

SOCIAL ASSISTANCE SYSTEM IN BIH: THE NEGLECTED POTENTIAL OF ACTIVE SOCIAL POLICIES

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The problem of insufficient coordination and integration of social policies with labor market policies, i.e. the insufficiently developed activation component of social measures, is what is largely neglected in present discussions on the disadvantages and the possible social protection system reforms in Bosnia and Herzegovina. Therefore, the goal of this paper is to present the existing European Union policies and trends in the field of social policies, remaining specifically focused on the dimension of the activation of these policies, and to analyze the existing state and institutional framework of BiH in this context. Several recommendations are given with the goal of advancing the existing social protection system in the direction of creating a basis for the realization of its inclusive functions and the implementation of active social policies.

SUMMARY

1. INTRODUCTION

Slow economic recovery, poor macro-economic performance, and inadequate economic management in the post-war, transitional period - additionally aggravated by the influences of the financial crisis from 2008 - have resulted in a continuously high unemployment rate,¹ a large part of the working-age population excluded from the labor market,² and, consequentially, a high poverty rate in Bosnia and Herzegovina (BiH), as well as further complications in the problem of social exclusion.³ According to data from 2011, 17.9% of the BiH population lives in relative poverty, 8% lives on the verge⁴ of relative poverty,⁵ while it is estimated that 23.4% of citizens⁶ live in absolute poverty.⁷ Moreover, some estimates suggest that around 58% of the population⁸ is at risk of poverty and social exclusion.

Despite the poor labor market indicators, high poverty rates, and a large number of persons in social need, the BiH social protection system is inefficient and insufficiently developed. Present analyses point to three basic sets of problems in the social

assistance system in BiH: (1) fiscal unsustainability, (2) low efficacy, and (3) inequalities in the access to social assistance.

Overall expenditures on social protection⁹ in BiH constituted 17.1% of gross domestic product (GDP) in 2011.¹⁰ Around 4% of GDP¹¹ was spent on those social transfers that are not based on insurance (permanent social assistance, assistance to families with children, assistance to persons with non-war-related disability, assistance to civil war victims, and assistance to the veteran population and similar categories).¹² While some authors claim that this is due to high expenditure shares for social protection in the total GDP,¹³ others claim that BiH, in a comparative perspective, belongs to the group of countries of moderate consumers.¹⁴ Even though there is no complete consensus on whether the existing expenditures on these transfers are excessive, many analyses warn that the existing level of expenditures is not fiscally sustainable while, on the other hand, the present social assistance scheme does not yield the necessary social and economic impact.¹⁵ However, it is necessary to keep

in mind that around $\frac{1}{4}$ of social assistance expenditures in BiH are targeted at the poor and socially excluded, whereas the rest is spent on status-based benefits for the veteran population and their families.¹⁶ Therefore, it is correct to claim that the *effective* expenditure on social assistance in BiH¹⁷ amounts to 1% of GDP.¹⁸

The inefficiency of the existing social assistance system is primarily reflected in its allocational and functional efficiency. In other words, the benefits from the social assistance program are not well programmed and targeted, with a low rate of scope of coverage, while, at the same time, their average amounts are insufficient for the recipients to overcome their poverty. Bearing in mind the significant amount of cash transfers which are not means-tested,¹⁹ only 18% of funds from the social assistance system goes to the quintile of the most poverty-stricken population, which means that BiH is among the countries with the most poorly targeted social assistance benefits.²⁰ Moreover, civil benefits (especially the cash benefits for the poor and the child care programs) are low,²¹ while the average amount of social benefits amounts to only around $\frac{1}{5}$ of the minimum wage in BiH,²² which does not guarantee the minimum necessary for living. It also fails to contribute to the decrease of poverty or prevent intergenerational transmission of poverty.

Finally, the existing social assistance system produces inequalities among its users based on their place of residence (territorial inequalities) and based upon the social category to which the user belongs (status-based, i.e. category-based inequalities). Apart from significant criteria-based differences, the volume and profusion of social benefits among entities, inequalities which are a result of differently regulated social assistance systems on the cantonal level in FBiH represent a specific problem. As the amounts for permanent financial assistance for families vary between cantons, certain social services do not exist in some of them.²³ The inequalities between different categories of social assis-

tance users represent a problem as well, wherein the most significant differences are those in criteria and amounts of benefits between users with war-related and users with non-war-related disabilities. In that way, for instance, the maximum social benefits which a person with a non-war related disability receives, is around five times lower than the maximum benefit a person with a war-related disability with the same level of disability can get, and they are lower than the benefits acquired by civil war victims.²⁴

Nevertheless, the problem of insufficient coordination and integration of social policies with labor market policies, i.e. the insufficiently developed activation component of social measures, is what is largely neglected in present discussions on disadvantages and possible social protection system reforms. Even though this question reached the decision-makers' agenda long ago in the European Union (EU), debates on the social protection system in BiH have mainly revolved around the above mentioned three sets of problems. Therefore, the underlying goal of this paper is to present the existing EU policies and trends in the field of social policies, remaining specifically focused on the dimension of the activation of these policies, and to analyze the existing state and institutional framework of BiH in this context. Based on the deficiencies identified, several recommendations are given with the goal of advancing the existing social protection system in the direction of creating a basis for the realization of its inclusive functions and the implementation of active social policies.

2. POLICIES AND TRENDS OF THE EUROPEAN UNION IN THE SOCIAL POLICIES FIELD: THE PARADIGM OF THE ACTIVE WELFARE STATE

In the mid-1990s, there was a significant change of discourse on social protection in the EU. In an attempt to answer internal challenges of the EU at the time,

the first steps towards the “activation” of social policies were made, in order to make policies employment-friendly and with a significant productive factor.²⁵ These challenges included the consolidation of European economic and social space and mobility of the workforce inside the EU, the financial sustainability of the social protection system of the member countries, a transformation in the nature of work, a need for a higher flexibilization of employment, the demographic aging of the population, etc. Essentially, the new approach was based upon higher integration of social policies and labor market policies in order to ensure a better transfer between the social protection systems and the formal labor market, with a simultaneous strengthening and advancement of social institutions and services. This was an attempt to create preconditions for the development of an active welfare state.

