

Violence in transition: Reforms and rights in the Western Balkans

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Abstract: *The 1990s saw the breakdown of the former Socialist Federal Republic of Yugoslavia which, since World War II, had developed a distinct economic system that included specific market and socialist self-management principles in production, distribution and decision-making processes. At the same time, the European Union opened up the possibility of full membership if these countries – now politically referred to as the Western Balkans – met the accession criteria claimed as essential to bring about fully-functioning and competitive market economies. The transition and accession processes were supported financially, politically and militarily by Western powers as a shift away from authoritarianism and poverty, while promoting democracy, human rights and individual freedom. This article argues that, contrary to this optimistic discourse, transition in the Western Balkans reflected and incorporated violence at different levels. The article shows that tensions between reforms and rights began in the 1970s, spurred by indebtedness and inequalities, pervading the transition process and deteriorating in the wake of the 2007-2008 global financial crisis. Social policy increasingly became framed along market-efficiency principles, challenging existing entitlements and rights, particularly with regard to education, social security and health. Vulnerable groups, such as the unemployed and the aged, experienced serious shortfalls in support and care. By the second decade of the twenty-first century, social protests against the deterioration in the levels of livelihood and the retrogression of social rights had erupted in several places. Violence was expressed not only in the form of direct bodily harm, but also in control exerted through indebtedness, the destruction of livelihoods, the denial of basic human rights, and the struggle for social justice.*

Key words: *Western Balkans; transition; debt; social rights; financial crisis*

1 Introduction

While transition involves complex and diverse transformations, the mainstream neoliberal discourse on transition in Eastern Europe in the late twentieth century has viewed it as a process of economic liberalisation

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and political democratisation associated with moving from planned socialism to free-market capitalism and democracy. The article analyses how key social rights were challenged and contested during the so-called transition in the Western Balkans, focusing on the experiences of Bosnia and Herzegovina, Macedonia, Montenegro, Serbia and Kosovo, which had formed part of former Socialist Federal Republic of Yugoslavia. While market principles had been incorporated at an earlier stage, the article deals mainly with the period from the 1990s to 2014. It is argued that the changes that took place in Yugoslavia and successor republics incorporated and reflected violence at different levels. While the 'Yugoslav wars' that formed part of the dissolution of the republic took their toll in terms of human suffering as well as the destruction of infrastructure and livelihoods, violence was also embedded in the unequal power relations associated with debt repayment and structural reforms of the subsequent periods. These unequal relations reframed social policy along market principles with severe consequences for basic labour rights and other social entitlements. Countering these deprivations were social protests that were suppressed by police and the army, reflecting increasing turmoil and confrontation in state-society relations in the transition process. The former Yugoslavia was one of the first test sites to design stabilisation and transition reforms later deployed in other former socialist countries. The analysis, therefore, contributes to recognising and interpreting tensions between reforms and social rights in other contexts of transition.

The argument is developed in the following order: Part 2 outlines the historical embedment of debt and inequality in the region that ultimately led to the dissolution of the Federation in the 1990s. Part 3 deals with the discourse and reality of reforms and rights, as countries attempted to meet donor requirements and to comply with criteria for membership of the European Union (EU). Part 4 focuses on reframing social policy along market principles and its implications for key social rights. Part 5 demonstrates how these problems were exacerbated after the global financial crisis of 2007-2008. Part 6 reviews some of the protests that erupted as individuals and groups demanded the restoration of these rights. Part 7 concludes by reflecting on how direct and structural forms of violence have permeated the transition process in the Western Balkans, and continue to generate tension between reforms and social rights. Throughout the article, attention is devoted to the pervasive role of debt as an enforcer of violence, in line with the observation by Lazzarato (2012: 29) that debt acts as a form of 'capture', 'predation', and 'extraction machine' on the whole of society and as an instrument of macro-economic prescription and management, while generating asymmetrical creditor/debtor power relations.

2 Indebtedness, inequalities and dissolution: A brief historical background

While Yugoslavia was ideologically and politically linked to the Soviet Union in the immediate aftermath of World War II, differences emerged shortly afterwards, and Yugoslavia, under the leadership of Josip Broz Tito, embarked on its own path of socialism. Since the 1950s, Yugoslavia enacted reforms decentralising political and economic power and decision making from the Federation to the Republics (although the leadership

remained within the Communist Party), and introduced a policy of self-management, which was later embedded as a political norm in the Constitution of 1974. In contrast to state ownership, the self-management model was based on social ownership of enterprises, and involvement of workers in management. However, power was held by the party elites in the republics (Malešević 2000: 150).

Yugoslavia also established trade and other relations with Western powers, while maintaining its independence by refusing to join the North Atlantic Treaty Organisation (NATO) and playing an important role in the Non-Aligned Movement. Yugoslavia's strategic positioning in the 'Cold War' context, however, made it a valuable ally. Between 1951 and 1959 Yugoslavia witnessed an inflow of US \$1 billion in terms of foreign aid, a further \$274 million in military aid as well as US \$219 million in long-term credits and grants from other Western governments (Plestina 1992 cited in Bojicic 2014: 31). Yugoslavia also received \$600 million in military aid from the USA (Pavkovic, cited in Botsma 2012: 39). In addition, between 1955 and 1964 the USA took care of 60 per cent of the deficits in the balance of payments, and from 1960 to 1990 Yugoslavia was supported with loans from the American Export Import Bank and World Bank in the amount of to \$1,4 billion (Allcock cited in Botsma 2012: 40).

