic – guidelines. Three coherent objectives that had been previously determined were replaced with the new ones: (i) achievement of sustainable growth; (ii) employment; and (iii) strengthening social cohesion. The new document, adopted by the European Council, contained integrated guidelines for growth and jobs for a three-year period 2005-2008. Further revision of integrated guidelines for growth and jobs was launched in March 2008, when the total of 24 integrated guidelines was reissued, so that eight employment policy guidelines were unchanged until the

expiration of the Growth and Jobs Strategy. Those eight employment policy guidelines (Guidelines 17-24) were as follows: (G-17) to implement employment policies aiming at the achievement of full employment, quality and productivity at work and social and territorial cohesion; (G-18) promoting a lifecycle approach to work; (G-19) to ensure inclusive labour markets, enhance work attractiveness, and make work pay for job seekers, including disadvantaged people, and the inactive; (G-20) improving matching of labour market needs; (G-21) promoting flexibility with security of work and reduction of labour market segmentation, having due regard to the role of the social partners; (G-22) to ensure employment-friendly labour cost developments and wage-setting mechanisms; (G-23) to expand and improve investment in human capital; and (G-24) adoption of education and training systems as response to the demand for new competencies (OJoEU no. L 198 2008: annex). These guidelines were benchmarked by eight common headline targets that had been previously reshaped in the revised EES in 2003.

The impact of the EES on national employment policies of the member states have been analysed in several academic papers. The results of these studies point out to rather uneven effects of the EES on national employment policies of the member states.

Due to the diversity of economies and social systems of European countries, the main problem was, at the beginning of the implementation of common employment guidelines, to what extent the positive experiences of one member state are transferable to another (Clasen 2003). This variety was in particular evident in studies on the CEE countries that joined the EU in 2004. By assessing the impact of the EES over the period 1998-2006 for four European countries of different levels of development (Denmark, the U.K., Spain and Poland), Mailand (2008) found out that the EES had stronger effect on national employment policies for Spain and in particular for Poland than for Denmark and the U.K. The author explained the findings, among others, by testing the hypothesis on policy compliance, which showed that higher similarity of national employment policies with the EES before its introduction had slight effect on the current influence of the EES (Mailand 2008: 355). In addition, financial support of the European Social Fund (ESF) to national employment policies and the degree of dependence on European institutions also proved to be important for the EES to make stronger impact on national labour market policies. That was the case for economically less advanced member states and former socialist countries (or new member states). On the other side, the EES had much stronger impact on economically advanced member states when it was oriented towards fostering activation policies (prescribed by the employment guideline on inclusive labour market and

active labour market measures) and promoting a preventive approach against unemployment (Stiller and van Gerven 2012; Mailand 2008; Clasen 2003).

The second revision of the Lisbon Strategy and its expiration were accompanied by the economic crises and significant job losses. From the beginning of the economic crises in 2008 until mid-2011 the European labour market lost more than six million jobs, so that the total number of people who were looking for job over that period increased to 23.3 million (European Commission 2012: 12). When the crisis began the member states prepared different strategies in order to mitigate its impact on their labour markets (European Commission 2010b). Policy-makers were in a position to invent such employment policy measures that would produce results immediately. Most common measures included short-time engagement, subsidies for full-time work, due to shortening of working hours, and upgrading skills of those under the risk of the long-term unemployment, the youth and other disadvantaged persons in order to increase their employability. The member states that were more hit by the crisis created special funds to support workers, and used the ESF for co-funding labour market measures more often than other countries. In addition, some of the European countries created measures of assistance to enterprises (mostly to small and medium-sized ones) in order to prevent job reductions.