During the 2000s (the so-called “Lisbon decade”), the framework for policies of an active approach to the fight against unemployment, social exclusion, and poverty, was bolstered, based on the synergy of social assistance measures, social services, and active labor market policies. Namely, via the Lisbon Strategy of March 2000, the European Council envisaged the modernization of the social model through investment in human capital and development of an active welfare state²⁶ as one of the strategic goals of the EU. This promoted a more comprehensive, active, and long-term approach to social policies, and the fight against unemployment and poverty.

In 2008, as per the strategic goals of the Lisbon Strategy, the European Commission offered the member states recommendations on the active inclusion of persons excluded from the labor market. In this manner, the EU encouraged the member states to adopt and implement strategies and policies of active inclusion based upon the synergy of three pillars of social policies:²⁷

1. Proper minimal incomes: member countries should recognize and implement the

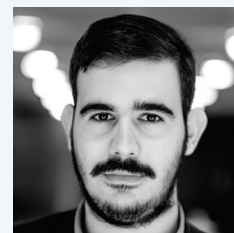
right of a person to adequate resources and social assistance as part of integral and consistent policies in the fight against social exclusion, with simultaneous support for their (re)integration into the labor market. These incomes, among other things, also imply so-called in-work benefits with which “in-work poverty” is intended to be decreased.

2. Inclusive labor market: member countries must offer support to working-age persons in order for them to become or remain employed in a place which best suits their working capacities. Special attention is also given to the enhancement of job quality, institutionally dealing with the problem of labor market segmentation, stimulation and financial employment support, and the removal of barriers and destimulative factors for entrance into the formal labor market.

3. Access to high quality services: member countries should ensure adequate social supports to those for whom it is vital, with the goal of promotion of social and economic inclusion, i.e. support of active social participation. Emphasis is put on the accessibility and equal availability of social services for all those for whom they are necessary.²⁸

The guiding idea of these recommendations is the belief that existing socio-economic problems – especially poverty and unemployment, which implies the amendment of social benefits with active labor market measures and ensuring access to social services²⁹ – must be answered with an integral set of large-scale social measures and policies. With such an approach,³⁰ the effect of “locking into” social assistance is reduced, i.e. exiting the state of social need is encouraged. Since this promotes involvement in the formal labor market and, ultimately, also long-term investment in human potential,³¹ a higher level of human capital is achieved.

Principles and decisions on an active social state are also confirmed by the strategic



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goals of the EU for the period 2010–2020 with the established Europe 2020 strategy³² in which, led by the assumed model and principles of *flexicurity*³³ and a social market economy for the 21st century, inclusive growth represents one of the three basic pillars of EU strategic economic and social development. The principles of social investment,³⁴ investing in the development of human potentials, modernization and inclusiveness of the labor market, and modernization of the social protection system with the goal of increasing employment, combatting poverty, strengthening social cohesion, and increasing the competitiveness of the European economy, are all reiterated by this strategy.

To put it briefly, the existing standards and trends in the domain of EU social policies are oriented towards the development of active social policies, complementary labor market policies, with a simultaneous strengthening of social rights and institutions and long-term investing in human potentials. The aim is to achieve the highest possible fluidity towards formal labor markets and to ensure a higher level of economic independence and social inclusion of those in need.

3. THE CONDITION AND PERSPECTIVES OF ACTIVE SOCIAL POLICIES IN BOSNIA AND HERZEGOVINA

Strategic commitment of BiH in the domain of social policy follows international trends and standards to a certain extent.³⁵ Therefore, one of the six priority strategic goals in the Strategy of Development of BiH 2010-2013 was the “increase of social inclusion, increasing the participation of the inactive, discouraged population and a reintegration into social life, the labor market, and creating equal opportunities for this.”³⁶ In line with this strategic commitment, the draft of the never adopted Strategy of Social Inclusion BiH 2010-2013, wherein the primary focus would be on the offering of support and

development of knowledge and skills to the persons on their way to employment and economic independence.³⁷ In that way, employment was recognized as a number one pillar of social inclusion and active social protection and an integral part of the social protection system.³⁸ The Employment Strategy of BiH 2010-2014 also complemented this strategic orientation. Its primary aim was to promote social inclusion and inclusive growth, wherein one of the main levers for the accomplishment of this goal is the development of efficient active labor market measures and the “activation” of passive interventions in the labor market in order to stimulate active job searches.³⁹ Therefore, it can be concluded that the labor market policies in BiH as set out by this Strategy are aligned with “the approach from the European Employment Strategy by which active policies of inclusion are supported.”⁴⁰

Despite the strategic appropriations and goals defined by these strategic documents, which, as mentioned, follow the policies and standards of the EU to a certain extent, an adequate institutional environment which would create the basis for the “activation” of social policies, i.e. its integration with labor market policies, was not developed in the last period. With that in mind, the potentials of this approach were left unrealized, while the focus was kept on a passive approach to social and labor market policies. Moreover, even though a reform of the social protection system was planned by the current reform proposals and measures, as defined by the Reform Agenda for Bosnia and Herzegovina 2015-2018⁴¹ and the BiH Economic Reform Programme 2016-2018,⁴² this issue was not given significant attention.

Even though it is possible to identify a set of disadvantages in the existing social policies in BiH, we will be focusing here only on a few which are significant to the domain of the activation and inclusion of the social assistance users in the labor market, which should be addressed in the future social protection system and labor market reforms.