The inflow of funds resulted in an impressive annual growth rate of 8.6 percentage points between 1953 and 1964, although many real growth indicators, such as labour productivity and agricultural and industrial production, did not perform well, and even stagnated or declined after 1965 (Bojicic 2000: 30-33; Table 3.1). The system of 'integral self-management' enshrined in the 1974 Constitution did little to improve labour productivity, and the subsequent period was characterised by inflation and greater dependence on foreign borrowings to expand the investment base of the regions (Bojicic 2014: 33). No doubt the situation was also influenced by the volatile changes in the international environment (Boughton 2001: 269):

[T]he termination of the fixed gold exchange standard and the adoption of flexible exchange rates, the oil price rises of 1973/74 and 1979/80, as well as the contraction of Western markets, led to a sharp rise in the interest rates and appreciation of the dollar.

All these factors contributed to the debt crisis of the 1980s, during which period the economic situation worsened with a low average growth rate (0.5 per cent per year), decreasing labour productivity and investment, an annual inflation rate of 108.7 per cent and increasing international debt (Bojicic 2014: 34). Unemployment increased over time, becoming a major source of tension in the system as the nature of the socialist workplace as a space of social, economic and political organisation meant that the unemployed were effectively 'excluded from full membership in society – a loss of full citizenship rights, a second-class status, a disenfranchisement' (Woodward 1995: 4).

The role of debt in informing the economic and social crisis in Yugoslavia during the 1970s and the 1980s should not be underestimated. Foreign debt in Yugoslavia, which had reached US \$4.4 billion by 1973, reached \$17 billion by 1980 (Bojicic 2014: 30-33; Table 3.1). With the exception of Albania, all countries in the Western Balkans had experienced the burden of foreign debt and rising debt servicing costs since the early

1980s. Many poorer households of the generation born in the 1970s experienced everyday life in the context of permanent financial crisis.

Since 1980, Yugoslavia had embarked on a series of reforms to address the economic and debt crises (De Rezende Rocha 1991: 27-32; World Bank 1989). These reforms included ceilings on credit and wages (indexation); the use of bankruptcy laws to close down economically-inefficient enterprises; changes to the bank law that required the republics to deposit foreign earnings with the National Bank (De Rezende Rocha 1991; Petak 2003; Crnobrnja et al 2007: 11; Murgasova et al 2014: 59). From 1980 to 1989, the ratio of external debt to gross domestic product (GDP) decreased from 30 per cent to 25 per cent (De Rezende Rocha: 1991: 10). By 1988, the government had achieved a current account surplus and initiated negotiations with private creditors (De Rezende Rocha 1991: 25). However, these gains took place in the context of rising inflation, and at substantial social costs in terms of declining employment, and a decline in real wages below the level of the 1970s (De Rezende Rocha 1991: 22). In 1988, the World Bank (1989) and the International Monetary Fund (IMF) (De Rezende Rocha 1991) began work on stabilisation and structural adjustment reforms. The message repeatedly conveyed in the World Bank report (1989) was that the measures thus far taken to stabilise the economy had not addressed the self-management system as the fundamental cause of the financial and debt crisis. To this extent, the Bank experts proposed to liquidate inefficient enterprises (in order to reduce domestic demand for credit); to impose financial discipline by eliminating ownership and management links between banks and borrowers (the self-managed enterprises were funders of the banks and their borrowers); to recapitalise banks (with public resources); and to restructure enterprises, as 'the current structure is not conducive to the mobility of capital' (De Rezende Rocha 1991: 59). The expenditure for all activities that do not have a higher priority than the recapitalisation of the banks should be curtailed (De Rezende Rocha 1991: 60). The reforms were funded with new loans (stand-by arrangement loans from the IMF and structural adjustment loans from the World Bank). The 'shock therapy' stabilisation reform was announced in December 1989. The World Bank report (1989) outlined the requirements for management of the transition: strong leadership; the establishment of interagency teams supported by task forces; agencies for restructuring banks and enterprises; training and skills in public finance management; and allocation of resources for international expertise 'to be paid on a scale unknown in Yugoslavia' (World Bank 1989: 180).

The protests against the reforms took place in the streets as well as in political fora. Slovenia and Croatia, the two republics with highest GDP, the lowest levels of unemployment and the highest volumes of external trade, and in close proximity to the EU, did not agree to sharing the costs of debt, structural reforms and social programmes, and decided to opt for what Petak (2003: 8) calls economic nationalism. Countering this position were Serbia, Montenegro and the Yugoslav Army (JNA), the single biggest political force in Yugoslavia, emphasising the need to strengthen the federal government, and maintain internal economic transfers (Petak 2003, 5-6). The conflict over the 1989/90 IMF/World Bank shock therapy reforms to stabilise public finance and debt and give more power to National Bank and federal government became one of the triggers of the dissolution in the 1990s.