A new comprehensive development strategy – Europe 2020 – was launched in March 2010 (European Commission 2010a).⁶ While the strategy rests on three pillars – smart, sustainable and inclusive growth – its sphere is oriented towards improvement of the consequences of the economic crisis and strengthening internal capacities of the member states in order to create productive environment for a new decade of the European growth and welfare. This strategy brings ten new policy guidelines and five common headline targets. Out of these, last four guidelines, together with three benchmarks, address employment and social policy (Table 1). Even the European Council concluded that the previous ten-year Lisbon Strategy, with all its upgrading and policy guidelines' changes, was not clear enough in terms of setting priorities, so that the impact of the strategy on national policies was of limited scope. However, it should not be forgotten that the previous strategy introduced National Reform Programmes that were

⁶ The strategy is incorporated into the European semester, the process of economic policy coordination that started in January 2011. The first semester was concluded in June 2011, based on presentations of the member states on the Stability and Convergence Programmes for dealing with public finances, and on the National Reform Programmes, which incorporate policy measures for sustainable growth and jobs in the European area (European Commission 2011c). The European Council issued conclusions and country-specific recommendations, addressing further structural reforms undertaken in the member states as economic and employment policy priorities for the next period.

upgraded periodically by the member states. That may lead to the conclusion that poor achievements set out by the strategy are results of slower and uneven convergence of individual countries' employment policy outcomes to the EU headline targets. The Europe 2020 Strategy prescribes the new set of guidelines and priorities that the WB countries should also include into their policy-making agendas, to the extent allowed by objective circumstances.

Table 1: Integrated guidelines and headline targets for the employment policy of the Europe 2020 Strategy

Guidelines	Headline targets
Guideline 7: Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality;	Increase the employment rate of the population aged 20-64 years to 75%;
Guideline 8: Developing a skilled workforce responding to labour market needs and promoting lifelong learning;	Reduce dropout rates to less than 10% and increase the share of population aged 30-34 years with completed tertiary or equivalent education to at least 40%;
Guideline 9: Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education;	
Guideline 10: Promoting social inclusion and combating poverty.	At least 20 million people lift out of the risk of poverty and social exclusion.

Source: OJoEU no. L 308 (2010), pp. 49-51.

The Europe 2020 Strategy introduces seven flagship initiatives, in order to direct the member states to focus their national economic policies on objectives that will ensure the achievement of the common targets. The flagship initiative "An Agenda for new skills and jobs" envisages priority actions addressed to the member states that should increase overall level of employment and decrease unemployment and inactivity in the European labour market. These priority actions are the following: (i) to implement concept of flexicurity, to focus policy measures on reduction of labour market segmentation and on relationships between work and family life; (ii) to reform the tax and benefit systems and to remove administrative obstacles for self-employment; (iii) to stimulate concepts of active ageing and gender equality; (iv) to encourage social dialogue; (v) to put strong pressure on skills development and building on the EQF making easier labour mobility among national labour markets; (vi) to encourage lifelong learning and to put formal and informal learning into the function of permanent improving the labour force competences; and (vii) to develop partnerships

between formal and informal education and work in order to create more and better jobs and to make work recognized by the labour market (European Commission 2010a: 17).

National Employment Policies

All observed WB countries updated their employment strategies. However, only Serbia put its time targets into the same framework as the EU, by defining its own employment policy priorities for the whole decade. Most of other WB countries put their national employment policies into the time framework 2011-2015, such as FRY Macedonia and the Republic of Srpska (RS), Montenegro set out employment policies for the period 2012-2015, while Albania chose the period 2007-2013 and the Federation of Bosnia and Herzegovina (FBH) chose the 2009-2013 period.⁷ It is obvious that almost all WB countries will update their strategies and employment policies as of 2013 or 2015. The upgrading of national policy agendas would especially be desirable if some changes would be made at the level of the EU priorities, regarding the annual peer review process of the implementation of policies at the level of member states and of the achievements of goals given through country-specific recommendations. In this chapter we have used the term “convergence”, but we agree that the convergence is still weak, so that it is more appropriate to use the term “convergence towards national headline targets”, because the WB countries, except the acceding country Croatia, are not obliged to propose and strictly follow up recommendations that are implemented into the JAPs on employment policy priorities (or Joint Assessment Frameworks, according to the new European proposals). Harmonization of national employment policies is observed and assessed through national employment and human resources development strategies and instruments for their implementations.