3.1. Underdeveloped Active Labor Market Policies

Active labor market policies⁴³ play a significant role in the decrease of unemployment, especially long-term unemployment which these policies are aimed at eradicating. They also have a significant inclusive function and potential. However, they are developed only in a rudimentary form in BiH, and are mainly implemented as subsidized employment programs.⁴⁴

Public expenditure on active labor market policies is low and in the year 2015 it amounted to 0.15% of GDP,⁴⁵ whereas the EU28 countries spent on average 0.45% of GDP on active labor market measures in 2011.⁴⁶ Apart from that, the existing prioritization of the expenditures intended for labor market policies focuses on passive measures and the financing of administrative expenditures, whereas active measures usually have a tertiary significance and are financed from what is left over.⁴⁷

The scope and targeting of the users with active employment measures are also insufficient. In 2015, only 2.45% of the unemployed were included in active employment measures, wherein less than 1/5 out of the total number of participants in these programs were involved in programs of continuing education and training.⁴⁸ Instead, as in previous years, the accent was put on financing employment and job creation.⁴⁹ Furthermore, when it comes to targeting, most of the target groups for programs of co-financed employment are highly educated young people, who belong to the more easily employable categories, with a higher chance of including them in the formal labor market.⁵⁰

The program orientation and the portfolio of current employment policies are focused on the subsidizing of new employment.⁵¹ Even though the training programs have an outstanding significance in the context of structural and long-term unemployment, as well as the inclusion of social service users, the program-related and institutional capacities for education and

training within the framework of active labor market policies (ALMPs) in BiH are not sufficiently developed. Currently in BiH, there are only two centers for professional training, and their status is not systemically resolved.⁵²

Finally, active labor market policies are not sufficiently coordinated with the social protection system and, in that sense, the transfer between these two systems is still not satisfactory. Even though, in a certain sense, there are ALMPs designed for the less employable and vulnerable categories,⁵³ there is no strategic and long-term approach to the activation of social protection beneficiaries aimed at their training and inclusion into the labor market.

3.2. Destimulation of Entering into the Formal Labor Market

Present debates and analyses of the existing social protection system in BiH warn that the amount and character of status-based benefits (more precisely, veteran benefits) have a destimulating effect on active job searches and bolster the “gray economy” since, these are benefits that tend to target the working-age population who are not necessarily in great social need.⁵⁴ On the other hand, not enough attention is paid to the destimulating effects of existing social assistance schemes on the inclusion of those in social need into the formal labor market, i.e. those who receive benefits which are means-tested.

Namely, social benefits in BiH are extremely low and insufficient for a household to overcome poverty.⁵⁵ Having in mind the average net salaries in the entities,⁵⁶ the monthly income from social benefits is extremely low and, if not bolstered by other earnings, is entirely insufficient to ensure the minimal existential needs of a person or a family.⁵⁷

Nevertheless, the current legal framework imposes a loss of rights to social benefits or a reduction of the amount for those households who make additional earnings on the

side, if these earnings exceed the limit of the social benefit income, depending upon whether it is means-tested. Taking into consideration that the categories of social assistance users – bearing in mind that the socially excluded and hardly employable categories are often of low working capability, low levels of qualification and long-term unemployment – very often do not have the possibility to find better paid jobs, this kind of legal framework destimulates entirely or partially their inclusion in the labor market and engagement in part-time jobs. Therefore, the existing system contributes to people being “locked into” poverty and social need and leads to them working in the informal labor market.

As a response to similar problems, many countries are aiming to develop the most efficient possible activation programs, which imply the protection of individual social rights with simultaneous stimulation and the creation of preconditions for inclusion in the labor market. One such measure, which has become increasingly popular in the past two decades in the countries of the EU and OECD,⁵⁸ is the introduction of differently designed in-work benefits. In-work benefits imply benefits and reliefs⁵⁹ for low income earners and are mainly directed towards users of social assistance or unemployment benefits – who, due to the small difference between social benefits and potential employment incomes, are most often not stimulated to accept formal employment – lowly-skilled workers,⁶⁰ and workers with low incomes (who are working for a minimal wage or have a part-time working week), especially if they have children.⁶¹ The goal of these benefits is to encourage the inclusion of social benefits users into the formal labor market,⁶² alleviate poverty,⁶³ and reduce so-called “in-work poverty.” Despite the growing implementation of in-work benefits as a significant component of activation strategies, this measure is not incorporated in the existing social or active employment measures programs in BiH, nor is it part of a wider debate on the social protection system in the country.

3.3. Underdeveloped Social Services

An adequate institutional framework for active social policies implies well-designed, high quality, and accessible social services.⁶⁴ However, the social protection system in BiH suffers from many problems and shortcomings in this domain.

When it comes to social services in BiH, they are mostly underdeveloped, limited, or nonexistent. Beneficiaries of social assistance, as a result, have difficulty accessing even the most basic services such as healthcare protection, and persons in need of social assistance often cannot access the medicine or medical treatments necessary for rehabilitation or treatment of a physical disability or illness.⁶⁵ This can lead to an additional worsening of their health and ability to work. A similar effect occurs with education, where, lacking adequate social support, many households cannot ensure the necessary means and conditions for the schooling of family members. At the same time, there are no adequate institutional conditions for inclusive education, especially in the case of persons with mental disabilities,⁶⁶ or social housing for households in need of assistance and vulnerable categories with unresolved housing issues. This situation additionally thwarts the possibilities of adequate economic and social inclusion of these social categories of the population.

Inadequate social services can also destimulate involvement in the formal labor market. For instance, permanent financial assistance is rarely accompanied by additional social or other services (healthcare, educational, etc.) or measures of material assistance,⁶⁷ nor by measures which would lead to the social integration and a higher level of economic independence of the beneficiaries. This leads to situations where, for example, recipients of permanent financial assistance who are caregivers of family members in need of care (persons with physical or mental disabilities, the elderly, etc.), or single parents, are unable to accept part-time jobs or permanent employment. Neither can they participate

in social life, bearing in mind that they do not have adequate institutional support for the care of the family members, which disables them or destimulates their search for a job and, consequentially, their poverty is perpetuated.⁶⁸

In conclusion, BiH does not have an adequately regulated legal and institutional development framework⁶⁹ for social innovations⁷⁰ which would enable the diversification of social services and enhance their quality, better their inclusion, and enable the participation of more persons in need of social assistance, as well as of civil society, in their creation and implementation.