While demands for greater autonomy and independence had begun in the 1970s, in the 1980s these demands increasingly assumed a more ethnic/nationalistic framing by groups and republics, responding to both the economic problems and the historical legacy whereby decentralisation reforms gave political power to the biggest ethnic group in the republic, while others were treated as minorities (Botsma 2012: 51). The 1990s witnessed the so-called Yugoslav wars, during which Slovenia, Croatia, Bosnia and Herzegovina, Kosovo and Macedonia were exposed to violent conflict and military interventions. These countries experienced, among other problems, the loss of lives, the devastation of livelihoods and infrastructure, civil unrest and migration. The brutality of these killings of civilians, the widespread use of rape and summary executions, the displacement of people and the destruction of infrastructure reflected a 'level and scope of torture and brutality in Europe [which] was unmatched since World War II' (Wilmer 1998: 10).

3 Rights and reforms in the post-conflict era

Transition from socialism to democracy has often been portrayed in the Western media as a move from authoritarianism, poverty and squalor to affluence, which would be accompanied by peace and individual freedoms. These ideas were reflected in the US Congress Act on Support for Eastern European Development (ASEED) of 1989 which aimed 'to promote democratic and free market transitions in the former Communist countries of Central and Eastern Europe, enabling them to overcome their past and become reliable, productive members of the Euro-Atlantic community of Western democracies' (US Department of State 2004). Similarly, a meeting in 1990, that included Margaret Thatcher and George W Bush and other Western leaders (the Head of State and Government of the Conference for Security and Co-operation in Europe), adopting the Charter of Paris for a New Europe, announced the end of the 'era of confrontation and division of Europe', and a 'new era of democracy, peace and unity' with 'steadfast commitment to democracy based on human rights and fundamental freedoms; prosperity through economic liberty and social justice; and equal security for all' (OSCE 1990a).

Human rights were reconfirmed at the 1993 EU Council meeting in Copenhagen which formulated accession criteria that included 'stable institutions, guaranteeing the rule of law, human rights and respect for and protection of minorities', followed by economic performance criteria (European Council 1993). The Thessaloniki Declaration (2003), more specifically aimed at the Balkans, reinstated the Copenhagen criteria for accession and included human rights criteria. The focus, however, was more on civil and political rights than on economic and social rights. However, the latter informed the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights (ICESCR), the European Social Charter of 1961, and the European Charter of Fundamental Rights and Freedoms that came into force under the Treaty of Lisbon in 2009 and which legally bound the institutions and national governments of the EU to uphold the protection of fundamental rights.

This optimistic discourse on democracy and freedom was, nevertheless, firmly underpinned by the requirement for countries in transition to deal

with the problem of indebtedness and undertake structural changes that would open up their economies to Western businesses.

The dissolution of Yugoslavia left successor countries with \$15 988 billion inherited debt to be distributed among successor republics (World Bank internal document, cited by Stanič 2001: 758 & 759). While 50.4 per cent of this debt was owed to commercial institutions, the remaining debt holders were the World Bank, the IMF and 15 states which had lent funds to Yugoslavia. Debt restructuring took place within the framework agreements with Paris Club (state creditors) and London Club (commercial creditors) (Stanič 2001: 76-62; Buiters & Lago 2001). The inherited external debt of the Balkan Five (Bosnia and Herzegovina, FRY Macedonia, Serbia, Montenegro and Kosovo) was in the amount of \$13.75 billion (Stanič 2001: 758). Some of this debt was written off or restructured. At the same time, new credit was required to finance old debt-servicing costs, deficits in the balance, as well as transition reforms (for instance, the debt to the IMF and the World Bank). By 2014, the external debt of the Balkan Five had quadrupled to \$55.4 billion (calculation by the authors on the basis of World Bank International Debt Statistics tables).

The market-oriented reforms and public debt management have constituted two pillars of the transition agenda that displaced human rights, in particular social rights. The 1990 Bonn Conference on Economic Co-operation in Europe (CECE), which spelled out the programme of economic reforms for transition, mentioned human rights, but explicitly noted that the transition countries would need to include the right to freely sell, buy and utilise property and repatriate profits at convertible currencies, as well as an efficient public sector (OSCE 1990b: 3-4). Criteria for all candidates and potential candidates agreed upon by the European Council at the Copenhagen Summit of 1993 included the 'the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union' (European Council 1993). In the late 1990s, the cessation of conflict opened the possibility of accession into the EU, and advanced the implementation of structural reforms in the Western Balkans in line with creating a free market economy, including opening up their economies to global trade and taking measures to promote private enterprise and export production and removing restrictive regulations (Murgasova et al 2015: 9).

The regional and country-specific Stabilisation and Association Process (SAP) of 1999 - reflected in the Declaration of the Zagreb Summit and the European Union-Western Balkans Summit at 2003 in Thessaloniki - set up the framework for EU accession (European Commission 2007, 2009, 2013). The European Commission monitored progress, identified weaknesses and required technical adaptations, introduced criteria and priorities, and directed EU funds towards relevant projects (Anastasakis & Bechev 2003: 7-8). The EU conditionality towards the Balkans was in effect 'a multi-dimensional instrument geared towards reconciliation, reconstruction and reform' that was 'regional, sub-regional and country-specific' and, at the same time, 'economic, political, social and security-related' (Anastasakis & Bechev, 2003: 8).