In 2008 the Croatia’s Government, by adoption of the JAP, introduced four priorities in the area of employment and social policy. Through those priorities the Croatia’s institutions are obliged to do the following: (i) to increase overall level of employment and labour supply (in particular of the long-term unemployed, women, youth and old workers with obsolete skills) and to modernize system of social care; (ii) to improve adaptability of enterprises and their employees; (iii) to increase investment in human capital and to improve overall level of education and competences and skills; and (iv) to improve administrative capacities and the level of governance. Those priorities have been accomplished through concrete activities set out in annual action plans and

⁷ We have separated employment policies for Bosnia and Herzegovina because FBH and RS have their own employment policy documents.

through the peer review process. Principal national priorities in the area of employment and social policy of other WB countries are shown in Table 2. UNDP (2010) determined the most urgent priorities in the area of employment and social policy for the territory of UNMIK/Kosovo until 2015. Kosovo needs to focus on creation of conditions for increasing labour market participation of most vulnerable population and on creation of such conditions that will improve accessibility of socially deprived to basic services of social and health care. Also, it is needed to create environment stimulating for development of entrepreneurship, as well as of socially responsible entrepreneurship, in order to increase overall level of employment.

General conclusion is that the EU priorities differ from the WBs common priorities. The overall impression that arises from the analysis of employment, education and social policy priorities given in Table 2, is that the WB countries are more oriented towards the improvement of education (secondary and vocational training education in particular) and competences and skills of the working age population. Social partnerships are still underdeveloped, even if they are recognized as policy priorities. The mobility of labour among local labour markets is still underdeveloped. Also, the WB countries need to change their labour and social legislation in order to implement the concept of flexicurity in higher grade, and to build on necessary infrastructure.

CONVERGENCE OF EMPLOYMENT POLICY OUTCOMES

The European Commission monitors the progress of the member states and the EU towards the Europe 2020 headline targets through issuing the progress reports on the implementation of the Europe 2020 Strategy, based on the Annual Growth Survey (European Commission 2011b). The latest report, which was published for 2011, provides the estimates for comparison of achievements of the member states and the Union for all ten areas of the strategy over a one-year period, taking into consideration common goals (European Commission 2011c). In addition, in order to monitor the progress in accomplishing integrated guidelines for employment, the European Commission issues Joint Employment Reports (European Commission 2011d). We will compare the European achievements in the area of the Europe 2020 Strategy that are relevant for the implementation of integrated employment and social policies, accompanied by the integrated Guidelines 7-10 (Table 1), with the current state in the WB countries and with their national headline targets. As it is already pointed out, the time outlook of their policies, based on relevant strategic documents of policy governance, is not fully comparable with the European decade of policy governance. Data for the WB countries, given in Table 3, refer to 2010, unless otherwise noted.

Table 2: The Europe 2020 integrated guidelines and principal national employment policy priorities in the WB countries

Guidelines	National priorities	Countries
Guideline 7	Decreasing the labour market mismatches, monitoring the labour market requirements; Increasing employability and integration of disadvantaged people and equal opportunities; Quality, productivity, healthy and the safety of the employees; Social dialog of labour market institutions, employers and trade unions; Efficiency of the labour market institutions and improvement of administrative capacities; Improvement of business climate and encouraging self-employment; Flexicurity; Decreasing informal employment; Stimulate employment in less developed areas (employment subsidies); Development of public employment service; Development of social entrepreneurship;	AL, FBH, MK, MN, RS, SR; AL, FBH, MK, MN, RS, SR; AL, FBH, MK, MN, RS, SR; AL, FBH, MK, RS, SR; AL, FBH, MK, SR; AL, FBH, MN, RS; MK, MN, SR; AL, FBH, SR; FBH, RS, SR; AL, RS; MN, SR;
Guideline 8	Lifelong learning and competitiveness; Expansion of active labour market measures; Productivity and adaptability of the labour force; Cooperation between educational institutions and social partners; Short trainings needed to the labour market; Promotion of “green jobs”;	MK, MN, RS, SR; AL, MN, RS, SR; MK, SR; MK; SR; MN;
Guideline 9	Recognition of informal education and vocational education trainings; Harmonization of NQF and NSOC; Career guidance and counselling; Promotion of secondary vocational education; Development of competences of educational staff;	AL, FBH, MN, RS, SR; AL, MK, MN, SR; AL, MN, SR; MK; AL;
Guideline 10	Measures to support socially deprived; Reforms of the social care system and better targeting; Providing of safety of the incomes; Efficiency in utilizing the available resources;	MK, MN; MK, MN; MK, SR; MK;