4. CONCLUSION

The existing social protection system in BiH fails in its inclusive function. Apart from the fact that it does not manage to decrease poverty rates and increase the quality of life of persons in constant social need more significantly, the social assistance system does not encourage the development of human potential. It also fails to encourage, or even destimulates, complete or partial participation in the formal labor market, which would give social assistance recipients more economic independence and contribute to their better social integration. This situation largely results from the insufficiently developed and reactive model of social protection.

In order to ensure an active and inclusive social protection system, BiH should strive towards reforms based on the European principles of an active social state. Such an approach would entail better integration of the labor market with social policies, i.e. the “activation” of social policies aimed at advancing the impacts of social measures.

Bearing in mind that the labor market in BiH is facing structural and long-term unemployment and an exceptionally low rate of activity among the working-age population, it is to be expected that a stronger orientation of social policies towards the labor

market would increase the effectiveness and efficacy of the social protection system. This could be realized through a reduction of the effects of “locking” into poverty, the prevention of the “dispersal” of human potential in the case of long-term unemployment, the prevention and decrease of the emergence of intergenerational transmission of poverty, or by avoiding destimulative impacts of social benefits on employment, etc. In other words, higher fluidity between social care and the labor market, with a parallel building and strengthening of social services and the institutions of an inclusive labor market (e.g., through social entrepreneurship, in-work benefits for those more difficult to employ and for those with low wages, etc.), would all have positive economic impacts. In a long-term perspective, this would contribute to the solution of some of the identified problems in the existing social protection system. A reactive approach in social policies would be replaced with active and long-term policies in which social transfers would represent a significant social investment and a factor of economic development.

5. RECOMMENDATIONS

In order to advance the existing social protection system in BiH and to create conditions for better activation, it is necessary to:

- Create an institutional framework and define steps for the integration of social policy and labor market policies, especially active labor market measures, with the goal of creating active social policies which would achieve the best possible transfer between the social protection system and the formal labor market.
- Better prioritize expenditures on labor market policies and increase public expenditures on active labor market measures, increase their quality, scope, and volume with these measures, and enable better synergy and coordination with social measures by producing relevant policies and by strengthening

institutional cooperation between social work centers and public employment services.

- Strengthen inter-sectoral cooperation, especially between education and healthcare, as well as enable the involvement of social partners and the civil sector in the creation of labor market and social policies.
- Strategically define measures of active inclusion on different governmental levels, following relevant policies and good practices of the EU, which should be adapted to the local socio-economic context and be complementary to future strategies of development, employment, and social inclusion, as well as embedded in present socio-economic reforms.
- Reduce the destimulating effects on the formal labor market employment for recipients of permanent financial assistance via the introduction of in-work benefits for those receiving a minimum wage or a wage which does not ensure minimal existential household needs.

These benefits would enable persons in social need to become active in the formal labor market without fear of losing their previously acquired rights to social benefits. These policies likewise help diminish the informal labor market. In order for the scope of these programs and amount sizes to be determined, and in order to prevent unwanted fiscal pressures, the introduction of in-work benefits would be preceded by comprehensive financial analyses and projections.

- Actively invest in the creation of inclusive and high quality social services in concordance with the best EU practices. In that sense, it is very important to create an institutional basis for unhindered and equal access to services for all social categories of the population. A significant contribution to the development of these services could be enabled via the promotion and strengthening of the capacities of social innovation, whereby social services would be diversified, and social assistance recipients and civil society would be able to actively participate in the creation and implementation of these services.

1 The unemployment rate in BiH amounted to 27.7% in 2015, which points to an increasing trend in relation to the previous two years. At the same time, the employment rate is extremely low, amounting to 31.95%. See more in: Agency of Statistics of BiH, *Anketa o radnoj snazi: 2015: prethodni podaci* [Labor force survey: 2015: preliminary results] (Sarajevo: Agency for Statistics of BiH, 2015), <<http://goo.gl/1ibGtj>>.

2 The rate of activity, i.e. the participation of the working-age population in the labor market, is extremely low. In 2015 it amounted to 44.1%, which is the lowest rate in the Western Balkans region. Furthermore, up to 84.7% of those unemployed have been in search of work for more than a year, where more than half are persons who have been in a search of employment for more than five years, which significantly hinders the reintegration of the unemployed in the labor market. From the perspective of the preservation of human capital, this represents an extremely negative trend. Data according to: Agency for Statistics of BiH,

Anketa o radnoj snazi: 2015: prethodni podaci [Labor force survey: 2015: preliminary results], and Agency for Statistics of BiH, *Anketa o radnoj snazi: 2014* [Labor force survey: 2014] (Sarajevo: Agency for Statistics of BiH, 2014), <<http://goo.gl/66e7L7>>.

3 Due to polysemanticity and different conceptualizations of social inclusion, it is necessary to stress that the term is primarily used this text in relation to socio-economic aspects of social inclusion (inclusion in the labor market, the ensuring of economic independence, access to institutions and services, etc.).

4 Agency for Statistics of BiH, *Anketa o potrošnji kućanstava u BiH 2011* [Household Budget Survey in BiH 2011] (Sarajevo, Agency for Statistics of BiH, 2013), <<http://goo.gl/mhNVP1>>.

5 Relative poverty represents “the household expenditures which are below the standard threshold which is yearly put on 60.0% of median of the monthly balanced household expenditures,” i.e. the household whose “resources (material, cultural and social) are

limited in such an amount that they exclude them from the minimum that is necessary for life in the member country in which they live." Poverty, therefore, is determined in relation to the distribution of payments for expenditure within the population. The relative poverty line in BiH amounted to 416.40 BAM for a single adult in 2011. Definition and data according to: Agency for Statistics of BiH, *Household Budget Survey in BiH 2011* [Anketa o potrošnji kućanstava u BiH 2011] (Sarajevo, Agency for Statistics of BiH, 2013), p. 63.