The Stabilisation and Accession Process entailed much closer co-operation between the European Commission, the IMF and the World Bank than during previous enlargements. This co-operation was institutionalised through various initiatives, such as the Joint Co-ordination Office established by the Commission and the World Bank, to co-ordinate donor assistance. Another case among the diverse co-operative arrangements between the three institutions is the recent programme for the management of public finance, 'Strengthening Economic Governance and Public Financial Management in South-East Europe', an EU and IMF-funded programme in the six countries of the Western Balkans.

In 2013, even stricter requirements and conditions were imposed for potential candidates from the Western Balkans to the European Union. The candidate countries were now required to prepare the same National Economic Reform Plans, Plans for Competitiveness and Growth, and public finance management plans as member states. The effective implementation of the public finance management plan is a precondition for budget support.

4 Social policy and social rights

A major area of international intervention in the Western Balkans was in respect of social policy, the latter also being influenced by changes in the EU which, since the 1980s, had witnessed an increased resort to the commercialisation of pensions, education and health care. Applying market principles to these provisions implied a reframing of social policy, viewing it rather as 'a productive factor contributing to economic growth and development', with the terms 'activation' and 'joined-up policy making and partnership' being used to suggest the inclusion of the people in solving social problems (Lendvai 2007: 32). Critics of these policies have suggested that this reframing of social policy was 'more a political act and discourse to subordinate social policy to economic growth and competitiveness' (Lendvai 2007). In the same vein, Böröcz (2001: 108) argued that

[t]he essence of the European Union's strategy *vis-à-vis* the Central and Eastern European applicants is the integration without inclusion, participation in production systems and appendance to the consumption market of EU corporations without attendant political, economic, social and cultural rights conferred by the European citizenship.

Several international actors were involved in the implementation of social sector reforms in the Western Balkans, including the IMF, the World Bank, the EU as well as several United Nations (UN) agencies (for instance, the ILO, the United Nations Children's Emergency Fund (UNICEF) and the United Nations Development Programme (UNDP)). In 1992, the UNDP set up a Regional Directorate for Europe and the Commonwealth of Independent States (CIS). In 1993 the ILO established a country programme on decent employment in co-operation with the Council of Europe, and the European Commission conducted country peer reviews of employment policies in Balkan countries, the so-called Bucharest process, and analysed options in pension reforms (Hirose 2011). The note on pension reforms in post-socialist economies by the Directorate-General Economic and Financial Affairs in 1996 identified pensions and the development of market-based social policy as one of the

key challenges of the transition reforms (European Commission 1996: 1). Since the early 1990s, the World Bank has continuously been engaged in promoting, designing and monitoring the implementation of pension and health care reforms in the Balkans, aimed at enhancing efficiency to resolve the disease burden in the framework of fiscal space (Bredenkamp et al 2008: 158). To enable health care reforms, the World Bank projects introduced electronic management systems as well as costing procedures in health care. These reforms privatised primary health care, shifted the ownership of hospitals from the local communes (of the former Yugoslavia) to the state, and introduced systems of organising health care based on a private enterprise model ('marketisation'). The World Bank Department for Europe and Central Asia had teams of experts set up social safety nets and means-tested benefits in place of universal entitlements. According to Deacon and Stubbs (2007: 6), these international actors appeared to be 'scrambling for position' in social policy development.

These projects and policies resulted in contradictory and competing pressures on countries, as the fiscal surveillance procedures conducted by the European Commission and the Council towards EU member states and the acceding countries demanded cuts in public expenditures that affected the availability of funds for welfare expenses. In this way, this 'crowded arena' in social policy development had 'major implications for transparency and ownership with some countries' social affairs ministries confused and disempowered in these processes' (Deacon et al 2009: 290).

In all, these material and discursive international interventions constituted and co-shaped a parallel network of power that often superseded national governments. This situation was exacerbated by large numbers of people experiencing extreme poverty, while the number of households living just above the poverty line remained a serious concern in the region (Deacon & Stubbs 2007: 14-15). Inequality increased in the region and also in urban and rural areas, also with respect to access to health care facilities and treatment, affecting more vulnerable groups, such as the unemployed. The Roma minorities experienced graver problems in this area (Stubbs & Zrinščak 2009: 288-289 & 290).

5 The 2007-2008 financial crisis and its aftermath

The turbulence in the global financial system in 2007 and 2008, associated with unsustainable banking practices in supplying loans for housing in the USA (so-called 'sub-prime' lending) and questionable trading practices had an impact on global stock markets, with losses in the value of securities, as well as a downturn in the world economy. Europe was badly affected and, in turn, the Western Balkans, through its relatively high degree of *de jure* and *de facto* Euroisation, a process whereby countries either introduced the Euro as official legal tender, or linked the local currency strongly to the Euro. The Euro had been adopted as the official tender of Montenegro and Kosovo (without the permission of the European Central Bank), while the currencies of Bosnia and Herzegovina, Croatia and Macedonia were linked or pegged to the Euro. This process was stimulated not only by the uncertainties of war and inflation in the 1990s, but also by the extensive migration from the region to Europe, as well as by the EU integration process with the expectation that, once reaching full membership, the Euro would be the only currency.