Abbreviations: AL-Albania, FBH-Federation of Bosnia and Herzegovina, MK-FYR Macedonia, MN-Montenegro, RS-Republic of Srpska, SR-Serbia.

Source: Adjusted by authors according to national employment and human resources development strategies for the WB countries.

Overall assessment of the convergence of the WB countries' employment policy outcomes towards the common EU goals for a decade of sustainable, smart and inclusive growth and jobs, is that the region still needs comprehensive reforms in almost all areas, in order to approach the EU headline targets or to reach appropriate levels. Also, certain differences among the countries can be perceived by studying the figures given in Table 3. Croatia, as an acceding country, has performed better than other two sub-groups of countries. However, available indicators for measuring the progress of all observed countries are incomplete. In order to evaluate their progress based on measurable indicators, all countries have to adjust their statistics for measuring comparable indicators, while Croatia will be obliged to do so. That will be an imperative for candidate countries in particular. When unemployment is considered, the WBs would rather contribute to the increase in the harmonized EU rate of unemployment, as the figures show, so that in this area certain improvements, through introduction of relevant policy measures, have to be made. The positive trend in the follow ups of national labour market developments is the fact that all observed countries have already introduced international standards of the Labour Force Survey (LFS), but not all of them have computed the indicators uniquely for recommended data breakdowns in their statistical communications. Regarding the indicators on early school leavers (the population of 18-24 years of age with accomplished lower secondary education and less, who have not enrolled in formal education or trainings) and for poverty measurement the problem appears due to different methodologies for measuring these indicators. For instance, the European Commission and Eurostat use Statistics on Income and Living Conditions (EU SILC) as a tool to measure poverty and social inclusion, while almost all WB countries implement the Living Standard Measurement Surveys (LSMS) to measure living standard conditions of their population.⁸ The latter survey was implemented by the support of the World Bank on an *occasional basis*. The methodologies of EU SILC and LSMS differ. The first takes disposable income while the latter uses aggregate consumption as a measure of poverty indicators. Hence, the poverty rates given in the last column of Table 3 for the WBs are not comparable with the EU indicator, so that analysis across the countries would not lead to reliable conclusions.

⁸ Croatia uses the Household Budget Survey (HBS) data for *poverty measurement*. The implementation of EU SILC in Croatia will be discussed by the European Commission; Bulgaria and Romania introduced this survey in 2007. Serbia also uses the HBS for poverty indicators measurement while the LSMS was implemented three times so far.

The unemployment rate in EU-27 remained stable in 2011, while differences among the member states were pretty large. The country with the highest unemployment rate is Spain (22.8%), exceeding the lowest unemployment rates of three member states (Austria, Luxembourg and the Netherlands) by more than four times (their rates are below 5%) (European Commission 2012: 21). Available indicators for the WB countries for 2011 show deterioration in unemployment rates for Serbia (increase by 3.6pp), Croatia (+1.7pp), RS (+0.7pp), Montenegro (+0.1pp) and FBH (+0pp), while the labour markets in FYR Macedonia (-0.6pp) and Albania (-0.5pp) have slowly recovered. The available data for the territory of UNMIK/Kosovo are limited. According to figures of the LFS for 2009 the unemployment rate in the territory of UNMIK/Kosovo was 45.4% and this figure shows improvement of 2.1pp compared to 2008.