6 Initiative for Better and Humane Inclusion, *Siromaštvo u BiH 2011 – Trendovi i dostignuća i Indikatori adekvatnosti ciljanja budžetskih transfera za socijalnu zaštitu u BiH 2011* [Poverty in BiH 2011 - Trends and Achievements and Indicators of the Targeting Accuracy of Budgets Transfers for Social Protection in BiH in 2011].

7 The absolute poverty line is defined as "the value of consumption any person requires regardless of the time and place" and therefore, "the most frequently used absolute poverty line is [the one] based on food consumption," i.e. the minimum alimentary requirements as presumed by nutritionists taking into consideration age, sex, and individual level of exertion. Absolute poverty represents the lack of financial means necessary for adequate meeting of these minimum needs. Defined according to: Initiative for Better and Humane Inclusion, *Siromaštvo u BiH 2011 – Trendovi i dostignuća i Indikatori adekvatnosti ciljanja budžetskih transfera za socijalnu zaštitu u BiH 2011* [Poverty in BiH 2011 - Trends and Achievements and Indicators of the Targeting Accuracy of Budgets Transfers for Social Protection in BiH in 2011] (Sarajevo: IBHI, 2013), p. 7, <<http://goo.gl/ltO1QJ>>.

8 Alexandru Cojocar and Caterina Ruggeri Laderchi, "Social Exclusion in Bosnia and Herzegovina," in *Poverty and Exclusion in the Western Balkans: New Directions in Measurement and Policy*, eds. Caterina Ruggeri Laderchi and Sara Savastano, (Springer, 2013).

9 The social protection system encompasses social insurance (services and benefits based upon contributions) and social assistance (services and benefits not based upon contributions). For more, see: William Bartlett, *Analiza nedostataka u oblasti politika socijalne zaštite i inkluzije u BiH* [Gap Analysis in the Area of Social Protection and Inclusion Policies in Bosnia and Herzegovina] (Sarajevo: UNICEF, November 2013), pp. 10-11. <<http://goo.gl/VGaf10>>.

10 William Bartlett, *Analiza nedostataka u oblasti politika socijalne zaštite i inkluzije u BiH* [Gap Analysis in the Area of Social Protection and Inclusion Policies in Bosnia and Herzegovina]

(Sarajevo: UNICEF, November 2013), p. 15. <<http://goo.gl/VGaf10>>.

11 OSCE BiH, *Pravo na socijalnu zaštitu u Bosni i Hercegovini: pitanja primjerenosti i jednakosti* [The Rights to Social Protection in Bosnia and Herzegovina: Concerns on Adequacy and Equality] (OSCE Mission to Bosnia and Herzegovina, 2012), <<https://goo.gl/caldnl>>; Also see: World Bank, *Bosna i Hercegovina: Izazovi i preporuke za reforme Pregled javnih rashoda i institucija* [Bosnia and Herzegovina: Challenges and Directions for Reform: A Public Expenditure and Institutional Review] (Svjetska banka, 2012), p. 56, <<http://goo.gl/tZtfwN>>.

12 World Bank, *Socijalna davanja u Bosni i Hercegovini: kreiranje održivog sistema socijalne zaštite zasnovanog na stvarnim potrebama* [Social Transfers in Bosnia and Herzegovina: Moving Towards a More Sustainable and Better Targeted Safety Net] (World Bank, 2009), p. 3, <<http://goo.gl/omcFWa>>; OSCE BiH, *Pravo na socijalnu zaštitu u Bosni i Hercegovini: pitanja primjerenosti i jednakosti* [The Rights to Social Protection in Bosnia and Herzegovina: Concerns on Adequacy and Equality] (Sarajevo: OSCE Mission to Bosnia and Herzegovina, 2012), p. 7, <<http://goo.gl/7YtZya>>; IBHI, *Budžetske novčane naknade za socijalnu zaštitu u BiH – Šta funkcioniše, a šta ne (II): Ciljanje isplata budžetskih novčanih naknada - Teorija i iskustva iz odabranih zemalja* [Non-contributory Cash Benefits for Social Protection in BiH – What Works and What Does Not (II): Targeting of non-contributory cash transfers - Theory and evidence from selected countries] (IBHI, 2013), p. 1, <<http://goo.gl/ueikLh>>; Rights for All and Initiative and Civil Action *Why we are not equal in rights to social protection? Analysis and recommendations* (2010), p. 1, <<http://goo.gl/CneFu6>>.

13 See, for instance: World Bank, *Socijalna davanja u Bosni i Hercegovini: kreiranje održivog sistema socijalne zaštite zasnovanog na stvarnim potrebama* [Social Transfers in Bosnia and Herzegovina: Moving Towards a More Sustainable and Better Targeted Safety Net] (World Bank, 2009) and IBHI, *Budžetske novčane naknade za socijalnu zaštitu u BiH – Šta funkcioniše, a šta ne (II): Ciljanje isplata budžetskih novčanih naknada - Teorija i iskustva iz odabranih zemalja* [Non-contributory Cash Benefits for Social Protection in BiH – What Works and What Does Not (II): Targeting of non-contributory cash transfers - Theory and evidence from selected countries] (IBHI, 2013), <<http://goo.gl/ueikLh>>.

14 William Bartlett, *Analiza nedostataka u oblasti politika socijalne zaštite i inkluzije u BiH*

[Gap Analysis in the Area of Social Protection and Inclusion Policies in Bosnia and Herzegovina] (Sarajevo: UNICEF, November 2013), p. 18. <<http://goo.gl/VGaf10>>.

15 World Bank, *Socijalna davanja u Bosni i Hercegovini: kreiranje održivog sistema socijalne zaštite zasnovanog na stvarnim potrebama* [Social Transfers in Bosnia and Herzegovina: Moving Towards a More Sustainable and Better Targeted Safety Net] (World Bank, 2009), p. 3, <<http://goo.gl/omcFWa>>; World Bank, *Bosna i Hercegovina: Izazovi i preporuke za reforme Pregled javnih rashoda i institucija* [Bosnia and Herzegovina: Challenges and Directions for Reform: A Public Expenditure and Institutional Review], p. 56.