The economies of the Western Balkans did not immediately experience the impact of the 2007-2008 global financial crisis as their counterparts did in the more industrialised countries (Shera 2015: 2-3). Many of the local banks, however, had received substantial assistance and involvement of foreign capital, ingraining a degree of instability into the financial systems (Impavido et al 2013: 38). The effect was somewhat staggered and largely felt through trade and commercial links with the Eurozone, where lending institutions, in contrast to the previous period, sharply reduced or froze credit to the region to avoid being exposed to a higher risk. These practices shortly thereafter led to a decrease in domestic industrial production with the tightening of available credit, leading to a decrease in domestic demand and consumption, as well as economic problems with key trading partners such as Italy, Germany and other Eurozone countries. This affected, among others, the productive sectors and reflected in the stagnation and decline in the growth of GDP from 2008-2009 onwards (Shera 2015: 2-3). Another important financial crunch emerged by way of a decline in remittances (Shera 2015: 6). A credit and real estate bubble and a decline in export and domestic demand led to the increase in non-performing loans (Murgasova et al 2015: 74). All these factors affected the fiscal balances of these countries with decreasing tax revenues and increased budgetary deficits (Murgasova et al 2015: 7). Raising the cost of servicing public debt with adjustable interest rates exerted further pressure and increased budgetary deficits.

Some of the most important consequences since 2007 included (a) a slowdown of growth including negative growth in industrial output, leading to unemployment and poverty; (b) deflation and fall in domestic demand; (c) a fall in imports, which was not always positive as people and firms were not buying goods as they could not afford them; (d) a decrease in foreign direct investment; and (e) a decrease in remittances. Since 2009, the region has also relied more on IMF loans. One consequence of the banking and financial crisis was the increased sovereign foreign debt in South Eastern Europe and the Western Balkans, which in 1989 amounted 32.89 billion. After the financial crisis, foreign debt skyrocketed from \$99.4 billion in 2007 to \$230.5 billion in 2009, reaching \$258.7 billion in 2013. In the Western Balkans, foreign debt substantially increased in the period of transition reforms. In 2000 it amounted to \$15.85 billion to reach \$40.8 billion by 2007, and \$57.97 billion by 2013.

Concerns about debt sustainability were often at the cost of established social rights. An IMF working paper on public debt in the Western Balkans noted that social expenditure and, particularly, expenditure on pensions posed a threat to debt sustainability, recommending cuts in public expenditure (and improvements in revenue collection) (Koczan 2015: 5) that were directly associated to the retrogression of social rights. The recommendations included, among others, the need to contain wages and benefits in Bosnia and Herzegovina; wage and benefit moderation in Kosovo; fiscal consolidation in the spending review in Macedonia (code word for cuts in public expenditure); 'fundamental expenditure reform, including on the public wages and pensions' for Montenegro; and 'curtailing mandatory spending (pensions and wages)' for Serbia (Koczan 2015: 12).

The IMF stand-by loan agreements, World Bank loans or credits, non-returnable grants from the United States Agency for International

Development (USAID) (USAID 2013: 13), as well as funding tied to progress in the EU accession, pressured countries to 'modernise' social security, the labour market and social protection. Several measures were taken to counter these problems, but these remained within the framework of promoting the role of the private sector in development. The financial crisis also triggered the need to develop a co-ordinated response to the possibility of a sudden withdrawal of funds from parent banks in Europe, as well as to support the co-ordination of host country authorities to deal with these challenges (Murgasova et al 2015: 81). Such a perspective was particularly important as European banks by 2012 accounted for some 75 to 90 per cent of the banking system assets in the region (Burder & Körner 2012: 1).

Significant in this regard were the 2009 Vienna I and 2012 Vienna II initiatives of the European Bank for Reconstruction and Development (EBRD) using its 'its unique relationships with the private sector as well as governments and its mandate to promote transition and development through the private sector' (EBRD 2012). The Vienna I and Vienna II Initiatives brought together, among others, the major financial institutions in the region, including the IMF, the EBRD, the European Investment Bank, the World Bank, key European institutions (the European Commission and the European Central Bank with observer status) and the largest banking groups in the region. According to the EBRD, the Vienna Initiatives were successful by retaining the engagement of many foreign banks, keeping the private sector involved in the stabilisation process, while informing and supporting home and host countries through sector packages support and loosening monetary policy tools to deal with the weak demand while taking care that capital flight would not occur (EBRD 2012).

All these reflected the cumulative pressure that was exerted to prevent contagious defaults, maintain sustainability of debt at huge social cost and enforce market-oriented reforms in the public sector, including health care, education, the labour market, as illustrated below. Between 2008 and 2012, the contraction in the Serbian economy resulted in a decrease in employment by 21 per cent (largely in the private sector). This had serious consequences for the social sector, which was characterised by high public spending on a larger number of people, including the large elderly population, who were forced to rely on social protection schemes (Prica 2013: 164-165). The situation in Serbia was particularly alarming as the country recorded an increasing budget deficit since 2008 with a ratio of government debt to GDP of 70.9 per cent of the country's GDP in 2014 (Republic of Serbia 2014: 5). In addition to social protection spending (which included spending on social assistance and pensions), public sector spending was mainly related to the high employment levels in the state sector and the state administration (Barlett & Uvalic 2013: 164). The high public spending was also adversely connected to the chronic problem of high trade and current account deficits. In October 2014, the government, before signing the IMF stand-by loan of 1 billion Euro, issued a package of economic reform measures. However, with loans also came reforms. The salaries in the public sector and pensions above 25 000 dinars (approximately 200 Euro) were effectively cut from 1 November 2014, reducing the pensions of some 1.5 million citizens while also reducing the number of those employed in publicly-owned companies and the state administration (Balkan Insight 2015). Similar conditions were placed on

the IMF loans to Bosnia and Herzegovina, requiring the country to undertake '[c]omprehensive reforms of rights-based benefits ... which are imperative for both medium-term fiscal sustainability and improving the functioning of labour markets' (IMF 2012: 6).