Table 3: Main indicators showing the WB countries' convergence to the Europe 2020 headline targets for integrated employment guidelines

Country	Unemployment rate (15-64), in %	Employment rate (20-64), in %	Early leavers from education (18-24), in %	Share of population with completed tertiary education (30-34), in %	At-risk-of-poverty rate, in %
EU-27					
Headline target 2020	(...)	75.0	10.0	40.0	↓ by 25
Indicators for 2010	9.7	68.6	14.1	33.5	16.4
Acceding countries					
Croatia	11.8	58.7	3.9 ¹	24.3	20.5
Candidate countries					
Montenegro	19.8	47.3	12.4 ³	23.6 ⁴	24.3 ²
FRY Macedonia	32.0	48.1	15.5	17.1	30.9 ⁵
Serbia	20.0	51.1	10.7 ²	21.0	17.7
Potential candidates					
Albania	13.8	(...)	39.0 ³	17.2 ³	12.4 ^{3,6}
Bosnia and Herzegovina					
Federation of BH	29.4	(...)	65.1 ²	(...)	17.0 ^{2,5}
Republic of Srpska	24.5	(...)	(...)	(...)	20.1 ^{2,5}

Notes: (...) Not available. ¹ The European Commission assessed the figure as "unreliable". ² Data for 2007. ³ Data for 2008. ⁴ Census data for 2011. ⁵ The share of the population below the relative poverty line that is determined as 60% of median of the national consumption per equivalent unit. ⁶ The share of the population below the absolute poverty line (determined as per capita consumption). Source: Data for EU-27 and Croatia are taken from Eurostat (http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators) and from the European Commission (2011c). For candidate and potential candidate countries data come from National Statistical Bureaus and Employment strategies of the Governments of relevant countries.

The European labour market, as well as the WB labour markets, has to increase labour market participation of the working age population in order to reach higher level of employment. The EU has identified obstacles and specified policies that could lead the member states to greater labour market participation. Such policies include vocational trainings and lifelong learning, due to low education and skills, decreasing the share of temporary and involuntary part-time jobs through creation of more and better jobs on the permanent basis, undertaking fiscal incentives for employment (subsidised schemes) or for those who want to work and earn more, through adjustment of the tax and benefit system and enabling the access to care services for children, persons with disabilities and other dependants (European Commission 2012: 168).

The activity rate in EU-27 in 2010 was 71% and increased in 2011 by 0.2pp. At the same time, among the WB countries, the activity of working age population in 2010 was the highest in FYR Macedonia (64.2%), Croatia (61.5%), RS (59.6%) and in Albania, according to the 2008 LFS (61.9%). The labour markets of these countries recorded moderate changes in 2011. In Croatia the rate of activity dropped by 0.7pp, in RS it increased by 0.8pp, while in Macedonia it was unchanged. The activity rates in Serbia and Montenegro in 2010 were 59% and 59.3%, respectively, and in 2011 in Serbia activity increased by 0.4pp, while in Montenegro it decreased by 2pp. In 2010 the activity rate in FBH was 51.2% and in 2011 negative change of 0.6pp was recorded. The territory of UNMIK/Kosovo has the lowest rate of labour market participation – 47.7% in 2009. In addition, the common problems of the WB labour markets are poor quality of jobs and informal employment. The problem of persistency of informal employment is particularly important for Albania, where 10% of employed in the informal sector stay with that sector for more than 10 years (Government of Albania 2007: 11). In order to suppress the informal employment, FRY Macedonia implemented annual action plans that envisaged the introduction of preventive, educative measures against the informality, and intensifying inspection supervisions (Government of Macedonia 2011: 20). In Montenegro, but also in the rest of the WBs, the informal employment has a shape of semi- or partial recoding of earnings. According to the Montenegrin case, around 17.5% of wage earners have partially registered earnings (Government of Montenegro 2011: 26).