16 William Bartlett, *Analiza nedostataka u oblasti politika socijalne zaštite i inkluzije u BiH* [Gap Analysis in the Area of Social Protection and Inclusion Policies in Bosnia and Herzegovina] (Sarajevo: UNICEF, November 2013), p. 18. <<http://goo.gl/VGaf10>>; and World Bank, *Socijalna davanja u Bosni i Hercegovini: kreiranje održivog sistema socijalne zaštite zasnovanog na stvarnim potrebama* [Social Transfers in Bosnia and Herzegovina: Moving Towards a More Sustainable and Better Targeted Safety Net] (World Bank, 2009), p. 43, <<http://goo.gl/omcFWa>>.

17 Veteran benefits are not means-tested and this assistance more accurately represents compensation for participation in the past war, than traditionally understood social assistance.

18 In that sense, it is possible to argue that, according to effective social protection disbursements, BiH falls within the countries with lowest expenditures for these purposes. See: William Bartlett, *Analiza nedostataka u oblasti politika socijalne zaštite i inkluzije u BiH* [Gap Analysis in the Area of Social Protection and Inclusion Policies in Bosnia and Herzegovina] (Sarajevo: UNICEF, November 2013), p. 19, <<http://goo.gl/VGaf10>>.

19 World Bank, *Bosna i Hercegovina: Izazovi i preporuke za reforme Pregled javnih rashoda i institucija* [Bosnia and Herzegovina - Challenges and Directions for Reform: Public Expenditure and Institutional Review], p. 56.

20 World Bank, *Socijalna davanja u Bosni i Hercegovini: kreiranje održivog sistema socijalne zaštite zasnovanog na stvarnim potrebama* [Social Transfers in Bosnia and Herzegovina: Moving Towards a More Sustainable and Better Targeted Safety Net] (World Bank, 2009), pp. 4 – 5.

21 Directorate of Economic Planning, *Bosna i Hercegovina - Izvještaj o razvoju: godišnji izvještaj 2014* [Bosnia and Herzegovina – Report on Development: Annual report 2014] (Sara-

jevo: DEP, 2015), p. 52, <<http://goo.gl/RG6f5S>>.

22 World Bank, *Bosna i Hercegovina: Izazovi i preporuke za reforme Pregled javnih rashoda i institucija* [Bosnia and Herzegovina: Challenges and Directions for Reform: A Public Expenditure and Institutional Review], p. 65.

23 OSCE, *Pravo na socijalnu zaštitu u Bosni i Hercegovini: pitanja primjerenosti i jednakosti* [The Rights to Social Protection in Bosnia and Herzegovina: Concerns on Adequacy and Equality] (Sarajevo: OSCE Mission to Bosnia and Herzegovina, 2012), <<http://goo.gl/7YtZya>>.

24 For more details, see: Ibid.

25 Two especially significant documents, which offered contours and drew the course of future debates and social policies of EU are: *Communication from the Commission: The Future of Social Protection: A Framework for a European Debate* (Brussels: Commission of the European Community, 1995), <<http://goo.gl/N3ISSJ>>; *Communication from the Commission: Modernizing and Improving Social protection in the European Union* (Brussels: Commission of the European Community, 1997), <<http://goo.gl/UPbKv5>>.

26 “Lisbon European Council, 23 and 24 March 2000: Presidency Conclusions,” <<http://goo.gl/xfddZ8>>.

27 “Active inclusion of people excluded from the labor market,” <<http://goo.gl/tIXZHm>>.

28 Ibid.; European Commission, *Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labor market - Towards a social investment approach* (Brussels: European Commission, 2013), p. 4, <<http://goo.gl/3xWd1x>>; Eurodiaconia, *Briefing active inclusion* (Brussels: Eurodiaconia), <<http://goo.gl/3a75dL>>; “Active inclusion”, <<http://goo.gl/592kPG>>.

29 See: “Active inclusion of people excluded from the labor market” and European Social Network, *Active Inclusion Policies in Europe 2008-2012: The Impact of the European Commission’s 2008 Recommendation* (An ESN Policy Review), <<http://goo.gl/eaqK2a>>.

30 However, it needs to be stressed that the recommendations on active inclusion have been through numerous distortions throughout their implementation. Such an outcome is a consequence of the misunderstanding of the active inclusion concept, that is, reducing the concept to active labor market measures, or only partially implementing these recommendations, as seen in some member countries where activation policies have been introduced with a simultaneous neglect of the principles of access of high quality social services

and adequate social benefits. See: Hugh Frazer and Eric Marlier, *Assessment of the Implementation of the European Commission Recommendation on Active Inclusion: A Study of National Policies: Synthesis Report* (Luxembourg: Publications Office of the European Union, 2013), <<http://goo.gl/IQieNC>>. Also see: Adeline Otto and Elsa Laino, *Facing New Challenges: Promoting Active Inclusion Through Social Innovation* (SOLIDAR, 2012), <<http://goo.gl/xACAU0>>.

31 Also see: European Commission, *European Commission Towards Social Investment for Growth and Cohesion - Including Implementing the European Social Fund 2014-2020* (Brussels: European Commission, 2013), <<http://goo.gl/8RAivu>>.

32 "Europe 2020: A European Strategy for Smart, Sustainable, and Inclusive Growth", <<http://goo.gl/kY3tgO>>.

33 See more in: Mirna Jusić and Amar Numanović. *Fleksibilan rad u nefleksibilnom okruženju: Reforme institucija tržišta rada u Bosni i Hercegovini u komparativnoj perspektivi* [Flexible Labor in an Inflexible Environment: Reforms of Labor Market Institutions in Bosnia and Herzegovina in a Comparative Perspective] (Sarajevo: Center for Social Research - Analitika, 2015), pp. 24 – 33, <<http://www.analitika.ba/en/publications/fleksibilan-rad-u-nefleksibilnom-okruzenju-reforme-institucija-trzista-rada-u-bosni-i>>.