In the 2000s, Croatia embarked on a path of Europeanisation which, until 2008, was accompanied by economic growth and improved social and living standards (Franičević 2013: 75). After a period of growth in the 2000s, a deep recession set in by the second half of 2008, with no clear prospect of coming to an end. The first phase of austerity policies (2009/2010) did not lead to serious cuts in social spending, or to cuts in public sector employment. Yet, in the second austerity phase of 2012, because of worsening economic trends and increasing foreign risks, major cuts proved to be much more difficult to avoid (Sanfey 2010: 2 in Franičević 2013: 75). The recession particularly affected those on temporary contracts, but in time even the permanent workforce was also affected. More men than women were made redundant, but this was due to the fact that women did not dominate the sectors that had the immediate impact in terms of unemployment. The austerity measures in the public sector would badly affect women. The youth also faced a high degree of unemployment: The unemployment rate in the 15 to 24 age group increased from 22 per cent in 2008 to 36 per cent in 2011 (Franičević 2013: 78).

In 2014, Croatia changed its labour law in line with making labour markets more flexible, a measure criticised by the biggest trade unions in the country. The new changes into the labour system included (a) reducing the cost of hiring and firing; (b) more flexible work time; (c) addressing wage rigidities; (d) rendering more flexible working hours; (e) addressing wage rigidity; (f) reducing the maximum amount of compensation paid to a wrongfully-dismissed worker from 18 months to six months; (g) relaxing the constraints on the dismissal of some categories of protected workers in cases justified by business necessities; (h) increasing the flexibility of work time by extending the scope for rescheduling work hours; and (i) raising labour force participation through changing the dates for qualification for pension.

Since the adoption of the law, many civil society organisations have voiced their discontent with the proposed provision part of the new law. The Women's Front for Labour and Social Rights in Zagreb has been particularly critical. This association has organised protests and focused their work on actions, public meetings and the production of texts related to the critique of the flexibilisation of labour legislation in the form of the new labour law. The Pension Insurance Act, which entered into force in November 2014, entitled an insured person to an old-age pension on reaching 65 years of age and having completed 15 years of qualified employment. The next 20 years would see further changes, by increasing the age for eligibility for pension to 67 years for both women and men (Bolfek 2014). Another organisation, the Association of Croatian Public Sector Unions (MATICA), alleged that Act 143/2012 on Withdrawal of Certain Material Rights of the Employed in Public Services, implemented by the government of Croatia on 20 December 2012, had been adopted in violation of the provisions of the European Social Charter. The complaint, registered on 24 March 2015, relates to articles 5 (the right to organise) and 6 (the right to bargain collectively) of the European Social Charter.

The organisation filed a collective complaint to the European Committee of Social Rights. This decision is still pending.

Flexible employment was also promoted in Macedonia through the labour market reform law of 2005 that was based on the rare consensus of key political actors, representatives of employers and unions. This reform introduced flexibility in labour contracts, overtime provisions and employee redundancy, without significantly undermining the legal standing of employees. These policies were strengthened under the government of Nikola Gruevski, who had previously been the Minister of Trade and Minister of Finance, and in 2006 became the Prime Minister. While asserting the need to develop the economy and improve the quality of life for the people, he believed that unemployment could be solved by 'establishing better conditions for doing business' and proceeded to make appropriate changes, including reducing taxes to a flat rate of 10 per cent corporate and personal income tax, and reducing the Value Added Tax in sectors (from 18 to 5 per cent custom duty) and reducing by one-third the contribution by companies to health and pension funds (interview, *The European Times*, 24 March 2015).

While official statistics showed a marginal decline in the official unemployment rate from 2009 onwards, a qualitatively different picture emerges when this is complemented by other sources, such as representative sample surveys. In 2008, such a representative survey of households in Macedonia indicated that 48 per cent of respondents were pensioners, students or housewives who did not participate in the labour market, while 66 per cent lived in households where at least one person was unemployed (Gerovska-Mitev 2013: 111). It also showed that, while 19 per cent of the representative survey experienced a loss of employment, the majority of these were people with an ethnic Albanian background. In addition, 57 per cent of the survey indicated that they knew at least one person who had suffered a loss of employment. Those with a low degree of education, older participants (50-65) and women were most affected during the crisis (Gerovska-Mitev 2013: 111). Protection against unemployment was not adequate, and there was a general lack of knowledge and information about workers' entitlements to benefits and services (Gerovska-Mitev 2013: 112). Other rights, such as those related to health care and health insurance as well as education, were also negatively affected by the global financial crisis (Gerovska-Mitev 2013: 115-118).