Two additional common problems of the EU and the WB labour markets are the youth unemployment and the long-term unemployment. In the EU the unemployment rate of young people (age group of 15-24 years)⁹ is more than twice higher than the unemployment rate of adults (22.3% and 10.8% in 2011,

⁹ The EU puts youth issues at the top of its priorities in the Europe 2020 Strategy. The flagship initiative “Youth on the move” addresses problems of the youths such as inadequate educational attainment and skills and barriers to entry the labour market.

respectively). The unemployment rates of youth in the WB countries significantly exceeded the EU average. FBH, RS and Serbia had the highest youth unemployment rates in 2011, i.e. 59.7%, 53.2% and 50.9%, respectively. Serbia and RS noted deterioration of 4.7pp and 6.4pp compared to 2010, while FBH measured improvement of 2.6pp. Montenegrin data also showed improvement of 8.4pp in 2011 compared to 2010, when the youth unemployment rate was 45.5%. In 2010, in FRY Macedonia and Croatia, the youth unemployment rates were as follows: 47.1% and 32.7%. In Albania in 2009 the youth unemployment rate was 27.2%, about ¼ of young people were employed, while only 1/3 of young people were active. Undoubtedly, with the unemployment rate of 73% in 2009, young people in the territory of UNMIK/Kosovo were in the worst position compared to their counterparts in the region.

The economic crises and job shortages in the EU caused an increase in the number of the long-term unemployed, pushing their share to more than 40% (compared to the period before the crises this indicator increased by 10pp). Job destruction, due to closing down companies during the transformation of national economies of the WB countries, as well as unproductive educational systems, have extended the unemployment incidence and caused deepening of the long-term unemployment in the region. A phenomenon of long-term unemployment is persistent in FBH, RS, FYR Macedonia, Montenegro and the territory of UNMIK/Kosovo, with the share of over 80% in the total number of unemployed. In Croatia the share of the long-term unemployed exceeds half of the total number of unemployed, in Serbia it stands at 2/5, and in Albania it encompasses even 90% of registered unemployed people (Vidovic et al. 2011: 9). In addition, that overburdens national sources available for the implementation of labour market policies, meaning that passive policies dominate over active ones. Namely, passive policies exceed half of the budgets for labour market policies in Albania, FBH and RS, 4/5 in Serbia, Croatia and FRY Macedonia, while only Montenegro gives priority to active labour market policies, spending on them almost ½ of the budget, while on passive measures goes less than 1/3 of the budget, the rest are administrative costs of the public employment services (Vidovic et al. 2011: 172).

Convergence of employment rates of the WB countries to the EU headline target is slow. For three candidate countries less than a half of the active population aged 20-64 years was employed at the beginning of the targeted period. Croatian figure is a little better and is closer to the ones of some of the new EU member states. Also, the EU indicator for 2010 decreased by 1.7pp compared to the period before the economic crisis, showing certain divergence from the common level. Not all of the observed WB countries put their headline targets into the policy agendas, but FBH, RS, FRY Macedonia, Montenegro and Serbia have their own targets. Serbia envisaged the employment rate of the 20-64 year olds in 2020 to be

66% (Government of Serbia 2010: 15). FRY Macedonia put the goal for 2015 to 55% (Government of Macedonia 2011: 30), while Montenegro envisaged the employment rate of the population aged 15-64 years up to 2015 to 60% (Government of Montenegro 2011: 11). The Republic of Srpska also put the goal of the employment rate of working age population up to 2015 to 55% (Government of the Republic of Srpska 2011: 52). FBH expects that the employment rate of the population aged 15-64 years will be 50% in 2013 (Government of the Federation of Bosnia and Herzegovina 2008: 11). According to the LFS for 2011, the employment rates of the population aged 15-64 years for FBH, RS and Montenegro were 35.7%, 45.1% and 45.9%, respectively, showing that it is unlikely that the policy goals for these labour markets will be accomplished.

The EU average expected rate of early school leaving for the population aged 18-24 years in 2020 is 10%. Regarding the WBs, it is still hard to measure the grade of convergence towards this European goal. It seems that Croatia performs best in this area, even compared to the EU, but the European Commission recommended that this indicator needs to be recalculated. According to available figures, the candidate countries have indicators that may better converge to the EU headline targets than other indicators. Only FRY Macedonia puts this goal in its policy agenda and expects that this rate will drop to 14% in 2015 (Government of Macedonia 2011: 30) – that can be reliable estimate, because this indicator in 2010 relative to 2009 decreased by 0.7pp. For the WB countries the first step towards higher grade of convergence to this goal is the harmonization of national standards with the EQF and ISCO and ISCED standards, and implementation of national strategies for higher, secondary and vocational education and for lifelong learning.