34 Social investment measures, integrated in the current EU policies and defined by the *European Social Investment Package*, in short, imply investment in the strengthening and development of human potential. The principle aim is to stimulate economic growth and development and prevent the larger social and economic expenses which result from the exclusion of persons from the labor market and/or social exclusion. For more, see: Denis Bouget et al., *Social Investment in Europe: A Study of National Policies: 2015* (Brussels: European Commission, 2015), <<http://goo.gl/iolMMu>>; European Commission, *European Commission Towards Social Investment for Growth and Cohesion - including implementing the European Social Fund 2014-2020*, <<http://goo.gl/ziJ162>>.

35 Bearing in mind that no new strategies for development, social inclusion, and employment were passed or suggested in the meantime, we are here using the most recent strategies for the state level for the period 2010 – 2013/2014 as a referential framework.

36 "Strategija razvoja Bosne i Hercegovine" [Development Strategy of Bosnia and Herzegovina], p. 106.

37 "Strategija socijalnog uključivanja BiH 2010. - 2013. godine" [Social Inclusion Strategy of BiH 2010 - 2013], p. 29.

38 "Strategija socijalnog uključivanja BiH 2010. - 2013. godine" [Social Inclusion Strategy of BiH 2010 - 2013], p. 29.

39 "Strategija zapošljavanja BiH 2010. - 2014." [Employment Strategy in BiH 2010 - 2014]

40 William Bartlett, *Analiza nedostataka u oblasti politika socijalne zaštite i inkluzije u BiH* [Gap Analysis in the Area of Social Protection and Inclusion Policies in Bosnia and Herzegovina], (Sarajevo: UNICEF, November 2013), p. 52, <<http://goo.gl/VGaf10>>.

41 Reformska agenda za BiH za period 2015-2018. godina [Reform Agenda for Bosnia and Herzegovina 2015-2018], <<http://goo.gl/Yv1373>>.

42 Program ekonomskih reformi za 2016 - 2018. godinu [The BiH Economic Reform Programme 2016 – 2018] <<http://goo.gl/BLNF2X>>.

43 Active labor market policies imply a set of measures, such as support in job searching, education and training, creation of public sector jobs, stimulants of employment in the private sector, and self-employment. These aim to introduce as many people as possible into the effective labor force and employment stimulation (especially for the long-term unemployed, those more difficult to employ, and groups at risk of poverty and social exclusion). See more in the effective labor force and employment stimulation (especially for the long-term unemployed, those more difficult to employ, and groups at risk of poverty and social exclusion). See more in: Mirna Jusić and Amar Numanović. *Fleksibilan rad u nefleksibilnom okruženju: Reforme institucija tržišta rada u Bosni i Hercegovini u komparativnoj perspektivi* [Flexible Labor in an Inflexible Environment: Reforms of Labor Market Institutions in Bosnia and Herzegovina in a Comparative Perspective], (Sarajevo: Center for Social Research - Analitika, 2015), pp. 77 – 81, <<http://www.analitika.ba/en/publications/fleksibilan-rad-u-nefleksibilnom-okruzenju-reforme-institucija-trzista-rada-u-bosni-i>>.

44 See: Center for Civil Initiatives, *Analiza politika zapošljavanja u BiH* [Analysis of Employment Policies in BiH], pp. 35-36.

45 Viljem Spruk, *Statistical Bulletin No. 5* (Ljubljana: Employment Service of Slovenia, 2015), p. 67, <<http://goo.gl/crxiet>>.

46 "LMP expenditure: Total LMP measures (categories 2–7)," EUROSTAT, <http://ec.europa.eu/eurostat/web/labor-market/labor-market-policy/database> (page last accessed on: 27/1/2015).

47 See: Mirna Jusić and Amar Numanović. *Fleksibilan rad u nefleksibilnom okruženju: Reforme institucija tržišta rada u Bosni i Hercegovini u komparativnoj perspektivi* [Flexible Labor in an Inflexible Environment: Reforms of

