

# **The Social Consequences of the Economic Crisis in South Eastern Europe**

**14-15 December 2011**

**Graham Wallace Room, 5th Floor, LSE Old Building**

## **CONFERENCE REPORT**

This conference launched the LSEE Research Network on Social Cohesion in South East Europe, hosted at LSE with the generous support of DG Enlargement and the IFI Coordination Office in Brussels. The theme of the conference was the social impact of the economic crisis in the region. The economic crisis has had profound effects in the region with unemployment rates soaring, foreign investment drying up, and remittances from migrant workers collapsing. The conference was opened with welcome speeches from Professor Kevin Featherstone Director of the European Institute, who expressed the support of the EI for the research network initiative and from Vassilis Monastiriotis, Coordinator of LSEE who welcomed guests on behalf of LSEE.

The first session, chaired by Mary O'Mahony from the IFI Coordination Office in Brussels was devoted to the role of the LSEE Research Network in contributing to regional policy and strategy development with regard to the social agenda for South East Europe as a whole. Will Bartlett opened the session with a review of the purpose of the network which brings together more than thirty leading scholars from the region, from LSE and other research institutions in the EU. This was followed by presentation by Jelena Jakulj and Frederique Rychener on the

work of DG Enlargement in supporting labour market policy in the Western Balkans and developing active labour market programmes in support of the EU 2020 programme targets. Thomas de Bethune from DG Enlargement presented the work of the Western Balkan Investment Framework in financing social infrastructure and Emina Kadric presented the work of the IFI Coordination Office on social and economic programmes in the region. She also presented the work of the Council of Europe Investment Bank which aims to strengthen social integration in the region through support to refugees and displaced persons with a focus on housing, job creation and public infrastructure with a social vocation in the fields of health and education. Debate focused on ways in which the EU 2020 programme targets should be adapted to the more challenging conditions in the Western Balkans.

The second part of the conference was devoted to presentations of ongoing and completed research work by members of the research network. Professor Milica Uvalic from the University of Perugia opened the session with an overview of the impact of the economic crisis on the region focusing especially on the damage done to employment due to the collapse in external demand and in credit flows. She

pointed out that the unemployment situation in the region is far worse than in the new member states of Eastern Europe due to structural weaknesses of the economies which are in turn a product of legacies of the 1990s, in combination with inadequate economic reforms. The message was reinforced in the following presentation by Professor Mihail Arandarenko from the Economics Faculty in Belgrade. He outlined the features of a generic 'new growth model' designed to raise growth through increased competitiveness together with reform of the tax system to reduce disincentives to job creation and sharp cuts in public expenditure. He identified the likely winners and losers from such an approach which he characterised as 'Keynesianism for the rich and monetarism for the poor'. The programme proceeded with insightful country studies of labour markets, jobs and skills by Vjekoslav Domljan from Bosnia, Maja Gerovska from Macedonia and Bozidar Sisevic from Montenegro. On the second day, attention turned to pension reforms and social security in Albania which were discussed in turn by Professor Merita Xhumari and Enkeleida Tahiraj from Albania. Will Bartlett and Sandra Svaljek analysed the outcomes of health sector reforms in the region and in Croatia respectively. The issue of informal sector and the impact of the crisis in Kosovo which has perhaps the largest informal sector in the region were discussed by Professor Jovan Pejkovski from Macedonia and Ardiana Gashi from Kosovo.

The conference concluded with a round table discussion led by Emina Kadric of the IFI coordination office and Frederique Rychener from DG Enlargement which debated the key issues facing social cohesion in the region, including factors such as the high level of inactive labour force and the ways forward to stimulate growth, overcome skill gaps and mismatches, facilitate the transition from school to work and ensure the reduction of

unemployment, the informal sector, and poverty. The discussion generated enthusiasm for regional research projects on these issues which could be of value to international and domestic policy makers struggling to overcome the ongoing impact of the crisis in the face of rising unemployment and stagnating economic performance.