The last Europe 2020 headline target regarding education is related to the share of population aged 30-34 years with completed tertiary education, which is forecasted to be at least 40%. This headline target is still far away from the WBs current figures. As available data in Table 3 show, Croatia and Montenegro perform best, while all other countries have unfavourable educational structure of the observed age group. FRY Macedonia estimated that this rate will reach the level of 19% in 2015 (Government of Macedonia 2011: 30). Most likely, the reason for emerging of this problem in the WB countries is unproductive higher education, in terms of the length of studies and of low rates of finishing the studies of those who once enrolled in the university.

MAIN FINDINGS AND CONCLUSIONS

The WB countries have satisfactory employment policy frameworks, which mean that they are determined to reform their labour markets. However, the time outlook and part of their national priorities incorporated into policy-making agendas are different than those introduced within the EU. Serbia is the only WB country that puts its policy priorities in a ten-year outlook, following the Europe 2020 Strategy, by identifying most significant obstacles on the national and local labour markets. The other two candidate countries, FRY Macedonia and Montenegro, put their employment policy priorities into the time span up to 2015, as well as RS, while Albania and FBH have defined their priorities for the periods 2007-2013 and 2009-2013, respectively. Only Croatia, as an acceding country, adopted the JAP on employment policy priorities that was approved by the European Commission. The Croatian labour market institutions create action plans for the implementation of most accurate policy actions on an annual basis.

Because the cornerstones of the functioning of the EU are competitiveness and convergence of economic performances, the European institutions need to invest more effort into an open dialog with the representatives of labour market institutions of the WB countries. That will extract countries “leaders” and countries “followers”, in terms of the achieved levels of reforms of their labour markets. Similar to the processes of peer pressure, peer review and mutual learning that operate among the member states and the Union, the WB countries may benefit from the good practices of their neighbours and the ETF country-specific recommendations on strategies of policy interventions; this is particularly true having in mind that the WB countries have similar economic and social models. In parallel with the process of European integration, frameworks for economic collaboration of the WBs have already been set up through their memberships in regional and international economic associations. It would be expected that candidate countries have reformed their national labour markets better, but the analysis conducted in this chapter shows that only FRY Macedonia envisaged self-assessment of the national employment policy priorities towards the common EU headline targets, by defining their own national headline targets throughout the implementation period of the national employment strategy. Serbia and Montenegro have put national headline targets into their policy implementation strategies, but these are not fully comparable with the EU common benchmarks. As we already concluded, the WB countries have to adjust their national systems for monitoring and evaluation of the policy progress, so that they would be based on the commonly accepted indicators to measure achievements. Otherwise, they will not be able to compare a grade of the accomplishment of the reforms by using common headline targets among themselves or with the EU.

The Europe 2020 is a development plan or a roof strategy that defines ten principal guidelines for the economic and employment policies, which will provoke such policy actions that will support a decade of smart, sustainable and inclusive growth. The analysis of the WB countries' employment policy documents leads to the conclusion that employment priorities are not well connected with their national development strategies. Countries that have so far adopted national employment strategies, such as FRY Macedonia, Montenegro and Serbia, have their priorities more harmonized with the European employment policy framework than other countries. Also, the relationships between employment policies and education and social policies that are encompassed within the four integrated guidelines for employment policies are not well emphasized through the WB countries policy priorities. Having in mind that the implementation of policy-making agendas for the next decade is almost at the beginning, there is a room for further adjustments and improvements of weak points in setting up and governance of the policies.

Based on the inspection of the European Commission's progress reports on the WBs efforts related to the process of European integration, it seems that the political progress assessment prevails over the assessment of the progress made in the economic and labour market reforms during the pre-accession period.

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