Crackdowns were also conducted against those registered as unemployed but who were suspected of earning money elsewhere. Since 2012, the Macedonian Employment Agency also distinguished between active and passive employment seekers. While active seekers were provided with more benefits than passive seekers, they were also bound by more stringent rules, including the obligation to go for interviews and training and to regularly register with an employment agency. It should be noted that since the introduction of the new methodology, the number of passive job seekers has been constantly decreasing, while the number of active job seekers has risen. The government has presented the decrease in passive job seeking and the increase in the active as proof of the success of its policy. However, these numbers may just as well be interpreted as pointing towards a rise in *de facto* unemployment. This situation has several rights-related implications, including the preference for flexibility over security in the labour market; and the undermining of the demand for

favourable working conditions for all while attracting foreign investment based on cost-effectiveness.

Reforms in the labour market and social policy were also promoted by World Bank interventions that sought to bring about Activation and Smart Safety Nets (SSN) for the Western Balkans. In their report of 2013, the World Bank team, led by Boryana Gotcheva and Isik-Dikmelik (2013: 6), noted the following:

As countries of the Western Balkans are moving up the income tree, there is a need and political will to finalise the first generation SSN reforms (such as reducing benefit fragmentation, improving targeting and coverage, and establishing unified registries) and to move toward a second generation of SSN reforms. The second generation reforms entail creation of 'smart' safety net programmes that inter alia focus on decreasing dependency on welfare among those who are able to work and promoting their employability with a combination of incentive-based cash transfers and services. In other words, this process could be described as moving beyond 'how to get the right people into safety net programs' and toward 'how to "activate" and help beneficiaries graduate from poverty and eventually dependence on transfers'. In this context, activation is a combination of policy tools that supports and incentivizes job searching and job finding as a way to increase productive participation in society and self-sufficiency.

These 'smart safety nets' suggested not only a further reduction in access to social protection for those profiled as unemployable, but also the notion that the social protection transfers and behavioural problems of the unemployed were the primary causes of unemployment. Scant consideration was given to the type of work or the rights of workers within this framework. In the context of the Balkans, the World Bank recommended allocating the unemployed to different profiles by way of a statistical algorithm, as public employment services did not have the resources to undertake this on a case-by-case basis.

Policies such as these have been promoted in different parts of the region. At a workshop in Vienna in 2014, where smart social safety nets in the Western Balkans were discussed, the World Bank emphasised what they have referred to as 'activation' policies to groups that are viewed as 'inactive' and the unemployed, including beneficiaries of social assistance. The idea was to reduce the 'multiple barriers to their employment and active inclusion', and to ensure that demands for protection and prevention of poverty and vulnerability were 'met efficiently' (World Bank 2015). The workshop also aimed at giving policy makers the 'newest international trends ... on how to enhance the "promotion" function of the safety net during times wherein increased demand for protection and prevention of poverty and vulnerability need to be met more efficiently under increasing fiscal constraints' (World Bank 2015). In essence, the view is that social transfers and protection were incentives for people to remain unemployed, and more targeted policies were necessary to force these people to undertake some form of employment. In this process, the state was withdrawing from social entitlements while promoting markets for social services and social care, the latter often under the discretion of grant-receiving non-governmental organisations (NGOs), as long as the NGO, a firm or a denominational organisation could succeed on competitive grant markets.

An issue paper prepared by Lusiani and Saiz (2013: 7), published by the Council of Europe Commissioner for Human Rights in November 2013, noted that in the aftermath of the 2008 financial crisis, many countries had undertaken further austerity measures affecting the 'whole spectrum of human rights ... from the rights to decent work, an adequate standard of living and social security to access to justice, freedom of expression and the rights to participation, transparency and accountability'. The paper highlighted the disproportionate hardship experienced by vulnerable and marginalised groups, emphasising that the very capacity of the state to provide basic social welfare and protect the human rights of all was being undermined (Lusiani & Saiz 2013: 7).

6 Protests and alternative discourses

An important outcome of these changes was the increase in social protests undertaken by groups and civil society organisations in the Balkans against the decline in means of livelihood and the retrogression of social rights. These struggles became more widespread and even violent after the financial crisis of 2008 when governments were forced to take even more stringent measures to deal with the fiscal problems. A wide variety of individuals and groups were involved in these demonstrations in Croatia, Bosnia and Herzegovina, Serbia, Macedonia, Montenegro and Albania, and involved students and lecturers, trade unionists, precarious workers, pensioners, anarchists, ecologists, socialists and others. The common theme was anti-establishment and the demand for basic social rights.

In Croatia in the spring of 2011, for a whole month up to 10 000 people marched across Zagreb every evening denouncing the political system and all political parties. In Slovenia in 2012 and 2013, general 'uprisings' mobilised the whole country, contributing to the fall of the right-wing government and a number of corrupt officials. In Bulgaria in the spring of 2013, huge protests triggered by drastically-increased electricity bills brought thousands to the streets, only to be followed by even larger protests after the general elections in the summer of 2013. For weeks, masses protested against political elites and their ties to the powerful Mafia and media moguls. In Romania, protests have erupted sporadically since 2010, in response to unbearable social conditions and continuing austerity measures. Similar types of protests, with a different intensity, have also occurred in Serbia, Macedonia, Montenegro, Kosovo and Albania (Štiks and Horvat 2014: 2). On 14 August 2012, the biggest social protest, consisting of more than 10 000 citizens protesting against the increase in energy prices and the decline in the standard of living, started in Macedonia. These protests lasted for five months, and a citizen's initiative with more than 13 000 signatories was initiated for amending the Energy Law (Stojilovska & Zuber 2013: 3).