- Labor Market Institutions in Bosnia and Herzegovina in a Comparative Perspective] (Sarajevo: Center for Social Research - Analitika, 2015), pp. 83 – 84, <<http://www.analitika.ba/en/publications/fleksibilan-rad-u-nefleksibilnom-okruzenju-reforme-institucija-trzista-rada-u-bosni-i->>. 48 Viljem Spruk, *Statistical Bulletin No. 5* (Ljubljana: Employment Service of Slovenia, 2015), p. 67.
- 49 See, for instance: Centre of Public Employment Services of Southeast European Countries, *Statistički informator br. 4* [Statistical Informator No. 4] (Podgorica: Employment Bureau of Montenegro, 2013), p. 44, <<http://goo.gl/lrX6Zg>>.
- 50 “Strategija socijalnog uključivanja Bosne i Hercegovine” [Social Inclusion Strategy of Bosnia and Herzegovina].
- 51 “Strategija zapošljavanja BiH 2010.–2014.” [Employment Strategy in BiH 2010 - 2014], p. 26.
- 52 “Strategija socijalnog uključivanja Bosne i Hercegovine” [Social inclusion Strategy of Bosnia and Herzegovina], pp. 34 – 35.
- 53 See: Labor and Employment Agency of Bosnia and Herzegovina, *Plan o smjernicama politika tržišta rada i aktivnim mjerama zapošljavanja u Bosni i Hercegovini za 2015. godinu* [Plan for Guidelines of Labor Market Policy and Active Employment Measures in Bosnia and Herzegovina for 2015] (Sarajevo: Labor and Employment Agency of BiH, 2015), <<http://goo.gl/sDIUXz>>.
- 54 See: World Bank, *Socijalna davanja u Bosni i Hercegovini: kreiranje održivog sistema socijalne zaštite zasnovanog na stvarnim potrebama* [Social Transfers in Bosnia and Herzegovina: Moving Towards a More Sustainable and Better Targeted Safety Net] (World Bank, 2009), <<http://goo.gl/zhDDcs>>.
- 55 In that way, for instance, permanent financial support varies from 10% to 20% of the average net salary and mainly amounts to less than 100 BAM. In RS, that amount varies from 15% to 30% of the average net salary amount, depending upon the number of household members. An overview of all benefits and where this data is taken from can be found in: OSCE, *Pravo na socijalnu zaštitu u Bosni i Hercegovini: pitanja primjerenosti i jednakosti* [The Rights to Social Protection in Bosnia and Herzegovina: Concerns on Adequacy and Equality] (OSCE Mission to Bosnia and Herzegovina, 2012)
- 56 The average monthly salary in 2014 in FBiH amounted to 833 BAM, while in RS it was 825 BAM. Data according to: Institute for Statistics of FBiH, *Statistički bilten br. 218: Zaposlenost, nezaposlenost i plaće u Federaciji Bosne i Hercegovine 2014* [Statistical Bulletin No. 218: Employment, unemployment, and salaries in the Federation of Bosnia and Herzegovina 2014] (Sarajevo: Institute for Statistics of FB&H, 2015), p. 11; Republika Srpska Institute of Statistics, *Statistički bilten br. 7: Plate, zaposlenost i nezaposlenost* [Statistical Bulletin No. 7: Salaries, employment, and unemployment] (Banja Luka: Republika Srpska Institute for Statistics, 2015), p. 9
- 57 See: Aida Malkić and Tea Hadžiristić, *Intersekcijne nejednakosti u sistemu socijalne zaštite u BiH: rezultati empirijskog istraživanja* [Intersecting Inequalities in the Social Protection System in BiH: Results of the Empirical Study], ed. Edin Hodžić and Mirna Jusić (Sarajevo: Analitika: Center for Social Research, 2016).
- 58 Even though in-work benefits have a somewhat longer tradition, their significance is growing, especially in the last two decades. Currently, more than half of the member states of the OECD have introduced some form of in-work benefits. Moreover, in-work benefits have become part of official European Union policies.
- 59 Two main forms of in-work benefits are: (1) Cash benefits – intended for persons who are currently not employed, with the aim to ease the transition from long-term unemployment into employment. The amounts of these benefits can be lump-sum payments or dependent on the salary amount (wage-related transfers). (2) Tax credits – represent a specifically designed tax breaks targeted towards families with low income, with the aim of increasing their net income amount, easing poverty, and, simultaneously, stimulating employment and staying in work. According to: Lauri Leppik, *In-work benefits: literature review* (PRAXIS Center for policy studies, 2006), <<http://goo.gl/H5Fwp>>.
- 60 Richard Blundell et al., *The long-term effects of in-work benefits in a life-cycle model for policy evaluation* (Institute for Fiscal Studies Department of Economics, UCL, 2011), <<http://goo.gl/3KkeXn>>.
- 61 Lauri Leppik, *In-work benefits: literature review*, “OECD Employment Outlook” (OECD, 2015), <<http://goo.gl/O8YNgj>>.
- 62 Lauri Leppik, *In-work benefits: literature review*, “OECD Employment Outlook” (OECD, 2015), <<http://goo.gl/O8YNgj>>.
- 63 Richard Blundell et al., *The long-term effects of in-work benefits in a life-cycle model for policy evaluation* (Institute for Fiscal Studies Department of Economics, UCL, 2011), <<http://goo.gl/3KkeXn>>.
- 64 See: chapter 2 of this paper.

65 Aida Malkić and Tea Hadžiristić, *Intersekcijne nejednakosti u sistemu socijalne zaštite u BiH: rezultati empirijskog istraživanja* [Intersecting Inequalities in the Social Protection System in BiH: Results of an Empirical Study], ed. Edin Hodžić and Mirna Jusić (Sarajevo: Analitika: Center for Social Research, 2016) and Rights for All and Initiative and Civil Action, *Why are we not equal in rights to health protection? Analysis and recommendations* (2010).

66 Aida Malkić and Tea Hadžiristić, *Intersekcijne nejednakosti u sistemu socijalne zaštite u BiH: rezultati empirijskog istraživanja* [Intersecting Inequalities in the Social Protection System in BiH: Results of an Empirical Study] ed. Edin Hodžić and Mirna Jusić (Sarajevo: Analitika: Center for Social Research, 2016).

67 William Bartlett, *Analiza nedostataka u oblasti politika socijalne zaštite i inkluzije u BiH* [Gap Analysis in the Area of Social Protection and Inclusion Policies in Bosnia and Herzegovina] (Sarajevo: UNICEF, November 2013), p. 14. <<http://goo.gl/VGaf10>>.

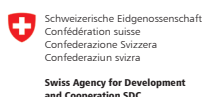
68 Aida Malkić and Tea Hadžiristić, *Intersekcijne nejednakosti u sistemu socijalne zaštite*

u BiH: rezultati empirijskog istraživanja [Intersecting Inequalities in the Social Protection System in BiH: Results of an Empirical Study] ed. Edin Hodžić and Mirna Jusić (Sarajevo: Analitika: Center for Social Research, 2016).

69 See: William Bartlett, *Analiza nedostataka u oblasti politika socijalne zaštite i inkluzije u BiH* [Gap Analysis in the Area of Social Protection and Inclusion Policies in Bosnia and Herzegovina] (Sarajevo: UNICEF, November 2013), pp. 74 - 80. <<http://goo.gl/VGaf10>>.

70 Social innovations can be defined as the development and implementation of new ideas (products, services and models) with the goal of satisfying social needs and creating new social relationships and modes of cooperation. They mainly belong to the sphere of civil society. In that sense, social innovations can play a significant role in the advancement of social services and the promotion of social inclusion. According to: European Commission, *Guide to Social Innovation* (2013), <<http://goo.gl/Ekcfqd>>; European Commission, *Social innovation: A Decade of Changes* (Luxembourg: Publications Office of the European Union, 2014), <<http://goo.gl/ntCmiZ>>.

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