In the autumn of 2010, important protests were undertaken in Croatia in support of the struggle of female workers against mismanagement, privatisation and the bankruptcy of the Kamensko factory. In February and March 2011, thousands of people in Croatia took to the streets protesting against unpaid and low wages and deteriorating working conditions. Female workers from the Kamensko textile factory led protests against the non-payment of wages and unemployment resulting from a forced bankruptcy. The workers claimed that the owners had been guilty

of corruption and had been in complicity with the government (Salzmann 2011). However, these protests were more significant than the problems of the Kamensko factory. They reflected a strong resentment amongst ordinary people against the subsidies given by the government to 'dubious' companies. Demonstrations took place in front of banks, the homes of politicians, Croatia's Catholic Church and opposition parties, with many wearing masks of the former Prime Minister, Ivo Sanader, who was viewed as 'a symbol of a thoroughly corrupt and rotten system' (Salzmann 2011).

Similar protests occurred in Bosnia and Herzegovina, where increasing numbers of people were living below the poverty line. Quoting Household Budget Surveys, Kazaz et al (2014: 2) indicated that since 2011, nearly a quarter of the population was living below the absolute poverty line, a significant increase from the situation in 2001 of 18.6 per cent. Other expressions of poverty and deprivation included the increased number of people roaming the streets and the 'explosive increase in the sale of gold reflecting that all other means had "dried" up' (Kazaz et al 2014: 3). Social protection had also worsened after 2007, with the poorest one-fifth receiving just 17.3 per cent of the total non-contributory transfers in 2011 (Kazaz et al 2014: 3). In addition, it was revealed that allocations intended to support and protect the population against natural disasters, such as the floods of May 2014, were 'inappropriately allocated' (Kazaz et al 2014: 3). Social protests have taken place against the political elite, including a wave of protests in June 2013, triggered by the death of an infant who could not obtain the necessary identification number to receive treatment abroad.

Another protest in Bosnia and Herzegovina, this time by workers, began in Tuzla in February 2014 against the lack of adequate social security and wage payments in the wake of the privatisation of factories. Workers clashed with the police, but received support from different parts of civil society across the federation, including the unemployed, war veterans, the youth, pensioners, students and academics (Arsenijević 2014: 45). Particularly novel was the creation of plenums forming spaces for a discussion of the demands of those who had been 'deprived of their rights, unemployed and poor' (Weber & Bassuener 2014: 5). The significance of such spaces and deliberations lays also in countering the prevailing identification of politics with corruption, nepotism and clientelism with people, but rather 'assuming responsibility for one's life with no external guarantees', thus reflecting the 'individual and collective refusal to be bribed and coerced into submission and servility' (Arsenijević 2014: 8). However, these protests had a broader impact on society. In a report by the Democratisation Policy Council titled *EU Policies Boomerang: Bosnia and Herzegovina's Social Unrest*, Weber and Bassuener describe the 'social discontent' – the worst since the 1992-1995 war – that was essentially anti-establishment and directly linked to allegations of corruption and mismanagement by the local elite who were supported by Western policy makers.

These new social movements reflected a need for the extensive transformation of Balkan societies. While the protests and struggles differed in their methods, ideological orientation and strategies, they responded to abuses of power by corrupt political elites as well as the deteriorating social and economic situation (Štiks and Horvat 2014: 2).

7 Concluding reflections: Violence in transition

The economic policies imposed on the Western Balkans as donor requirements, and necessary to meet the criteria for European accession, promoted a fiscal paradigm that prioritised the reduction of budget deficits and liberalisation of the flows of money, goods and services, often at the cost of constitutional and human rights. In the process, modernisation became the code word for the commercialisation of social policy, with the introduction of tools from neoclassical economics and business management to social sectors and public administration. The discourse displaced the notion of citizens with entitlements to basic rights to market actors and consumers of services, while compelling them to become investors themselves. In the process, basic social rights, including a decent standard of living, minimum wages and security of work, became insecure and aggravated through increased unemployment, flexible work and labour arrangements and poverty, accompanied by a decline in access to health care, housing, old age and disability protection and social assistance. The financial crisis only worsened human insecurity amongst more people, particularly the vulnerable groups in society.

In this scenario, violence assumed many dimensions, taking on direct and structural forms through creating and sustaining divisions in opportunities, social protection and social justice, with the more vulnerable experiencing social exclusion, a loss of livelihoods, and a denial of basic social and citizenship rights. Fundamental contradictions emerged between the neoliberal policies that used the 'free market' as regulatory ideal and declared commitments to democracy, freedoms and human rights. Violence also emerged in protests reflecting anger and defiance against the power and complicity of the political and economic elite at local, national and international levels. The region, having moved away from a history of ethnic conflict and civil war, appears to be on the brink of yet another explosion as people challenge the economic and political deprivations of the past two decades.

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